



AMD Posts Loss

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The chip maker announces a loss for the first quarter and plans for an IPO of its Spansion flash division.

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Plagued by the weak market for flash memory products, Advanced Micro Devices on Wednesday posted a first-quarter loss of \$17.4 million and announced plans to spin off its money-losing flash division through an IPO.

The company said it lost \$0.04 per share during the quarter. The company was expected to show a profit of \$0.02, according to the consensus estimate of 33 analysts surveyed by First Call. In last year's first quarter, the company earned \$0.12 per share.

Sales edged down to \$1.23 billion from \$1.24 billion a year earlier. The Sunnyvale, California-based company blamed an operating loss of \$46 million in the first quarter on the bleak market for flash memory products.

Spansion, AMD's flash memory partnership with Fujitsu, posted a first-quarter operating loss of \$110 million compared to net income of \$14 million for the first quarter in 2004.

Plans to spin off Spansion through an IPO drove AMD shares up \$0.54 to \$17.60 in after-hours trading.

Analysts said it was a good time to separate Spansion, which has suffered from an oversupply of flash memory in the market and fierce price competition from AMD's much larger rival, Intel. Forecasts for flash memory don't show the market improving soon.

"The flash business has been a drain, and AMD has been impacted pretty badly," said Jim Handy, an analyst with Semico in Phoenix.

While poor flash memory performance punished AMD's bottom line, the company's PC chip products earned \$92 million for the quarter compared to \$67 million during the same quarter in 2004.

There are two types of flash memory: NAND and NOR. NAND is cheaper to make and writes data faster than NOR, making it desirable for digital cameras. NOR costs more to make, but it reads data faster than NAND and is well-suited for cell phones.

AMD competes with Intel in the manufacture of NOR flash memory chips, which are used in cell phones and other consumer electronics. Chip industry analysts said that the NOR flash memory market is highly commoditized and will offer low returns in coming years, particularly as NAND flash memory sales increase.