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Intel shares up as profit fends off weakness

PC-chip sales surge despite worries of slowing market

By Benjamin Pimentel, MarketWatch

SAN FRANCISCO (MarketWatch) — Shares of Intel Corp. jumped in after-hours trading on Tuesday after the chip company reported a 17% jump in earnings, surpassing Wall Street's expectations.

Santa Clara, Calif.-based Intel (NASDAQ:INTC) reported a third-quarter profit of \$3.47 billion, or 65 cents a share, compared with a profit of \$2.96 billion or 52 cents a share in the year-earlier period.

At last check, the stock was up nearly 4% in after-hours trading.

Revenue was \$14.23 billion, up from \$11.1 billion. Adjusted income was 69 cents a share.

Analysts had expected Intel to earn 61 cents a share on revenue of \$13.9 billion, according to an analyst survey by FactSet Research.

ThinkEquity analyst Suji De Silva said Intel posted a "nice beat-and-raise" report.

Apple stores to close for Jobs

Apple plans to close some of its retail stores for at least an hour Wednesday, coinciding with its planned celebration of co-founder Steve Jobs's life. Lauren Goode has details. He added that Intel's gains in notebook PCs and in enterprise data centers show the company is "seeing healthy demand despite broader weakness."

For the current quarter, the chip maker said it expects revenue of \$14.7 billion, plus or minus \$500 million. Analysts had expected revenue of \$14.23 billion, according to data from FactSet Research.

In a statement, Intel Chief Executive Paul Otellini highlighted the company's gains in its core PC business, saying the results were "driven largely by double-digit unit growth in notebook PCs."

In a call with analysts, Otellini said the company was on track to reach \$55 billion in revenue in 2011, a gain of 26% from the previous year.

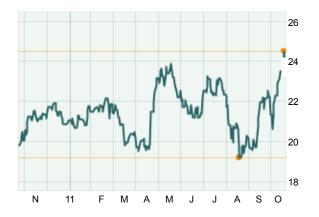
Intel's PC-client group, which covers PC chips, posted revenue of \$9.4 billion, up 22% year over year.

"Excellent quarter," analyst Charter Equity Research Edward Snyder wrote in a note. "PC products were strong — no indication of a recession in their results."

INTC **24.03**, +0.42, +1.78%

De Silva also said Intel's strong notebook numbers "address cannibalization concerns, validate sustainability of corporate-PC refresh."

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Some analysts had warned that the rise of tablets was hurting sales of netbooks and even segments of the notebook market. Analysts have also been counting on strong corporate sales to sustain the broader PC market, although some have raised concerns in the wake of the recent downturn.

Intel did report that sales for its Atom product, which is geared to the mobile and netbook categories, fell 32% at \$269 million.

De Silva said that this showed the netbook category's momentum is "slowing significantly" and feeling the impact of the rise of tablets.

The company's data-center group, which covers server chips, reported revenue of \$2.5 billion, up 15% year over year. The ThinkEquity analyst commented that this showed "good data-center momentum."

Intel is widely expected to take advantage of the push in the IT sector toward newer, more energy-efficient data-center technologies.

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