IBM reports higher 4Q net income, beats estimates

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IBM's fourth-quarter earnings grew 6 percent even as revenue was largely flat, as the company benefited from growing, lucrative software businesses such as Internet-based computing and data analytics.

The results beat Wall Street's expectations, as did the technology bellwether's guidance for the current year. IBM's stock increased more than 4 percent in after-hours trading following the release of results.

IBM Corp. said Tuesday that it earned $5.83 billion, or $5.13 per share, in the October-December period. That's up from $5.49 billion, or $4.62 per share, in the same period a year earlier. That was the company's 40th consecutive quarter — a full decade — of growing earnings per share from a year earlier.

The results include special items related to acquisitions and to IBM's pension plan. Excluding those items, earnings were $5.39 per share in the latest quarter, above Wall Street's estimates of $5.25 per share.

Revenue slid less than 1 percent to $29.3 billion from $29.49 billion. It would have been flat were it not for currency fluctuations, which translated to fewer dollars IBM made on overseas sales. Analysts polled by FactSet had expected revenue of $29.12 billion.

Revenue from software was $7.9 billion, an increase of 3 percent from the fourth quarter of 2011. Revenue from hardware fell 1 percent to $5.8 billion, and revenue from technology services fell 2 percent to $10.3 billion. Revenue from other businesses fell as well. The company has been focusing on growing its software and business, which has higher profit margins, rather than hardware. By 2015, IBM expects software to account for more than half its total profit.

IBM is seen as a good gauge of technology demand because it sells to major companies and governments around the world. That said, it's not completely immune from economic fluctuations. Its revenue missed Wall Street's expectations in the third quarter.

For the full year, IBM earned $16.6 billion, or $14.37 per share, up 5 percent from $15.86 billion, or $13.06 per share, in 2011. Adjusted earnings were $15.25 per share last year, above analysts' estimates of $15.14.

Revenue declined 2 percent to $104.5 billion from $106.9 billion. Analysts had expected slightly lower revenue of $104.4 billion.

For 2013, IBM expects earnings of at least $15.53 per share. It expects adjusted earnings of at least $16.70, above the $16.65 that analysts were expecting. The company said it is "well on track" toward its long-term outlook for adjusted earnings of at least $20 per share in 2015.

Armonk, N.Y.-based IBM's stock rose $8.29, or 4.2 percent, to $204.37 in after-hours trading. The stock had closed up $1.61 at $196.08 in the regular session.

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