

Nvidia, AMD shares jump after Intel scraps chip

December 7 2009, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- Shares of Nvidia Corp. and Advanced Micro Devices Inc. jumped Monday after rival Intel Corp. scrapped plans to make a new graphics chip that would have challenged both companies.

Nvidia's stock rose \$1.83, or 12.8 percent, to close Monday at \$16.09, while AMD's gained 66 cents, or 8.4 percent, to \$8.52. AMD's stock was also upgraded

The gains signaled investors' relief that [Nvidia](#) and AMD won't have to square off - at least immediately - against the world's biggest [semiconductor maker](#) in the market for standalone, or "discrete," graphics chips.

[Intel](#) disclosed that it no longer plans to release a chip code-named Larrabee to the general public as planned next year, saying the "silicon and software development are behind where we had hoped to be at this point in the project."

The company had a lot riding on Larrabee, if only mainly in regard to its reputation.

Intel heavily hyped the chip as a challenge to Nvidia and AMD. Because of Intel's size - Intel's \$112 billion market capitalization is 20 times AMD's size and about 13 times Nvidia's - it can be a major threat in any market it throws itself into. But graphics has been a problem.

Intel is the world's leader in selling the central processing units (CPUs) that act as the brains of personal computers and servers, with about 80 percent of that market. It is also the leader in overall graphics processors for computers, with more than half of that market, because its "chipsets," which connect the main processor to the rest of the computer, have graphics capabilities.

But Nvidia and AMD's ATI division are the two biggest players in the market for standalone graphics chips, which are more powerful and are becoming more of a necessity as computers are called upon to process more complicated visual images, such as games and Internet video and digital home movies.

Intel has tried and failed to crack that market before, attempts that have left the company "tainted as a can't-do graphics company," said Jon Peddie, president of Jon Peddie Research, which tracks graphics chips.

Ambrish Srivastava, an analyst with BMO Capital Markets, called Intel's decision on Larrabee is "more than a poke in the eye, as Intel has been talking up its discrete graphics effort for quite some time now."

One reason Intel hasn't been as successful in graphics as it has in CPUs is because graphics chips are designed differently than CPUs, and are built around the idea of doing lots of things at once, which is called "parallel computing" in industry jargon, instead of one at a time. Graphics chips have many more processing "cores" than CPUs and handle data differently. It's a different engineering challenge, and one that Intel wasn't able to conquer to its satisfaction in the timeline it gave for Larrabee.

Nvidia said in a statement that "the fact that a company with Intel's technical prowess and financial resources has struggled so hard to succeed with parallel computing shows just how exceptionally difficult a

challenge this is."

Still, Intel insists it is not out of the fight. The company, based in Santa Clara, said the Larrabee project isn't dead: the chip will still be used internally for software development. And Intel said it will announce plans for other standalone graphics products in 2010.

Intel's stock slipped only 9 cents, or 0.4 percent, to \$20.37. Larrabee wasn't expected to be a big part of Intel's business, said analyst Ross Seymore with Deutsche Bank, who called Intel's decision a positive development for AMD and Nvidia.

Also Monday, analyst Stacy Rasgon with Sanford C. Bernstein & Co. upgraded AMD's stock, saying the settlement last month with Intel, under which Intel will pay AMD \$1.25 billion and both companies will drop their lawsuits against each other, clears "the biggest roadblock" for AMD to fully untangle itself from its manufacturing division, which it recently spun off but is still reporting in AMD's financial results.

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