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Subjects: Stock prices

Classification Codes 3100, 8651

Companies: Gateway Inc(Ticker:GTW, NAICS: 334111, 454111)

Author(s): Gary McWilliams

Article types: News

Column Name: *Technology*Section: *Technology*

Publication title: Wall Street Journal. (Eastern edition). New York, N.Y.: Oct 27, 2003. pg. B.6

Source Type: Newspaper

ISSN/ISBN: 00999660

ProQuest document ID: 431091221

Text Word Count 433

Article URL: http://gateway.proquest.com/openurl?ctx_ver=z39.88-2003&res_id=xri:pqd&rft_val_fmt=ori:fmt:kev:mtx:journal&genre=article&rft_id=xri:pqd:did=000000431091221&svc_dat=xri:pqil:fmt=txt&req_dat=xri:pqil:pq_clntid=9269**Abstract** (Article Summary)

The company, based in Poway, Calif., has become the biggest loser in the PC market-share battle between Dell Inc. and Hewlett-Packard Co. Despite a 19% increase in total PC shipments in the U.S. last quarter, Gateway's market share slipped to 3.4% compared with 5.5% a year earlier, according to market watcher Gartner Inc. Meanwhile, Dell and H-P each gained a percentage point or more in share.

Last year, with unit volume of PCs shrinking, Gateway began adding \$3,000 plasma-screen TVs, digital cameras and MP3 players to its product sales. But the push into consumer electronics has failed to offset its continued PC woes. Third-quarter sales tumbled 21% to \$883 million from \$1.12 billion a year earlier. Gateway's annual sales peaked at \$9.25 billion three years ago.

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Gateway Inc.'s shares tumbled 24%, as investors fretted about its turnaround strategy following a wider third-quarter loss and a forecast of a larger-than-expected loss for the current quarter.

Friday, the personal-computer maker's shares fell \$1.48 to close at \$4.62 each in 4 p.m. composite trading on the New York Stock Exchange. Late Thursday, Gateway reported a third-quarter loss of \$136.1 million, or 43 cents a share, after restructuring charges of \$73 million, compared with a loss of \$46.9 million, or 15 cents a share, a year earlier.

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Gateway issued a dour forecast for the fourth quarter, historically its best period, projecting a loss before restructuring charges of nine cents to 15 cents a share. Wall Street was expecting a loss of nine cents a share, according to Thomson First Call.

The company said it expects additional restructuring expenses of \$50 million to \$60 million for the fourth quarter. Gateway estimated revenue would fall as much as 15%, to \$925 million to \$975 million, from \$1.06 billion a year earlier.

Friday's stock drop reversed what had been a sharp rally. Gateway's shares fell to a low of \$2.02 during February and began a steady climb, reaching \$6.85 during late September. Yesterday, Lehman Brothers analyst Daniel T. Niles urged investors to take profit in the stock, helping trigger the selloff.

Once the second-largest build-to-order PC maker after Dell, Gateway has abandoned most international operations and has begun transferring most of its PC assembly to Asian manufacturers in a bid to halt the losses. Three years ago, it employed 24,600 workers world-wide. After dismissing 1,800 employees last month, it employed about 6,900.

Gateway's latest cost cutting includes the closing of a Hampton, Va., assembly plant, the outsourcing of a Sioux Falls, S.D., PC repair and logistics unit, and significant cuts at its main North Sioux City, S.D., manufacturing plant.

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