

## **Dell Income Rises 16 Percent, Still Disappointing**

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# **Dell Income Rises 16 Percent, Still Disappointing**

Jessica Mintz, AP Technology Writer

SEATTLE (AP) — PC maker Dell Inc. said Thursday its net income improved 16 percent in the fiscal second quarter as businesses replaced aging technology, though a key profit measure fell.

The majority of Dell's revenue comes from selling technology to other companies, so its results offer a gauge of the economic recovery in the form of business spending on technology.

Along with much of the technology industry, Dell fared poorly during the worst of the recession as companies held off upgrading their systems. Dell's first-quarter results had showed businesses started replacing aging technology by buying new servers and other behind-the-scenes technology.

But Dell's business is more dependent on selling laptops and desktops to businesses. In the fiscal second quarter, which ended July 30, companies started spending more on PCs for employees, as well as on servers, storage and technology consulting services, compared with the previous year.

Stephen Schuckenbrock, president of Dell's large enterprise segment, said quarterly results for his group were "closer to pre-recession demand levels."

That pushed earnings for the world's second-largest computer maker up to \$545 million, or 28 cents per share. It was \$472 million, or 24 cents a share, in the same period a year earlier.

Excluding certain items, Dell's net income was 32 cents per share, two cents better than Wall Street expected, according to a Thomson Reuters poll of analysts.

Revenue rose 22 percent to \$15.5 billion, from \$12.8 billion. That's more than the \$15.2 billion analysts predicted.

But Dell's gross profit margin — the percentage of revenue left after subtracting the cost of making products — fell to 16.6 percent from 18.7 percent a year ago. Prices remained high for some PC components, including memory and LCD screens, in the quarter. Dell also said PCs, which are less profitable than servers and other corporate technology products, made up a greater percentage of sales to businesses.

While Dell's corporate business was strong, its consumer business lagged in the quarter. Increases in laptop and desktop PC revenue — 17 percent and 22 percent, respectively — were due entirely to sales to corporations. Dell said revenue from the consumer PC division was flat from a year earlier. That division posted an operating loss of \$21 million.

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Brian Gladden, Dell's chief financial officer, said in an interview that demand for consumer PCs dropped off in the second half of the quarter.

While Dell said it expects sales to businesses to continue to be strong for the next few quarters, the company was slightly more hesitant about the immediate prospects for consumer sales.

During a conference call, Gladden said the back-to-school shopping season has also been "a little weaker than we would have expected."

Hewlett-Packard Co., the largest PC maker in the world, also reported quarterly results Thursday. The company said it saw some "softness" in the consumer laptop market, and that back-to-school shopping started "somewhat late for us."

HP, another major beneficiary of businesses' technology spending spree, met Wall Street's expectations, with net income rising 6 percent on an 11 percent gain in revenue.

Shares of Dell, which is based in Round Rock, Texas, slipped 34 cents, or 2.8 percent, to \$11.70 in after-hours trading after the release of results Thursday. Earlier, Dell lost 15 cents to close regular trading at \$12.04.

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