

Intel hikes dividend again despite tech worries (Update)

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This Sept. 22, 2010 photo, shows the Intel Corp. booth at a conference in San Francisco. Intel, the big chip maker, says it will raise its dividend by 15 percent and reaffirms that it is headed for its best year. (AP Photo/Paul Sakuma)

(AP) -- Intel Corp. is confident enough in the stability of its moneymaking skills to raise its dividend by 15 percent, even as Wall Street braces for a bumpy ride for the technology industry.

The chip-maker's announcement Friday comes on the heels of a downcast description of the technology market by [Cisco Systems Inc.](#) Cisco dragged down stocks this week with a warning that government spending - especially at the state and local level - has suddenly turned sluggish. Many investors are worried that other technology companies

are in line for a beating over the next several quarters and that the problems will spread to other industries.

Intel's dividend hike, the fourth since the Great Recession started in late 2007, is less a reflection of the company's optimism about the market than a reminder of its unique advantages in the computing industry. It also underscores the fact that many large companies have been sitting on piles of cash for the past three years and have been pouring some of the money back into their dividends to appease skittish shareholders.

According to Capital IQ Quantitative Research, nearly half of the companies in the S&P 500 have raised their dividend since the end of 2007, while only a fifth cut theirs.

Intel itself has warned recently about tough times in its business of selling microprocessors, the "brains" of personal computers and servers. But at the same time, it commands 80 percent of the market for those chips and is in the desirable position of owning its own factories, which means it can make better chips cheaper than its competitors.

Although the factories are expensive, requiring frequent multibillion-dollar upgrades, Intel has been able to put in technological advances - such as new techniques for shrinking the size of the circuitry on its chips - to help the company wring out more profit from its chips.

"I wouldn't necessarily say that Intel's bullish," said Patrick Wang, a semiconductor analyst with Wedbush Securities. Wang added that Intel will make [investors](#) feel better in returning cash to them, even though it isn't a reflection of Intel feeling exuberant about the market.

Intel shares rose 32 cents, or 1.5 percent, to \$21.53. But the company's upbeat comments couldn't lift the broader market. The Dow Jones industrial average fell 90.52, or 0.8 percent, to 11,192.58 on news that

China might try to slow its surging economy to combat inflation.

As a barometer for the tech sector, Intel has flashed some mixed signals over the past few months.

Back in August, the company cut its quarterly sales forecast, citing "weaker than expected demand for consumer PCs in mature markets," including the U.S. and Europe. Then last month it offered a more encouraging fourth-quarter forecast that met expectations.

The move to raise its dividend Friday provided a counterpoint to Cisco's weak projections.

On Wednesday, Cisco said that new orders during the most recent quarter fell short of the company's expectations. It forecast revenue growth for the quarter ending in January at just 3 percent to 5 percent over last year, less than half the growth rate analysts expected. Some analysts have noted that while Cisco's problems are an omen for much of the tech world, its networking equipment can be very expensive. Analysts say companies selling cheaper products might not experience as severe a slowdown in sales.

Cisco, which provides big companies, government agencies and service providers with the equipment that routes data over the Internet, has announced plans for a dividend, though the exact size isn't yet known and will depend on tax laws and market conditions. Cisco is sitting on \$38.9 billion in cash and cash equivalents, much of it stuck abroad and not being used for investments in the U.S. as companies such as Cisco pressure the government to lower taxes on money made outside the U.S. and brought back stateside.

Oracle Corp., one of the world's biggest business software makers, began paying a dividend last year.

Since the recession started, Intel's quarterly dividend has grown to 15.75 cents per share, from 11.25 cents per share. On Friday, the company announced it was extending that further to 18 cents per share, a total increase of 60 percent over the past three years. CEO Paul Otellini said the company "remains on track to have our best year ever and we continue to generate strong cash flows."

Intel, whose stock is a component of the Dow Jones industrial average, has one of that group's highest-yielding dividends. Intel's annual yield currently stands at 3 percent of its stock price. Intel said the new dividend will take effect in the first quarter of next year. The company ended the latest quarter with nearly \$15 billion in cash and short-term investments, nearly \$3 billion more than it had the quarter before.

Intel is taking in far more than it's giving back through the dividend. At the new, higher rate, Intel will be paying about \$1 billion a quarter in dividends, based on the latest share count. That's up from about \$900 million per quarter at the lower rate.

Doug Freedman, an analyst with Gleacher & Co., said Intel's boost was higher than he expected. He noted that as the semiconductor and other tech industries have matured, and the supercharged growth of the dot-com days and earlier eras has slipped away, dividends have become more important as a way to reward investment.

"If you're investing in tech, you really need to start paying more attention to dividend yields as much as you want to pay attention to growth," Freedman said. "What Intel's doing with their dividend is more about their business model than optimism about the market or top-line numbers. With no growth, [Intel](#) can support that dividend yield."

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