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Intel sticks to bullish view on PC market

CEO Otellini says there's upside as demand for devices 'explodes'

By [Benjamin Pimentel](#), MarketWatch

SANTA CLARA Calif. (MarketWatch) — Intel Corp. reaffirmed a bullish view of the personal-computer market Tuesday, while underscoring its ability to compete in the faster-growing smartphone and tablet sectors that many analysts see as competitive challenges for the microprocessor maker.



Intel held an analyst meeting at its Santa Clara, Calif., headquarters on Tuesday.

Speaking at the company's meeting with analysts, Intel (NASDAQ:INTC) Chief Executive Paul Otellini pointed to "unprecedented demand" for computing and said the world's biggest chip maker was well positioned to meet it. He also touted the potential for PC devices in emerging markets and noted that the traditional computer will still play a strong role domestically.

"There's been a lot of discussion about the perceived lackluster growth in PCs. We don't see that," he said at the meeting.

Otellini's comments came the same day that computer maker and Silicon Valley neighbor Hewlett-Packard Co. (NYSE:HPQ) reported a decline in PC sales for its second fiscal quarter and lowered its forecast for the current year, citing in part the softness in the sector. [Read more about H-P's results and lackluster forecast.](#)

Back at Intel, Chief Financial Officer Stacy Smith said that despite worries about the direction of the PC market, the company sees strong growth in the emerging markets — particularly China, Latin America and Eastern Europe. Smith also downplayed concerns

about the impact of tablets on segments of the PC market, noting that sales in emerging markets as well as to consumers “will drive solid revenue growth” in the coming years.

Intel stunned the industry earlier this year when it posted results that beat Wall Street’s expectations, and offered a rosier picture of the PC market than other reports had indicated.

Some analysts have expressed skepticism about the company’s ability to compete in what has become a fast-evolving market, highlighted by shifts to mobile devices such as smartphones and tablets.

But Smith suggested that fears of tablets’ impact on PCs are overblown, noting that historically users tap multiple devices. He said that the tablet category is dominated by Apple Inc’s (NASDAQ:AAPL) iPad, and that it is still generally used by high-income consumers.

Analysts see Intel facing increasing competition from chips using technology developed by ARM Holdings PLC (NASDAQ:ARMH) . ARM-based chips, which dominate the smartphone and tablet sectors, are considered more power-efficient.

However, Otellini said the company does not plan to make ARM-based chips. Intel has stressed that its advantage when it comes to manufacturing technology will be key in the company’s bid to be more competitive in mobile.

He also said it was not a winner-take-all business, in that people are now carrying multiple computing devices — providing further sell-in opportunities for the company’s chip products.

Tough times ahead for H-P

CEO Leo Apotheker acknowledges "tough times ahead" in a company memo. Ian Sherr discusses how falling PC sales have hurt the company.

“It’s not a Swiss Army knife solution here,” according to Otellini. “The number of devices per user is exploding.”

In fact, Intel is exploring a new category that combines the performance of a notebook like a MacBook Air and the capabilities of a tablet, said Intel spokesman Robert Manetta.

“We’d like to see the combination of both worlds,” he commented, while acknowledging that Intel does not yet have a name for the niche.

Gartner analyst Martin Reynolds agreed that Intel’s manufacturing advantage can play an important role.

“That’s a very big deal,” he said. “Intel’s challenge is always the market. They need the market to keep growing. Tablets are not a huge threat to these guys.”

Edward Snyder, an analyst with Charter Equity Research, said Intel continues to wrestle with skepticism related to its ability to compete in faster-growing businesses.

“Intel’s continues to boom, but investors continue to be relatively indifferent,” he elaborated, citing concerns about ARM’s bid to expand to expand into Intel’s markets such as PCs and servers.

But Snyder also downplayed that threat, saying “ARM has to build a much bigger infrastructure to get into servers than Intel has to get into smartphones.”

Nevertheless, getting “traction in smart phones” will be important for Intel.

Otellini said the first Intel-based smartphone is expected to roll out next year.

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