

April 18, 2012, 4:04 p.m. EDT

Intel seen arming for battle with ARM

Chip giant's beefing up manufacturing edge as eyes mobile

By [Benjamin Pimentel](#), MarketWatch

SAN FRANCISCO (MarketWatch) — Intel Corp. posted a slightly-lower-than-expected margin outlook for the current quarter, which sent its stock slipping Wednesday.

But the expected margin dip, due in part to a ramp-up of production of chips based on a more advanced manufacturing technology, also shows Intel gearing up for and looking ahead to new market challenges, led by an intensifying battle with ARM Holdings PLC, some analysts say. [Read about Intel's results](#)

Intel (NASDAQ:INTC) shares traded down 1.8% to close at \$27.95. ARM (NASDAQ:ARMH) (LSS:UK:ARM) gained 1.8% to close at \$29.01.

"Investments in 22-nanometer and wireless should pay off handsomely starting in the second half of 2012," Charter Equity analyst Edward Snyder wrote in a note.

The production technology refers to transistor line-width on chips, a measure that Intel has consistently been able to reduce, paving the way for smaller, less expensive processors. But such a shift entails substantial capital and production costs, which typically hurt margins in the initial phase of the new process technology.

"Higher start-up and platform costs obscured what would otherwise have been a good outlook for the June period," Snyder wrote.

But the investment, he argued, is bound to pay off for Intel. "This is particularly true for wireless, where Intel's move to 22-nanometer for the next application processor will almost certainly lead to share gains in smartphones beginning in 2013."

Apple and Samsung in peace talks

Apple and Samsung may finally be burying the hatchet after agreeing to settlement talks over their patent battle in California.

Roger Kay of Endpoint Technologies Associates said Intel is "going to up the ante in the next couple of years."

"The increase in cadence is occurring now," he said. "Every year, we're going to jump a node ... It's going to be 14

[nanometer] in '14 ... That's the fastest cadence that anybody has ever made in the industry."

Intel is still seen as the underdog when it comes to the smartphone and tablet markets, where chips based on the more power-efficient designs of ARM dominant.

But Intel is seen as being on track to catch up, and eventually, overtake ARM when it comes to power consumption, although the company faces a balancing act of sorts going forward.

Snyder wrote that "While we have become increasingly confident that Intel's wireless chips will be at parity with competitors and the ramp of process technology will bear fruit long-term, continued softness in mature markets, and higher operating expenses will diminish growth in the near-term."

But Williams Financial's Cody Acree said Intel's manufacturing muscle is critical in its push into the mobile space.

"The way Intel fights this battle is partly through design and partly through their process technology," he said in an interview. "If you can take Intel's processing prowess and marry that leading edge design and manufacturing technology, you can have something that approaches the right price, the right size and the right power."

Bernstein Research's Stacy Rasgon also highlighted Intel's gains on the processing technology level, noting how the current version of Intel's Atom chip, aimed at mobile devices, is already "in the ballpark" when it comes to the power question.

"At 22 nanometer, they might actually be competitive," he added. "At 14 nanometer, they may beat them."

But Rasgon said Intel faces another problem, beyond being able to make power-efficient chips.

Unlike the PC market, which Intel has dominated by decades, the mobile market has many players, including manufacturers who have already established strong ties with chip makers.

"Most of the guys that are driving the volumes have already made their bets — and it's not Intel," Rasgon said.

Acree of Williams Financial pointed to another wild card: ARM itself.

Intel, he said, "should be able to intercept at 14 nanometer — that's assuming that ARM doesn't make dramatic strides. You can plot an interception trajectory, but you also don't know where that moving target is in two years."

Copyright © 2012 MarketWatch, Inc. All rights reserved.

By using this site, you agree to the Terms of Service and Privacy Policy - UPDATED 10/18/2011.

Intraday Data provided by SIX Telekurs and subject to terms of use. Historical and current end-of-day data provided by SIX Telekurs. Intraday data delayed per exchange requirements. Dow Jones Indexes (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. Dow Jones IndexesSM from Dow Jones & Company, Inc. SEHK intraday data is provided by SIX Telekurs and is at least 60-minutes delayed. All quotes are in local exchange time.