

Intel Profits, 'Pulse' Of Technology Sales, Gets Stronger

Jordan Robertson, AP Technology Writer

SAN FRANCISCO (AP) — Sales of server chips saved Intel Corp.'s fourth quarter, as net income jumped 48 percent mainly on strong demand from corporations. Yet the sour economy and the rise of smaller and sleeker gadgets such as the iPad have hurt consumers' appetite for new PCs, depressing that part of Intel's business.

As the world's No. 1 maker of computer processors, Intel has a pulse on consumer and corporate spending on technology.

Its numbers topped Wall Street's forecasts, sending shares up 2 percent in extended trading Thursday and setting a strong tone for other technology companies set to report quarterly results.

IBM Corp., the biggest technology services provider and a seller of Intel-based servers, reports Tuesday. Intel's smaller rival in computer processors, Advanced Micro Devices Inc., reports next Thursday. AMD unexpectedly ousted its CEO this week over the company's prospects for growth.

Intel's results come at a time of soul searching for the PC industry.

The PC market has ballooned to its biggest size ever, with more than 1 million PCs being sold every day — a stat frequently cited by Intel CEO Paul Otellini. But the industry is in crisis as smart phones and tablets compete for consumer dollars, forcing old-guard companies such as Intel to shift gears.

Although Intel's results were strong compared with the previous year, revenue in each of its major divisions, except for server chips, was flat from the third quarter.

That showed the strain that emerged toward the end of the year, from economic problems such as prolonged unemployment and the European debt crisis, and competition from Apple Inc.'s iPad.

Intel's chief financial officer, Stacy Smith, said in an interview that the extent of sluggish consumer demand was in line with what the company was predicting.

Strong corporate spending was expected, as well: Companies, many of which froze their technology budgets during the Great Recession, are buying new servers for their data centers and PCs for their workers as their business prospects have brightened.

Intel reported after the market closed Thursday that its net income was \$3.39 billion, or 59 cents per share, in the last three months of 2010. According to

Intel Profits, 'Pulse' Of Technology Sales, Gets Stronger

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

FactSet, analysts expected 53 cents per share. In the same period in 2009, it was \$2.28 billion, or 40 cents per share.

Revenue rose 8 percent to \$11.5 billion, up from \$10.6 billion. Analysts predicted \$11.4 billion.

In a statement, Otellini said 2010 was Intel's best ever, and he predicted 2011 would be even better.

The company projected first-quarter revenue of \$11.1 billion to \$11.9 billion, ahead of analysts' expectation for \$10.8 billion.

A major reason for the jump in Intel's profit was its server chips, which tend to carry higher profit margins than chips for PCs. The PC industry in general struggles with increasing commoditization, which lowers PC prices and benefits consumers, but erodes profits.

In the fourth quarter, Intel's operating profit for the division that makes server chips was \$1.43 billion, a 47 percent increase over last year. Operating profit in the division that makes PC chips was bigger, at \$3.62 billion, but growth was slower, just 8 percent from last year.

Another reason behind Intel's substantial profit jump is the fact in the fourth quarter of 2009, it paid AMD \$1.25 billion to settle a wide-ranging antitrust lawsuit. That depressed net income in the 2009 quarter and made 2010 stronger by comparison.

Intel's fortunes depend on healthy PC shipments. Market research firms IDC and Gartner Inc. reported Wednesday that shipments reached their highest levels ever in 2010, with the movement of some 350 million machines. Growth in the fourth quarter, however, was slower than expected.

Intel is expanding with low-power chips called Atom to compete with so-called ARM chips, which are mainstays of the mobile world and use designs from U.K.-based ARM Holdings. Intel says its chips will be used in 35 different tablets and an unspecified number of smart phones, but it's behind competitors such as Qualcomm Inc., Texas Instruments Inc. and even Apple, which makes its own chips for the iPad.

This week has been hectic for the semiconductor industry.

On Monday, Intel announced a \$1.5 billion settlement with Nvidia Corp., in which Intel will pay Nvidia for the rights to its graphics and other patents. That same day, AMD forced out CEO Dirk Meyer after a 2 1/2-year tenure in which he helped rescue the company from near-collapse but got in trouble for not moving fast enough into new classes of mobile devices.

Shares increased 41 cents, or 1.9 percent, to \$21.70 in extended trading after the release of results Thursday. Earlier, it finished the regular session down 1 cent at \$21.29.

Intel Profits, 'Pulse' Of Technology Sales, Gets Stronger

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Source URL (retrieved on 11/28/2014 - 6:09am):

<http://www.impomag.com/news/2011/01/intel-profits-pulse-technology-sales-gets-stronger>