HP 1Q Earnings, Revenue Top Views

Associated Press

PALO ALTO, Calif. (AP) — Hewlett-Packard Co. on Thursday reported first-quarter earnings and revenue that topped Wall Street's forecasts, mainly on the surprising strength of personal computer sales to businesses.

The company benefited from a one-time bump from companies upgrading to Windows 7 and buying new machines for employees before Microsoft stops supporting Windows XP in April.

CEO Meg Whitman said that the Windows upgrade cycle was "important, but not overwhelming." She said companies were also getting around to replacing older machines.

"What I think PC commercial customers understand from their employees is that while they may want a tablet, they also need more traditional computer devices to do the real work," she told analysts on a conference call.

However, Whitman said it is "too early to call" a turnaround in the overall trend of declining PC sales.

The Palo Alto, Calif., company's outlook for the second quarter was slightly below forecasts, while its full-year outlook was mostly in line.

"My concern is that they perhaps pulled forward some demand," said Bill Kreher, an analyst with financial advisory firm Edward Jones. "That is why their earnings outlook for the second quarter is not as high as perhaps some were hoping for."

Net income in the quarter through Jan. 31 rose 16 percent to $1.43 billion, or 74 cents per share, from $1.23 billion, or 63 cents per share, a year earlier.

Excluding restructuring and other charges, adjusted earnings came to 90 cents per share. Analysts polled by FactSet expected 85 cents.

Revenue dipped 1 percent to $28.15 billion, but was flat excluding currency effects. Analysts expected $27.20 billion.

Personal computer sales rose 4 percent to $8.53 billion, bucking a global decline. Research firm Gartner Inc. said last month that global PC shipments fell 7 in the final three months of 2013 as consumers bought more tablets and smartphones. International Data Corp. put the drop at 6 percent.

Printing revenue fell 2 percent to $5.82 billion while revenue from its enterprise group, which offers technology consulting services, rose nearly 1 percent to $6.99 billion.

HP expects second-quarter adjusted earnings of 85 to 89 cents per share. The midpoint of that range is below the 89 cents analysts were forecasting. It expects full-year adjusted earnings of $3.60 to $3.75 per share, with the midpoint slightly above the $3.66 analysts were expecting.

HP shares rose 23 cents to $30.42 in after-hours trading following the release of results, after closing up 74 cents, or 2.5 percent, at $30.19 in the regular session.

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