

Report: Intel Gains Back Market Share from AMD

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Following a weak first quarter, AMD lost market share to its main rival, Intel, during the first three months of this year, according to a new report.

Intel gained back market share in the first quarter of 2007 as its main rival, Advanced Micro Devices, sputtered in the face of sluggish sales and lower prices for its microprocessors, according to a new report.

iSuppli, a market research firm in El Segundo, Calif., found that in the first three months of this year, Intel captured over 80 percent of the microprocessor market. AMD, on the other hand, watched its market share slip to about 11 percent.

The report, released April 19, showed that AMD lost more than 4 percent of its market share from the last quarter of 2006. According to iSuppli's historical analysis, AMD had its best showing in the third quarter of 2006, when it claimed 16.7 percent of the market compared to Intel's 73.9 percent.

The report took into account not only x86 microprocessor, but all chips sold in the quarter.

Analyst found that Intel made the most gain in its dual-core offerings.

"An analysis of Intel's results show the company's sales gains came in its strategic line of Core 2 Duo products, its mainstream family of dual-core

PC microprocessors," Matthew Wilkins, an analyst with iSuppli, wrote in the report.

"This represents a major reversal of fortune compared to 2006, when AMD had the advantage with its popular dual-core microprocessors and gained share from Intel."

The report comes at the same time that AMD announced its lackluster first-quarter financial numbers, which amounted to a net loss of \$611 million. The Sunnyvale, Calif., company also watched its gross margins - a key metric among microprocessor companies - slip to 28 percent in the quarter. A year ago, the company's margins stood at about 58 percent.

Intel, on the other hand, managed to post a net gain of \$1.6 billion when it announced its own first quarter numbers on April 17. While the company's gross margins were down - 50 percent this quarter compared to 55 percent a year ago - the numbers were still better than expected.

The two companies have been locked in an intense price war for some time and the market for microprocessors has been weak. However, while Intel reported that the ASP (average sale price) for its chips had been flat during the quarter, AMD's ASP dropped.

In a call with analysts after the numbers were announced, AMD executives promised big changes in the company's strategy.

AMD is also betting that the release of its quad-core Opteron processor, dubbed "Barcelona," which will appear in servers and desktops in the third quarter of this year, will give the company a much needed boost. Intel has had quad-core processors in the market since November, but AMD insists that it will deliver a better designed chip.

Intel is also gearing up to begin offering 45-nanometer processors later

this year. AMD's ramp to 45-nanometer manufacturing will not happen until later in 2008.

While AMD said April 19 that Barcelona remains on track, some analysts are skeptical that this will help as the company looks to revamp its own business.

"The company - AMD - is as far behind Intel on process technology as it's been for a decade," wrote Joe Osha, an analyst for Merrill Lynch in New York, on April 20.

"AMD may manage to counterpunch in servers with Barcelona, but whatever advantage the company manages to pick up in client processors will likely dissipate quickly with the introduction of 45-nanometer products from Intel."

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