

Intel stokes hopes for PC recovery

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In this Sept. 22, 2009 photo, convention attendees uses Intel computers in San Francisco. Intel Corp. is expected to release third quarter earnings after market close Tuesday, Oct. 13, 2009. (AP Photo/Paul Sakuma)

(AP) -- Intel Corp. has been asserting for months that the personal computer business is rebounding from its deepest slump in nearly a decade. Its stock jumped late Tuesday on signs things are picking up faster than expected, despite a few lingering trouble spots.

Intel reported after the market closed that its profit and sales both dipped 8 percent in the July-September period as spending by corporations remained weak, a trend that has dragged on throughout the recession and probably won't ease until next year.

The price for Intel's chips also fell. One reason is that "netbooks," little laptops that cost a few hundred dollars and have limited functions

beyond surfing the Internet, have caught on but aren't big moneymakers. Another is that PC makers have slashed their prices on full-sized computers, and aren't willing to pay as much for the chips that go into them.

The results easily surpassed Wall Street's forecasts, however, and Intel's guidance for the October-December quarter of \$9.7 billion to \$10.5 billion in sales also topped projections.

As the first major technology company to report third-quarter earnings, Intel's numbers lend insight into the strength or weakness of PC makers' demand for new chips. What the figures don't necessarily show, though, is whether PC companies are stocking up on chips to replenish low supplies, or whether they expect especially brisk sales of computers. That will begin to play out in the coming weeks, as the holiday season gets under way and a new edition of Windows is released Oct. 22.

Intel had bumped up Wall Street's expectations twice ahead of Tuesday's report.

In August, the company raised its guidance, and last month CEO Paul Otellini predicted that PC sales could defy predictions by growing in 2009, which would avert the first year-over-year sales decline since 2001. Intel has been more optimistic than even some of its biggest customers. Hewlett-Packard Co. and Dell Inc., the top PC makers, have been reluctant to call a bottom in the PC market, as Otellini did in April.

Intel's net income was \$1.9 billion, or 33 cents per share, down from \$2.0 billion, or 35 cents a share, a year ago. Sales totaled \$9.4 billion. Analysts had expected profit of 28 cents per share on sales of \$9.0 billion, according to a poll by Thomson Reuters.

Another important number was Intel's gross profit margin, which was

57.6 percent of revenue. In the second quarter, the figure was 50.8 percent. The boost shows Intel is making its microprocessors cheaper to produce, a technological feat that comes from pouring billions of dollars into research and upgrading factories.

Intel shares jumped 99 cents, or 4.8 percent, to \$21.48 in extended trading Tuesday. Before the earnings report the stock had closed at \$20.49, up 9 cents on the day.

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