Dell's 1Q earnings fall 79 pct as PC sales sag

The Associated Press

Dell's earnings plunged 79 percent in the latest quarter as the shift to smartphones and tablets reduced demand for the company's personal computers.

The dismal performance announced Thursday actually might work to the advantage of Dell Inc.'s board. That's because Dell's directors are trying to persuade shareholders to accept a $24.4 billion buyout offer from CEO Michael Dell and other investors. Some shareholders say the sales price of $13.65 per share is too low, but Dell's board contends it's a good deal in light of challenges facing the company.

The results for the fiscal first quarter, which ended May 3, should reinforce the board's point. At the same time, opponents of that proposal may question whether the company is deliberately finding ways to make the results look as bleak as possible in an effort to get the deal done.

A shareholder vote is supposed be held by Aug. 2. Two of Dell's largest shareholders, billionaire Carl Icahn and Southeastern Asset Management, are trying to block the sale to Michael Dell with an alternative proposal that would keep the company public traded. If Michael Dell's offer is accepted, it would end Dell's 25-year history as a publicly traded company.

Dell earned $130 million, or 7 cents per share, in the latest quarter, compared with $635 million, or 36 cents per share, a year earlier.

If not for certain items unrelated to its ongoing business, Dell said it would have earned 21 cents per share. That figure was below the average estimate of 35 cents per share among analysts polled by FactSet.

The shortfall doesn't come as a shock. Speculation that Dell missed analysts' earnings target mounted earlier this week after the Round Rock, Texas, company disclosed that it would release its results ahead of schedule. The report originally was supposed to be released next Tuesday.

Dell's revenue for the period dipped 2 percent to $14.1 billion, about $600 million above analyst predictions.

The company benefited from an improvement in business software and other technology services, an area that Michael Dell wants to expand. Revenue in that business rose 12 percent from last year.

But as the world's largest seller of PCs, Dell's business still revolves around laptop and desktop machines, which are going out of style as more people embrace smartphones and tablets. Dell's revenue in its PC division dropped 9 percent in the latest quarter.

Dell's stock shed 6 cents in extended trading to $13.37.

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