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# Intel sales hit 3rd-quarter record

## New products, strong demand boost profits by 43%; 2,000 jobs to be cut in 4th quarter

**Max Jarman**

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New technology and strong demand for laptop and notebook computers helped propel Intel Corp. to record third-quarter sales and a 43 percent jump in earnings that easily beat Wall Street estimates.

The earnings announcement also included news of more layoffs at the world's biggest chipmaker. Intel said it would cut 2,000 jobs in the fourth quarter to reduce its workforce to 86,000. Such cuts are generally across the board and likely would affect its Arizona operations.

Intel is Arizona's fourth-largest employer, with 11,000 people at work, primarily at its two semiconductor plants, or fabs, in Chandler.

A \$3 billion third plant is set to open later this month in Chandler and will feature state-of-the-art technology and employ about 1,000 people.

Shares soared as much as 6 percent in after-hours trading after closing down 27 cents, or 1 percent, in the regular session Tuesday.

The third-quarter results were released after major U.S. stock markets had closed.

The company reported third-quarter sales of \$10.1 billion, which beat Wall Street estimates of \$9.6 billion and were 15 percent higher than the \$8.7 billion posted for the third quarter of 2006.

The Santa Clara, Calif.-based company attributed the record sales to strong demand for its microprocessors that run most laptop and desktop computers.

Per-unit sales were flat, but volume and aggressive cost cutting helped produce third-quarter earnings of \$1.86 billion, or 31 cents per share. That compared with \$1.3 billion, or 22 cents per share, a year earlier.

Intel's profit margin rose to 52.4 percent from 47 percent in the 2006 quarter, and the operating profit rose 66 percent to \$2.2 billion from \$1.4 billion a year earlier.

"Impressive," noted Will Strauss of Forward Concepts, a semiconductor industry research firm based in Tempe. "They've cut costs, increased sales, introduced new products and they're looking good."

Tony Massimini, an analyst with Semico Research in Phoenix, noted that the strong sales indicate that Intel is winning back market share it earlier lost to competitor Advanced Micro Devices Inc. and at not so high a cost as in the prior two periods.

"They won back market share in the second quarter, but they had to steeply discount their products to do it," Massimini said. "The improved margins indicate they are not being so aggressive with the pricing."

Intel was shocked last year by its first revenue shortfall in 12 quarters and by the realization that it was losing ground in the server and PC markets to smaller Advanced Micro in Sunnyvale, Calif.

Intel President and CEO Paul Otellini quickly launched a review of all the company's operations, leading to a massive restructuring.

It jettisoned money-losing businesses, cut more than 10,000 jobs and rapidly pushed new products to market.

The 2,000 cuts announced Tuesday are on top of the earlier layoffs.

For the fourth quarter, Intel is forecasting revenue between \$10.5 billion and \$11.1 billion and a profit margin of 57 percent "plus or minus a couple of points."

Otellini noted: "Looking forward, we see each of these elements continuing to improve into the fourth quarter. We are very pleased with the results and optimistic about our business."

Forward Concepts' Strauss agreed. "The moves they made last year to restructure the business are now paying off for them," he said.

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