

## Intel, AMD seen posting gains on rising PC, server demand

By [Benjamin Pimentel](#)

Published: Apr 9, 2010 1:49 p.m. ET

SAN FRANCISCO (MarketWatch) -- Intel Corp. and Advanced Micro Devices will kick off earnings season for the high-tech industry next week, with analysts expecting both chip behemoths to post sales gains on strengthening demand for personal computers and servers.

But analysts also will likely watch for signs of excessive supply as concerns linger about the state of the economy, despite the view that corporate technology demand is on the rise.

Intel [INTC, -0.03%](#) is scheduled to report first-quarter results on Tuesday, while AMD [AMD, +0.24%](#) is set to report first-quarter financials on Thursday.

Investor optimism is particularly strong when it comes Intel, the world's biggest semiconductor maker. Shares of the Santa Clara, Calif.-based company have gained more than 10% since the beginning of the year, outpacing the broader market and the Nasdaq Composite Index [COMP, +0.29%](#). The tech benchmark has risen about 8% since Jan. 1.

Intel is expected to post earnings of 38 cents a share on revenue of \$9.8 billion, according to a consensus survey by Thomson Reuters. That's dramatically higher than the year-earlier-period when the Santa Clara, Calif.-based company posted earnings of 11 cents a share on revenue of \$7.1 billion.

"Our checks suggest that demand remains strong, partly driven by strength in notebooks, and partly by demand for Intel's server chips," BMO Capital analyst Ambrish Srivastava said in a recent note. "On the server side, we believe Intel is likely facing some difficulty in satisfying demand, and could be ceding some share near term."

The robust demand is being fuelled partly by businesses looking to upgrade or replace aging systems, mainly servers and PCs. The push for more power-efficient machines is also boosting interest in newer processors.

In a note on Intel, Charter Equity analyst Edward Snyder said the "push to capture IT upgrade dollars will fuel growth in 2010."

He cited "efficiency improvements" from Intel latest chips which "are sufficiently compelling to induce a corporate upgrade cycle alone, especially when compared to the low levels of investment from the downturn last year."

Meanwhile, he added, the consumer market also has remained robust "with potential upside if employment and income begin rebounding."

**AMD to get server boost**

Meanwhile, AMD, Intel's arch-rival in the PC chip arena, is seen as slowly emerging from a period of uncertainty. The Sunnyvale, Calif.-based chip company is also expected to benefit from growing corporate IT demand especially with the rollout of its new server chips.

More importantly, AMD now appears to be a more financially nimble player, following the spin off of its manufacturing operations into GlobalFoundries.

On Thursday, the company said it will recognize a one-time, non-cash gain of \$325 million related to its deconsolidation of GlobalFoundries for the quarter ended March 27.

"We believe AMD is truly transforming itself, and few investors we speak with are keeping close tabs on the firm," FBR Capital analyst Craig Berger said in a note. "Indeed, this is not the AMD of yesteryear."

AMD is expected to report a loss of 10 cents a share, on revenue of \$1.5 billion, according to a consensus view by Thomson Reuters.

For the year-earlier period, the Sunnyvale, Calif.-based chip makers posted a loss of 66 cents a share, on revenue of \$1.2 billion. The company's results included a net unfavorable impact of \$22 million, or 4 cents a share. AMD reported an operating loss totaling \$308 million.

Intel and AMD will report financials as analysts continue to figure out the trajectory of the chip market following one of the most severe downturns in its history.

"Enterprise and mobile will continue to drive strong semiconductor sales," Snyder of Charter Equity said in a note this week.

"The desire to be the first to call the top to the semiconductor cycle has pushed several analysts to guess, incorrectly, that inventory is overshooting demand and double ordering is prevalent," Snyder added. "Neither is true and the repetition of this mantra from its first recitation last summer has proven just as hollow."

On the other hand, Auriga analyst Daniel Berenbaum maintained what he calls a "cautious view" on overall revenue growth for the sector.

He said his checks point to "lean, but growing, inventories through most parts of the semi food chain" and "extremely limited visibility" into the second half of the year.

"Our discussions with industry experts give us the sense that semiconductor shipments have been broadly outstripping end-market demand, and, absent a leg up in demand, revenue growth could face deceleration (of undetermined magnitude) in the third and fourth quarters," he said.

Analyst Roger Kay of Endpoint Technologies Associates also said that while Intel and AMD are benefiting from rising demand, the broader economy remains a wild card.

"Employment is still poor," he said in an interview. "One thing I learned over the years - the most important correlation with PC shipments is the overall economy. ... The economy is still not out of the woods. Also, capital spending isn't all the way back by a long shot and credit is still shaky."



Copyright ©2014 MarketWatch, Inc. All rights reserved.

By using this site you agree to the [Terms of Service](#), [Privacy Policy](#), and [Cookie Policy](#).

Intraday Data provided by SIX Financial Information and subject to [terms of use](#). Historical and current end-of-day data provided by SIX Financial Information. Intraday data delayed per exchange requirements. S&P/Dow Jones Indices (SM) from Dow Jones & Company, Inc. All quotes are in local exchange time. Real time last sale data provided by NASDAQ. More information on [NASDAQ traded symbols](#) and their current financial status. Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. S&P/Dow Jones Indices (SM) from Dow Jones & Company, Inc. SEHK intraday data is provided by SIX Financial Information and is at least 60-minutes delayed. All quotes are in local exchange time.