

Intel shares soar as company beats soft forecast

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In this photo made Wednesday, May 13, 2009, Intel chips for sale are seen on display at Micro Center in Santa Clara, Calif. Intel Corp. is expected to report quarterly earnings after market close Tuesday, July 14, 2009. (AP Photo/Paul Sakuma)

(AP) -- Intel Corp. offered support Tuesday for its assertion that the computer business is rebounding, even as other parts of the industry throw off mixed signals. Intel's results and outlook were much better than analysts' subdued estimates, sending its shares up 7 percent after hours.

In the quarter that ended June 27, the chip maker posted sales and profit that breezed past Wall Street's forecasts - though investors had to overlook a \$1.45 billion antitrust fine from the European Union. The fine, which Intel had to pay while it is appealing the case, gave the world's biggest semiconductor company its first quarterly net loss since 1986.

Intel earned \$1 billion, or 18 cents per share, in the second quarter, excluding the EU fine. On that basis, analysts expected a profit of 8 cents per share, according to Thomson Reuters.

Including the fine, Intel lost \$398 million, or 7 cents per share. In the same quarter last year, its profit was \$1.6 billion, or 28 cents per share.

Sales fell 15 percent to \$8.02 billion in the most recent quarter. Analysts had predicted \$7.28 billion.

The results indicate that demand for chips is improving. PC manufacturers are ordering more processors, mainly because they've burned through massive amounts of inventory to save money and now have to restock. That doesn't mean the machines they're building are necessarily flying off the shelves.

The No. 2 PC maker, Dell Inc., warned this week that the U.S. computer market might have hit its bottom, but its sales to businesses remain weak. CEO Michael Dell said penny-pinching computer buyers appear to be holding on to their existing machines for longer than is typical. Meanwhile, Hewlett-Packard Co., the world's biggest PC seller, offered a lower-than-expected sales forecast in May.

Intel's chief financial officer, Stacy Smith, said Intel's results reflected "a combination of strengthening end demand and a partial replenishment of the worldwide supply chain."

Intel's numbers are closely watched because they reflect the health of the computer market and technology spending in general. Interest in the second-quarter numbers was particularly acute because CEO Paul Otellini predicted in April that PC sales had "bottomed out" after their worst holiday season in six years.

Global PC shipments in 2009 are expected to fall for the first time since the dot-com meltdown in 2001, according to the iSuppli Corp. research firm. Yet analysts said Intel's numbers Tuesday indicated that the industry is not in as dire shape as

it appeared just months ago.

"How can we not be happy? I think they did a tremendous job," said Leslie Fiering, a research vice president with Gartner Inc. "It has to inspire some confidence in the market. ... There is uncertainty in this market, but we're seeing improvement, and it beats the alternative."

Intel offered a third-quarter sales outlook of \$8.5 billion, plus or minus \$400 million, which was significantly better than the \$7.8 billion average estimate of analysts polled by Thomson Reuters.

That helped drive Intel shares up \$1.27 to \$18.10 in extended trading. Before the earnings report, the stock closed at \$16.83, up 2.1 percent on the day.

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