

Intel says PC sales improving; profit beats Street

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(AP) -- Intel Corp.'s first-quarter profit blew past Wall Street's grim forecasts as the chip maker's CEO proclaimed Tuesday that personal computer sales "bottomed out" and have started recovering.

Intel's optimistic comments were notable because it was the first technology company to report earnings for the first three months of 2009. However, [Intel](#) let investors down by not giving specific revenue guidance. It's not yet clear whether people are buying significantly more PCs, or whether Intel is mainly benefiting from computer makers replenishing their chip inventories, which had been whittled to low levels.

Intel shares were down 76 cents, 4.8 percent, at \$15.25 in after-hours trading. The shares had gained 3 cents to close at \$16.01 before the earnings report.

"The numbers are good - there's nothing wrong with the results they posted. The guidance is where people are finding disappointment," said Doug Freedman, an analyst with Broadpoint.AmTech. "They're continuing to highlight a rather large degree of uncertainty, both in terms of revenue and gross (profit) margins."

The Santa Clara, Calif.-based company's net income of \$647 million, or 11 cents per share, was less than half what the company earned in the same period last year. But analysts polled by Thomson Reuters were expecting far worse. They had forecast profit of just 3 cents per share.

Some analysts even predicted Intel would lose money for the first time in nearly 25 years.

Intel said its profits were helped by a tax rate that was much lower than expected - 1 percent instead of the 27 percent that was forecast.

Intel's sales of \$7.1 billion were about \$100 million higher than estimates.

"We believe PC sales bottomed out during the first quarter and that the industry is returning to normal seasonal patterns," said Intel's [CEO](#), Paul Otellini, said in a statement.

Intel said it was too hard to predict its financial results for the second quarter, so the company would only offer that revenue will likely be flat from the first quarter, and gross profit margin will be in the "mid-40s" as a percentage of revenue. Gross margin measures how much money a company makes once the cost of making its products is stripped out. It's particularly important for chip makers, which have heavy manufacturing costs.

Intel's gross margin in the first quarter was 45.6 percent. That was down from 53.1 percent in the fourth quarter - a sign that Intel is running its factories at less than full capacity to account for soft demand.

As the world's largest [semiconductor company](#), Intel's results help gauge demand for personal computers, and are a proxy for the health of overall technology spending.

When times are good, consumers and businesses buy more PCs, which leads PC makers to buy more of Intel's chips. When times are tight, PC makers clamp down, and Intel's sales fall. This recession is bearing that out: Computer sales fell slightly in the fourth quarter of 2008, according

to market tracker IDC, the worst performance since 2002.

Analysts were expecting PC makers to loosen their purse strings a little in the first quarter because they need to replenish their pipelines of chips after burning through inventory to save cash over the last few quarters.

Intel owns about 80 percent of the world's PC microprocessor market, and has been stealing share from smaller rival Advanced Micro Devices Inc. with the Atom chip. Atom is Intel's first microprocessor for "netbooks," which are mini-laptops that do less than regular laptops, but are very popular because they also cost less.

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