MarketWatch

Intel expected to report double-digit sales jump

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SAN FRANCISCO (MarketWatch) - Intel Corp. is expected to report a 28% jump in revenue for the second quarter, even as analysts brace for signs of a slowing personal computer market and weakening tech demand.

Intel INTC, -0.03% is set to report second-quarter financials after Tuesday's closing bell, kicking off the tech earnings season at a time of lingering worries about the global economy, highlighted by the crisis in Europe, and an increasingly cautious view of the chip industry and the broader tech market.

Analysts currently expect the Santa Clara, Calif.-based Intel to report earnings of 43 cents a share, on revenue of $10.25 billion, according to a consensus survey by Thomson Reuters.

That's an improvement from the year-earlier period, when Intel reported a GAAP loss of 7 cents a share, on revenue of $8.02 billion. The previous year's results included a $1.45 billion charge related to a European Commission antitrust fine against Intel.

Intel has had an impressive run over the past several quarters, boosted by robust consumer PC demand that has enabled the company's stock to stay in the green this year, even as the rest of the tech sector slipped.

Intel's stock has gained more than 2% this year, even as the Nasdaq Composite Index COMP, +0.29% has lost more than 2%.

But Intel also has been swept down by the increasingly grim view of the chip sector and the broader tech market, sending the company's shares down roughly 8% over the past three months. The Philadelphia Semiconductor Index SOX, +0.05% has lost more 5% in the same period.

The declines were triggered partly by concerns about a weakening consumer PC market, although analysts continue to cite a strengthening corporate demand as businesses upgrade and replace aging systems, including servers.

Steady expansion of the mobile computing market, led by smart phones and tablets, has also been a bright spot for the sector.

But with concerns about the state of the global economy, many analysts are counseling caution.

Referring to Intel, Edward Snyder, analyst with Charter Equity Research, said he expects "another strong report with growth in embedded, server and high-end PCs to lead the charge."

Intel has gotten a boost from new products, including a new server chip that has won rave reviews for power-efficiency.

But Snyder also wrote, "Strong fundamentals notwithstanding, we don't expect a sustained rally in the stock given the heavy level of pessimism infecting the market. ...Negativity is so pervasive it runs the gambit from debt concerns and a slowing economy causing a double dip recession to the lack of fab capacity in the face of excessive demand fueling rampant double-ordering."

Williams Financial Group analyst Cody Acree argued in a note that "industry fundamentals are leading to a degree of typical cyclicality, where channel- and end-inventories are overbuilding to differing levels depending on the specific situation."

He predicted a "short-term trading rally" in the chip sector on upbeat earnings and outlooks, but he added: "We expect this positive trading opportunity to be short lived as investors who missed the exit over the last few months take advantage of upticks, and faster money quickly takes profits. We believe profits will be available but nimble investors will be the ones to most benefit."

Deutsche Bank analyst Ross Seymore offered a more optimistic view, saying in a note that current market sentiment toward chips is "likely worse than reality."

On Intel, he wrote: "We believe macroeconomic slowdown in Europe had a modest impact on Intel shipments in the quarter, but strong growth in emerging markets and new products should result in solid results and solid third-quarter 2010 guidance."
