

Intel 1Q earnings fall 13 percent, revenue steady

April 17 2012, By PETER SVENSSON , AP Technology Writer



Intel advertisement is shown on a desktop computer at Best Buy in Mountain View, Calif., Tuesday, April 17, 2012. (AP Photo/Paul Sakuma)

(AP) -- First-quarter earnings at Intel Corp. fell 13 percent as spending on research and marketing rose while revenue was flat, the world's largest chipmaker said Tuesday.

The results beat analyst expectations, but failed to sustain Intel's stock, which hit a seven-year high of \$28.78 in regular trading. In extended trading, after the release of the results, the shares fell 68 cents, or 2.4 percent from the close to \$27.79.

Intel's first-quarter net income was \$2.74 billion, or 53 cents per share, down from \$3.16 billion, or 56 cents per share, a year earlier.

Analysts polled by FactSet were expecting earnings of 50 cents per share.

Revenue was flat at \$12.9 billion. Analysts were expecting \$12.8 billion.

Intel bought computer security company McAfee Inc. and a unit of Infineon AG last year, but the added revenue from those deals was offset by the fact that this year's quarter was one week shorter than last year's.

The first quarter saw the launch of a new generation of chips for server computers, but more important developments lie ahead, accounting for some of the increase in expenses. Intel is set to launch new PC chips soon, and the first smartphone with an Intel chip is also on tap this week from an unnamed manufacturer.

Intel is also going to ramp up its largest marketing campaign in many years, to support "ultrabooks," which are thin, light laptops in the vein of Apple's Macbook Air. All the large PC makers have responded to Intel's promptings to make such laptops.

Intel is dominant in the market for PC processors, supplying the main computing chip for four out of five PCs sold in the world. But it's facing a new challenge in the form of cheap phone-style chips, which have graduated from smartphones to powering tablet computers such as the iPad. There are signs that tablet sales are cutting into PC sales, at least in the U.S.

On a call with analysts Tuesday, CEO Paul Otellini said ultrabooks combine the attractive features of a tablet, like thinness, touch screens and instant start-up, with the keyboard and convenience of a PC. A number of ultrabooks that unite those features will be hitting stores in the holiday season, he said.

In the long term, the future of the PC is probably something in between the tablet and the laptop, he said.

Microsoft Corp. is launching a new touch-oriented version of Windows late this year, meshing with Otellini's vision. But it will also support non-Intel, phone-style chips - a first for Windows.

Results were held back by a shortage of hard drives, which meant that PC makers had to curb production and needed fewer Intel chips. The scarcity started with flooding of hard-drive factories in Thailand last year and affected Intel's results in the fourth quarter as well.

Chief Financial Officer Stacy Smith said hard-drive supplies improved during the quarter and the shortage is now over.

The Santa Clara, Calif., company said it expects \$13.1 billion to \$14.1 billion in second-quarter revenue, with a midpoint of \$13.6 billion, above the analyst forecast of \$13.4 billion.

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