

AMD Sales Rise For Laptop Demand

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SEATTLE (AP) — Advanced Micro Devices Inc. lost money in the third quarter but said Thursday that sales were stronger than expected, adding to mounting evidence that consumer spending is fueling a turnaround in the personal computer market.

AMD sells about 20 percent of the world's computer microprocessors, which are the brains inside PCs. Although AMD was hurt by weak consumer and business spending on computers in the first half of the year, the chipmaker said shipments rose from the previous quarter thanks to strong demand for processors used in laptop computers.

That's in line with what PC industry researchers reported earlier this week.

The recession has squelched consumer demand for high-end PCs, but they continued to snap up inexpensive laptops and tiny "netbooks" in the third quarter. That pushed PC shipments into positive territory for the first time this year, according to IDC and Gartner Inc.

AMD and analysts also reported demand in China bolstered results in the quarter.

Businesses, however, aren't expected to replace old computers until sometime next year. In a conference call, AMD CEO Dirk Meyer said executives that make technology-buying decisions are more positive about spending in 2010, and some may even start buying again this year.

"Clearly, the wallets are starting to free up," Meyer said.

It's not possible to tell from AMD's report whether PC makers were stocking up on chips to replenish low supplies, or because the computer makers expect to see a boom in sales through the holiday season. Microsoft Corp.'s next operating system, Windows 7, goes on sale next week, but Meyer said the company did not see signs that consumers had held off buying PCs in anticipation.

AMD's larger competitor, Intel Corp., has been more optimistic than AMD in predicting a 2009 turnaround for the PC industry since spring. The chipmaker said earlier this week that the year will end with growth in PC sales.

But unlike AMD, Intel supplies chips for the extremely popular new category of netbooks, which are less powerful than regular laptops. AMD said it is targeting pricier "thin and light" laptops instead, which are just starting to reach consumers.

Sunnyvale, California-based AMD posted a loss of \$128 million, or 18 cents per share, narrower than its year-ago loss.

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However, the group that makes computer microprocessors reported \$76 million in operating income, up from a loss of \$72 million last quarter. Last year, excluding certain nonrecurring revenue, the group lost \$48 million.

AMD's revenue fell 22 percent to \$1.4 billion. Analysts were expecting a steeper 30 percent decline, according to Thomson Reuters.

In spite of what seemed like good news from AMD, Wall Street sent the company's shares tumbling 30 cents, or 4.9 percent, to \$5.89 in extended trading after the release of results. Earlier, the stock closed down 6 cents at \$6.19 in regular trading.

Broadpoint AmTech analyst Doug Freedman said the \$6-plus share price was too high, given the economic reality. He saw nothing AMD could have said or done Thursday to prevent the sell-off.

The chipmaker didn't give a specific revenue prediction for the current fourth quarter. During the conference call, Meyer said total product sales normally increase about 9 percent from the third to the fourth quarter. This year, executives on the call said they expect sales to rise about 5 percent to 7 percent.

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