

## High hopes from Intel as tech earnings season kicks off

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SAN FRANCISCO (MarketWatch) -- Wall Street has high hopes for Intel Corp.'s quarterly report coming after the closing bell Thursday, although that enthusiasm was dampened a bit by a Bank of America analyst who warned of a revenue miss from the chip behemoth.

"Curb your enthusiasm," was how analyst Sumit Dhanda put it in a note to clients on Wednesday.

But investors have not.

The enthusiasm for Intel has been so strong, in fact, that the chipmaker's stock has gained roughly 4% since the beginning of the year, outpacing the Nasdaq Composite Index [COMP, +0.29%](#) which is up 2%, and the Philadelphia Semiconductor Index [SOX, +0.05%](#) which is down a fraction.

Analysts currently expect the Santa Clara, Calif.-based company [INTC, -0.03%](#) to post earnings of 30 cents a share, on revenue of \$10.2 billion, according to a consensus survey by Thomson Reuters.

That would represent a dramatic improvement from the year-earlier period -- when Intel reported earnings of 4 cents a share on revenue of \$8.2 billion -- during a time when chip makers were taking a beating in the market downturn.

But Dhanda of BofA is projecting sales of only \$9.9 billion, below consensus and the mid-point of Intel's stated range.

Dhanda cited a "disconnect" between the growth of personal computer production in Asia and the trend shown in data from the Semiconductor Industry Association through November of last year on one hand, and growth forecasts for the fourth quarter.

"We note that while Asia PC production for Q4 finished up about 3% quarter-on-quarter, consensus expectations embed ~8% unit growth -- in turn suggestive of a disconnect," Dhanda wrote. "The even higher sales expectations into the print, only serve to magnify this disconnect."

That view does not appear to be widely shared.

"I'm still in the camp that revenues are to the high side of guide," Broadpoint AmTech's Doug Freedman said in an interview Wednesday.

In an earlier note, Freedman also said he expects the fourth quarter "to be above-seasonal driven by continued replenishment of lean inventories through the majority of [calendar year]09 and a better-than-expected consumer holiday selling-season (particularly notebooks), along with our anticipation of a modest pick-up in enterprise."

Chipmakers have gotten a boost from strengthening consumer demand, and analysts say the industry is also poised to benefit greater corporate demand once businesses begin upgrading and replacing aging systems.

Other analysts also expect Intel to continue to ride a wave of strengthening PC demand, even as some of them counseled caution given the uncertainties in the global economy. Auriga's Daniel Berenbaum on Monday upgraded Intel to hold from sell, citing "strength in PC shipments."

Late Wednesday, IDC actually reported a jump in PC shipments in the fourth quarter. [See story on IDC report on PC shipments.](#)

"Most recently, we have heard about upside to desktop demand from China," Berenbaum wrote, though he also added, "We caution investors that Intel still faces cyclical and secular headwinds."

He said year-on-year revenue comparisons "will likely peak" in the first quarter, and Intel's revenue "is still likely to be down seasonally in the first half of 2010."

In any case, Intel's report also will cap what had been a tough year for the world's biggest semiconductor maker.

In 2009, the company was stung by major setbacks related to antitrust allegations -- including a hefty fine imposed by the European Union and a new lawsuit filed by the Federal Trade Commission.

Freedman of Broadpoint AmTech downplayed concerns about the FTC action's impact on Intel saying the "fears are overblown."

"Currently, we do not see any potential change in Intel's business practices that would impact the company's earnings potential in matters regarding the FTC suit," he wrote. "In fact, we believe Intel has a much stronger case than people recognize."

On the competition front, Intel had to eat crow at least twice in 2009.

It had to pay arch-rival Advanced Micro Devices \$1.25 billion as part of an agreement settling their legal disputes. Then the tech giant publicly admitted that it has scrapped its much-anticipated roll-out of a stand-alone discrete graphics chip.

Still, "excellent results should trump doubts about growth in new markets," Charter Equity analyst Edward Snyder said in a Tuesday note.

But he also added, "While its core PC business remains dominant, the recent cancellation of its Larrabee GPU project, stiff competition from ARM suppliers, and continued regulatory scrutiny will all dampen enthusiasm over rebounding demand in consumer and increased strength in enterprise markets."

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