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Intel rises on 25% profit jump, upbeat outlook

By [Benjamin Pimentel](#) & [Jeffrey Bartash](#), MarketWatch

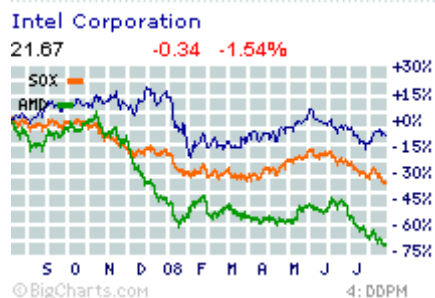
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SAN FRANCISCO (MarketWatch) -- Intel Corp. shares rose Wednesday, making modest gains after the chipmaker posted a 25% jump in second-quarter profit and issued a bullish outlook for the current quarter.

The giant chipmaker was boosted by strong sales of microprocessors despite concerns about the impact of a U.S. economic slowdown on the tech industry.

Shares of Santa Clara, Calif.-based Intel traded up more than 1% at \$20.95 in midday action.

Late Tuesday, the company reported net income of \$1.6 billion, or 28 cents a share. That compared with a profit of \$1.28 billion, or 22 cents a share, in the year-earlier second quarter.



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Revenue climbed to \$9.47 billion from \$8.68 billion.

Analysts had expected Intel to post earnings of 26 cents a share on revenue of \$9.3 billion, according to the consensus of a survey conducted by FactSet Research.

Intel also said it expects third-quarter revenue of between \$10 billion and \$10.6 billion. Analysts had been looking for revenue of \$10.05 billion, according to the FactSet-compiled consensus.

Both Intel's second-quarter revenue and third quarter forecast were "better than expected, and definitely better than feared," analyst Craig Berger of Friedman Billings Ramsey told clients in a research note. "Management said PC demand remains reasonably robust heading into the third quarter, a relative bastion of strength."

In a statement, Intel Chief Executive Paul Otellini acknowledged quarterly revenue "at the high end of expectations."

"As we enter the second half, demand remains strong for our microprocessor and chipset products in all segments and all parts of the globe," Otellini said.

Favorable business backdrop

Intel said total microprocessor units were "higher than seasonal." The company generated a gross margin of 55.4%, wider from 53.8% in the first quarter but slightly below the midpoint of the previous target.

Analyst Brian Piccioni of BMO Capital Markets said the company's gross margin was "a tad light" but offset by lower operating expenses.

In a call with analysts, Otellini took note of the "global economic issues that dominate the financial markets these days." But he said that the company's inventories "remain at healthy levels and our global footprint is helping us benefit from demand for Internet computing."

Roger Kay, analyst with Endpoint Technologies Associates, called it a "solid" second quarter for Intel, saying the company "has product momentum now, widening the gap with competitors. They're stronger in notebooks and the market is shifting their way."

He added: "I would think these results would tend to steady some of the volatility in the tech sector."

Analyst Auguste Richard of Piper Jaffray sounded a little more cautious.

Intel is "not seeing weakness in its core business yet, but we would expect demand to slow in the second half. In the near term, we would expect the results and outlook to provide a positive catalyst for the group," Richard said.

Indeed, Intel's results boosted the sector Wednesday, with the Philadelphia Semiconductor Index ([\\$SOX: 337.63, +2.04, +0.6%](#)) lately ahead more than 2%.

And shares of Advanced Micro Devices Inc. ([AMD: 4.19, -0.17, -3.9%](#)), Intel's smaller archrival, advanced nearly 3%, apparently based on Intel's bullish projections for the third quarter. ■

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