

UPDATE 2-Citrix Q1 profit in line, raises 2010 view

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- * Q1 adj EPS \$0.40 vs est \$0.40
- * Q1 rev up 12 pct
- * Raises 2010 outlook slightly
- * Shares fall 3 pct after mkt (Recasts; adds conference call details, analyst comments)

By Sayantani Ghosh

April 21 (Reuters) - Infrastructure software maker Citrix Systems Inc <CTXS.O> posted in-line quarterly profit and modestly raised its full-year forecast, but shares fell 3 percent after market as investors expected more in an improving IT spending environment.

The company said it closed only a handful of large transactions in the first quarter and that the demand environment continued to trend toward a more normalized seasonal spending cycle with EMEA still trailing the U.S.

"I am a little bit surprised that they did not beat the top line. I would have thought they would have had a little bit more of wind behind their sales because of momentum in virtualization deployments," said Unni Narayanan, chief executive of investment research firm Primary Global Research.

For the first quarter, the company's net earnings grew more than six-fold to \$47 million, or 25 cents a share, while revenue rose 12 percent to \$414 million.

The company's XenDesktop product, a part of its desktop business, continued to gain traction, contributing four of the five largest transactions in the quarter.

"Their desktop business definitely has legs -- that's probably the brightest part in the story," Narayanan said.

Citrix raised its full-year profit outlook range by 1 cent to \$1.88 to \$1.91 a share. It now expects 2010 revenue of \$1.77 billion to \$1.78 billion, up from its earlier view of \$1.74 billion to \$1.76 billion.

On Tuesday the company's main rival, VMware Inc <VMW.N>, posted better-than-expected quarterly results and forecast strong full-year revenue, as it benefited from pent-up demand carried over from the previous quarter.

"If you looked at VMware's earnings their comment was that their desktop product was achieving traction. This is good because if that market takes off it will help Citrix disproportionately as compared to VMWare," Narayanan said.

However, Citrix has not succeeded in driving VMware's prices down or stealing market share, and continued to achieve growth through its existing SMB end-market segment, he said.

The company, which develops virtualization software that allows a single computer to act like many virtual machines, also authorized up to an additional \$400 million buyback of its stock. Shares of the Fort Lauderdale, Florida-based company were down at \$48.51 in extended trading. They closed at \$49.83 Wednesday on Nasdaq.

(Reporting by Sayantani Ghosh; Editing by Don Sebastian, Unnikrishnan Nair)