

Intel's strong numbers suggest PC business on mend

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In this photo made Wednesday, May 13, 2009, Intel chips for sale are seen on display at Micro Center in Santa Clara, Calif. Intel Corp. is expected to report quarterly earnings after market close Tuesday, July 14, 2009. (AP Photo/Paul Sakuma)

(AP) -- Intel Corp.'s second-quarter results bolster the company's position that the computer business is on the mend after its roughest patch in years.

Intel is the world's biggest maker of microprocessors, the electronic brains of PCs. More than three-quarters of the world's PCs use [Intel](#) chips. The company late Tuesday posted second-quarter sales substantially stronger than Wall Street expected, and its outlook suggests there's more good news to come. The stock jumped 7 percent in after-

hours trading.

That's not to say that personal computers are flying off the shelves. PC makers are still hurting, which shows how brisk business for Intel might take months to translate into better numbers for its customers.

The No. 2 PC maker, Dell Inc., for example, warned this week that the U.S. computer market might have hit bottom, but its sales to businesses remain weak. CEO Michael Dell said penny-pinching computer buyers appear to be holding on to their existing machines for longer than is typical.

Intel's numbers show that PC makers bought more chips than expected in the quarter that ended June 27. Part of the reason is a pickup in end user demand, but another big reason is that customers have burned through massive amounts of inventory to save money, and now need to restock.

A \$1.45 billion antitrust fine from the European Union, which Intel had to pay while it appeals the case, gave the Santa Clara, Calif.-based company its first quarterly loss since 1986. Including the fine, Intel lost \$398 million, or 7 cents per share, compared with year-ago profit of \$1.6 billion, or 28 cents per share.

But excluding the EU fine, Intel earned \$1 billion, or 18 cents per share, in the second quarter - easily beating the 8 cents per share expected by analysts surveyed by Thomson Reuters.

Sales fell 15 percent to \$8.02 billion in the most recent quarter but also topped Wall Street's \$7.28 billion average forecast by a wide margin.

"I'm in shock - it's great news," said Kevin Cassidy, a semiconductor analyst with Thomas Weisel Partners. "It's just amazing the market can

snap back this quickly. The question is, is it sustainable?"

Intel's numbers are closely watched because they reflect the health of the [computer market](#) and technology spending in general. Interest in the second-quarter numbers was particularly acute because [CEO](#) Paul Otellini predicted in April that PC sales had "bottomed out" after their worst holiday season in six years.

The trends that helped Intel should also help its smaller rival, Advanced Micro Devices Inc., which reports its numbers July 21. AMD has racked up billions of dollars in losses over the past few years under pressure from Intel, and is trying to bounce back by spinning off its chip-making factories.

Global PC shipments in 2009 are expected to fall for the first time since the dot-com meltdown in 2001, according to the iSuppli Corp. research firm. Yet analysts said Intel's numbers Tuesday indicated that the industry is not in as dire shape as it appeared just months ago.

"How can we not be happy? I think they did a tremendous job," said Leslie Fiering, a research vice president with Gartner Inc. "It has to inspire some confidence in the market. ... There is uncertainty in this market, but we're seeing improvement, and it beats the alternative."

Intel offered a third-quarter sales outlook of \$8.5 billion, plus or minus \$400 million, which is significantly better than the \$7.8 billion average estimate of analysts polled by Thomson Reuters.

The numbers helped drive Intel shares up \$1.27 to \$18.10 in extended trading. Before the earnings report, the stock closed at \$16.83, up 2.1 percent on the day.

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