

Dell Computer Sees Derivatives Losses; Stock Drops 12%

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Dell Computer Corp.'s stock tumbled 12% after the company estimated it would incur losses from derivatives for the quarter ending May 1.

The projected paper loss, which some analysts pegged at between \$5 million and \$15 million, comes amid a string of derivatives-related hits in recent weeks, including a \$157 million pretax charge at Procter & Gamble Co. to close out two derivatives contracts.

Yesterday, in trading on the Nasdaq Stock Market, Dell common closed at \$22, down \$2.875, on volume of 9.6 million shares.

Derivatives are financial agreements whose returns are linked to, or derived from, the performance of some underlying asset, such as bonds, currencies or commodities.

Dell officials said the company's derivatives loss would be "orders of magnitude" less than Procter & Gamble's and said it wouldn't result in an overall loss for the company for the quarter. Dell also said its derivatives activities don't involve Bankers Trust New York Corp., which has been threatened with legal action because of its handling of Procter & Gamble and others.

Still, the Dell news spooked many on Wall Street who still recall Dell's foreign-currency trading scandal in late 1992. Then, Dell acknowledged that it had losses of tens of millions of dollars in currency and hedging, prompting an inquiry by the Securities and Exchange Commission and dimming Dell's status as a high-tech corporate star.

While analysts agreed there wasn't any evidence that the derivatives problems are on the same scale as the foreign-currency woes, the similarities nevertheless scared away investors.

"In the scheme of things, it's very small most likely," said Robert Anastasi, an analyst at Robinson Humphrey in Atlanta. "But we don't know the magnitude. It's the *deja vu* thing that has many people spooked."

Like Dell's foreign-currency woes, the company's derivatives loss was first discussed on Wall Street by David Korus, an analyst at Kidder Peabody & Co. in New York. Dell officials say Mr. Korus discussed the issue in a briefing to sales managers yesterday morning. Mr. Korus declined to comment.

A Dell spokeswoman said the company has acknowledged a total derivatives position of about \$355 million.