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Valley tech titans see profit hikes
Intel, Motorola, Freescale in chips

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Strong sales of notebook computers and cellphones turned into better than expected second-quarter earnings for high-technology companies on Tuesday.

Intel Corp. said net income rose to \$2 billion, up 16 percent from the same period a year ago. Revenue hit a record for the second quarter at \$9.2 billion, up 15 percent from a year ago.

Strong demand for notebook computers along with higher sales in Asia and other emerging markets were responsible for the growth, the Santa Clara, Calif.-based computer-chip maker said.

"It was a good second quarter, a period when business is typically slow, and the momentum should continue," reported Intel Chief Financial Officer Andy Bryant to analysts.

"Demand is strong, our factories are full and the business is generating high levels of cash."

Motorola Inc. also hit records in sales and earnings for the second quarter. Net income totaled \$933 million, handily reversing a net loss of \$203 million in the same period a year ago. Revenue jumped 17 percent, to \$8.83 billion, compared with a year ago.

The Schaumburg, Ill.-based cellphone maker said it shipped a record 33.9 million phones and other mobile devices during the quarter.

Freescale Semiconductor Inc. nearly tripled its net income to \$122 million from \$43 million in the same period a year ago. Sales totaled \$1.47 billion, up less than 1 percent from \$1.46 billion in the same period a year ago.

The Austin-based chipmaker, which spun off from Motorola and went public a year ago, credited operational efficiencies and continued cost controls for its gains.

All three tech giants have thousands of employees in the Valley, and strong sales and earnings suggest job prospects will remain healthy for the near term.

Intel, for example, said its worldwide head count is up 11 percent from a year ago to 91,000 employees. With demand for computer chips rising, Intel also said it plans to increase its capital spending for this year to about \$5.9 billion, good news for equipment suppliers and other vendors.

All three companies' earnings beat analysts' expectations.

Intel's earnings of 33 cents a share beat expectations by a penny. Motorola's earnings of 38 cents a share included 12 cents of income from gains on the sale of an investment and other factors but excluding that figure still beat expectations by a penny. Freescale's earnings of 29 cents a share beat expectations by 5 cents a share.

The positive environment extends to other tech companies. IBM Corp. and Lucent Technologies Inc. reported better-than-expected results this week, while Yahoo! Inc. reported a sixfold increase in profits.

Analysts at Phoenix-based Semico Research Corp. noted that the semiconductor industry has come off a period of excess inventories and that the picture now looks brighter than it did earlier in the year.

"By the third quarter, inventories will be too low," Semico President Jim Feldhan said. "Buyers will replenish, and with some end markets still growing, we'll do OK."

Most of the tech companies apparently agree.

Intel said Tuesday that it expects revenue to rise even further in the third quarter to between \$9.6 billion and \$10.2 billion.

Motorola forecast a jump in revenue of between \$8.9 billion and \$9.1 billion, with earnings of 27 to 29 cents a share.

Freescale said it expects revenue to be flat or slightly down at \$1.38 billion to \$1.47 million.

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