Dell's 3Q results slide with rest of PC industry

The Associated Press

Dell Inc.'s financial performance deteriorated along with the rest of the personal computer industry in the third quarter as the company scrambled to expand into other technology fields to offset problems facing its main business.

The results announced Thursday didn't come as a surprise. Management warned during the summer that the final half of its fiscal year would be difficult and recent research reports had already documented another decline in PC sales for Dell and longtime rival Hewett-Packard Co. as they both struggled to adjust to a growing preference for smartphones and tablet computers.

Although investors were braced for a dismal quarter, the numbers were slightly worse than analysts expected. Dell dampened spirits even further by offering a fiscal fourth-quarter forecast that raised the possibility of the company's revenue falling by as much as 13 percent from the same time last year — even bigger than the decline suffered in the most recent quarter.

The sobering outlook doused any lingering hopes that Dell might get a holiday sales lift from the release of Windows 8, a radical makeover of the Microsoft Corp. operating system that powers most PCs

Dell's stock price slid by 22 cents, or 2.3 percent, to $9.34 in extended trading after the results and disappointing forecast came out. The shares have lost nearly half their value during the past nine months as it has become increasingly clear the company wasn't likely to quickly adapt to the growing demand for sleek, hand-held devices controlled by a few swipes of the finger.

In the latest quarter, revenue in Dell's mobility division fell by 9 percent from the same time last year, while desktop computer sales decreased by 8 percent.

Overall Dell's fiscal third-quarter revenue dropped 11 percent from last year to $13.72 billion.

The company, based in Round Rock, Texas, remains profitable, despite its retreat.

Dell earned $475 million, or 27 cents per share, for the three-month period end Nov. 2. That represented a 47 percent decline from net income of $732 million, or 42 cents per share, at the same time last year.

If not for certain expenses and accounting charges unrelated to its ongoing business, Dell said it would have earned 39 cents per share. That was a penny below the average estimate among analysts polled by FactSet.

The company's third-quarter revenue missed analysts' targets by about $170

million.

In the current quarter Dell expects revenue to increase by 2 to 5 percent from the third quarter. That implies fourth-quarter revenue will come in 10 to 13 percent lower than the comparable quarter in the previous year.

Dell reaffirmed a previous forecast calling for full-year adjusted earnings per share of at least $1.70.

The company is trying to cope with the downturn in its PC business by expanding into selling software, technology consulting, data storage and computer servers to big companies and government agencies. All those specialties produce higher profit margins than selling PCs and printers.

Dell's servers and networking business posted an 11 percent gain from last year. It was helped by several acquisitions.

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