Eric Savitz Forbes Staff

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Intel: More Trouble Ahead?

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The big take away from Intel's Q3 results: There's more trouble to come.

The good news was that Q3 revenues actually beat the recently revised guidance by $300 million, while profits handily beat Street expectations. But the stock sagged after hours anyway, as the company provided disappointing Q4 revenue guidance, warned that margins would slip and cut capital spending plans for the rest of the year.

The reasons for the lackluster report are pretty obvious. The PC market is crumbling; corporate IT departments have turned cautious, and the supply chain is trimming inventories. Recent commentary from Dell, Hewlett-Packard, AMD and the disk drive companies, among others, have made it crystal clear that the PC market is hurting. Intel is hardly immune.

Here's a look at some of the early Street reaction to Intel's results:

- **UBS analyst Steve Eliscu** maintains his Buy rating, but trims his price target to $29, from $30.50. "We remain positive on Intel based on our longer-term view … but we are incrementally more cautious … We believe uncertainties around the macro and market acceptance of Windows 8 devices are likely to keep the stock range-bound near-term."
- **J.P. Morgan's Christopher Danely** keeps his Neutral rating and $19 target. "Despite the lower guidance, we are encouraged that Intel has finally reset its expectations for PC demand and is lowering inventory. However, we believe there could be downside risk to our below-consensus estimates and we remain Neutral as we await signs of a fundamental bottom, which could occur during [the 2013 first half]."
- **Jefferies analyst Mark Lipacis**: He stays Neutral. "We think the bear case articulated above is consensus, and that a lot of negative news is currently baked into PC stocks like INTC. That said, we model 14nm start-up costs, underutilization charges and Haswell inventory writedowns to keep gross margins below 59% through Q1 2013, and think there is time to get visibility into Win8 success before diving in."
- **Edward Snyder, Charter Equity Research**: He keeps his Market Perform rating. "We believe Intel is suffering from a macro economic slow-down rather than competition from smartphones or channel leaning ahead of the Windows 8 release."

- **Baird analyst Tristan Gerra** remains steadfastly bullish, with an Outperform rating and $26 target. “In our view, valuation is attractive and expectations are very low. We believe there will be incrementally more innovation in notebooks than in tablets next year. New features including touchscreen could lead PC to grow YoY next year, which would be incremental to the stock. We think consensus numbers have little to no downside for the next few quarters and we continue to model a gross margin trough in 2Q13.

More in the morning.