

# Intel, Qualcomm show changing face of computing (Update)

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Intel corporate offices are seen Tuesday, July 19, 2011, in Santa Clara, Calif. Intel Corp. reports quarterly financial results Wednesday, July 20, after the market close.(AP Photo/Ben Margot)

(AP) -- The changing face of the computer industry was on display Wednesday as two companies representing the old guard and the new issued strong results for the latest quarter.

Intel, a bedrock of the PC business, and Qualcomm, a vanguard in mobile computing, showed how companies at opposite ends of the computing spectrum are adapting to a market that's in intense upheaval.

The U.S. and European PC markets have slumped: Fewer people are buying new PCs because of economic anxiety, market saturation and the rise of seductive new gadgets such as Apple's iPad.

So Intel, which helped create the PC industry three decades ago, is counting on other areas for growth.

The world's No. 1 maker of PC processors benefited from healthy demand from corporations and in emerging markets. It also rode the popularity of smartphones and tablet computers by selling the chips powering additional servers needed to handle the increased mobile traffic.

CEO Paul Otellini said the results left him with "increasing confidence" for the second half of the year.

Intel's smaller rival, Advanced Micro Devices Inc., reports results on Thursday.

Intel said Wednesday that its net income rose 2 percent to \$2.95 billion as revenue jumped 21 percent to \$13 billion.

Meanwhile, Qualcomm's net income increased 35 percent to \$1.04 billion, and revenue rose 34 percent to \$3.62 billion. The maker of wireless chips credited robust smartphone adoption. The company raised its guidance.

Taken together, Intel's and Qualcomm's numbers demonstrate two things:

- The rise of mobile gadgets and weakness in the consumer PC market in U.S. and Europe have profoundly transformed Intel's business.
- Those changes are benefiting companies such as Qualcomm as they assume a more prominent role in the semiconductor world.

But investors' dismissive reaction to the reports underlined that the

companies are still subject to different sets of expectations, even as their businesses overlap to a greater degree.

After the results came out late Wednesday, Intel Corp.'s stock fell 34 cents, or 1.5 percent, to \$22.62, apparently because of fears that the PC market is so wobbly that Intel's forecasts might be too high.

Qualcomm Inc.'s stock fell \$1.50, or 2.6 percent, to \$55.77 as some investors expected even stronger results.

Left unspoken in both companies' reports was Apple Inc., whose introduction of the iPhone in 2007 and the iPad last year have single-handedly launched the computer industry in two new directions and reshuffled the established order.

Apple on Tuesday reported blowout quarterly results, and its stock is headed toward an all-time high of \$400. Apple has now sold nearly 29 million iPads and more than 128 million iPhones. In the latest quarter, it sold five times as many iPhones as it did Mac computers.

Qualcomm is a key Apple supplier, and investors are hoping that the company can win more business - possibly by replacing iPhone chips now made by the wireless-chip division of Germany's Infineon Technologies AG, which Intel bought last year for \$1.4 billion.

Intel's second-quarter earnings translated to 54 cents per share, up from \$2.89 billion, or 51 cents per share, a year ago. Excluding some expenses, Intel earned 59 cents per share, ahead of analyst expectations for 51 cents per share, according to FactSet.

Revenue was ahead of analyst projections for \$12.8 billion.

Third-quarter guidance of \$13.5 billion to \$14.5 billion was also better

than expected. Analysts had predicted \$13.5 billion, at the low end of Intel's range.

Its numbers don't necessarily mean that the PC business is in great shape.

Consumer demand for PCs in mature markets such as the U.S. and Europe has been weak for the past year. Stacy Smith, Intel's chief financial officer, said in an interview it is expected to remain "relatively soft" for the remainder of 2011. Shipments into those markets are actually decreasing, according to market research that IDC and Gartner Inc. released last week.

Instead, the higher numbers reflect three trends that Intel and its customers - the big PC makers such as Hewlett Packard Co. and Dell Inc. - plan to ride to stronger growth even as parts of their businesses contract.

First, corporations are still upgrading their employees' PCs. They are believed to be only in the middle of a multi-year cycle.

Emerging markets such as India and China are seeing strong PC growth, as incomes rise and more marketing efforts are targeted there.

And the smartphone and tablet craze, which PC makers are desperately trying to latch onto, benefits a company such as Intel because more servers are needed to handle the crush of new mobile Internet traffic.

Qualcomm's earnings in the fiscal third quarter, which ended June 26, translated to 61 cents per share. That's up from \$767 million, or 47 cents per share, a year earlier. Excluding some expenses, Qualcomm earned 73 cents per share, ahead of the estimate of 71 cents per share on that basis.

Revenue was also higher than the \$3.54 billion analysts expected.

For the current, the San Diego-based company expects earnings 75 cents to 80 cents per share on an adjusted basis, compared with the average estimate of 75 cents per share. Revenue should be \$3.86 billion to \$4.16 billion, Qualcomm said, compared with analysts' expectations of \$3.83 billion.

For the full fiscal year, Qualcomm sees earnings of \$3.15 to \$3.20 per share, excluding items, higher than the \$3.14 per share expected. The company projects revenue of \$14.7 billion to \$15 billion, ahead of the \$14.6 billion estimate, according to FactSet.

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