# AMD narrows loss, but spinoff weighs on chip maker

October 14 2010, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- Advanced Micro Devices Inc. narrowed its third-quarter loss slightly, as the chip maker's remaining stake in factories it spun off last year dragged down the results.

Ignoring the baggage from the spinoff, AMD said Thursday it would have earned more than Wall Street expected, a sign the company is getting better at squeezing profit out of the remaining business.

AMD shares rose 33 cents, or 4.6 percent, to $7.47 in extended trading, after the release of the results.

AMD makes microprocessors, the "brains" of computers, and graphics processors. Its numbers supply fresh evidence that corporate spending is propping up the computer industry as consumer demand sags.

Consumers buoyed the industry during the recession, but backed off a bit this summer because of mounting economic anxieties and the emergence of the iPad. Meanwhile, corporate orders have emerged from a deep freeze, but there are fears they could slow down again as businesses finish a cycle of replacing old machines.

AMD said it lost $118 million, or 17 cents per share, compared to $128 million, or 18 cents per share, a year ago.

Excluding one-time items and the factory business, the company earned 15 cents per share. Analysts on average expected earnings of 6 cents per

share, roughly on the same basis as the company, according to a survey by Thomson Reuters.

Revenue rose 16 percent to $1.62 billion, slightly higher than the $1.61 billion analysts expected.

However, AMD said fourth-quarter revenue would be about the same as the third quarter, while analysts had been expecting a higher figure - $1.67 billion.

AMD's numbers support trends laid out by its main rival, Intel Corp.

Both companies warned Wall Street that they were dinged weak back-to-school computer buying, cutting their third-quarter guidance when it became clear that consumers weren't buying as many new PCs as expected, and PC makers curbed orders for new chips.

But recent data show that things improved as summer turned to fall, providing some cautious optimism about the holidays, the other all-important shopping season for electronics companies.

Intel reported Tuesday that its third-quarter net income leaped 59 percent in part on strong sales of server chips, which tend to be more expensive and more profitable than chips for consumer computers. The midpoint of its guidance for the fourth quarter topped analyst expectations, and market research firm IDC and Intel noted that consumer sales in September were stronger than expected.

AMD is a far different company than it was a few years ago. The $5.6 billion acquisition of ATI Technologies in 2006 and technical missteps took it close to collapse. Now, ATI is proving to be a valuable wedge against Intel in graphics technology.

To unload debt and free itself from the cost of keeping its factories on the cutting edge, AMD spun them off into a separate company called GlobalFoundries Inc. in 2009. The investment arm of the Persian Gulf state of Abu Dhabi took the majority stake.

AMD still owns about 30 percent of GlobalFoundries and has to account for the investment in its results. In the latest period, AMD recorded a $186 million non-cash loss from GlobalFoundries. That was the primary reason it reported an overall loss.

AMD, which is based in based in Sunnyvale, ended the latest quarter with $1.73 billion in cash and cash equivalents and added 372 employees to bring its total work force to 11,021.

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