

AMD looks for new revenue

The chip maker will compete with old nemesis Intel in an effort to sell to telecom, storage markets.
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Advanced Micro Devices announced Monday an intention to increase revenue by selling its existing Opteron server processor to companies that make storage, medical imaging, and communications equipment.

AMD, based in Sunnyvale, California, made the announcement during the Embedded Systems Conference in San Francisco this week. The embedded processors typically are defined as chips used for any electronics gadgets and equipment except computers and servers. AMD said it's interested in the high-end embedded market.

David Rich, AMD's director of 64-bit embedded markets, said the server processor has the ability to power data-intensive and sophisticated systems. "Moving data across systems, medical imaging, and security scanning—these systems require a lot of horsepower and require multi-processors," Mr. Rich said.

The company, currently the second-largest PC chip maker in the world, is looking for other ways to capitalize on the success of Opteron. The processor was developed for servers and won kudos for its performance and ability to work with new and old software, thus saving business customers money. When Opteron was introduced to the market in 2003, Intel was pushing a server chip that would not work with existing software, requiring instead expensive upgrades.

AMD reported \$5 billion in revenue for 2004, up 42 percent from \$3.52 billion in 2003. The company made \$91 million in net income in 2004 but posted a \$274-million loss in 2003.

AMD named Sun Microsystems, Win Enterprises, and Curtiss Wright as three of the companies that have agreed to use Opteron for their embedded systems. None of the companies have those products with Opteron inside yet, Mr. Rich said.

AMD will be competing with companies such as Intel and Freescale in the new venture. Those competitors also offer processors based on the x86 architecture, which is most widely used in computers and servers. But this type of processor isn't commonly used in the communications industry, a lucrative market for chipmakers. Instead, what many telecom equipment companies have been using is their own, proprietary processor technology, or have been buying non-x86 processors from IBM and MIPS.

Analysts disagree on whether chip giants such as Intel can change telecom equipment makers' buying behavior. Intel has made good progress in the embedded market, and x86 processors are attractive because of the large amount of software already available to make them work, said Jim McGregor, principal analyst at market research firm InStat/MDR.

"It's a critical time to be in the market. If AMD doesn't enter it now, it would be a huge mistake," Mr. McGregor said.

But another analyst, Tony Massimini at Semico Research, argued that Intel hasn't had much success in the high-end embedded market because its sales in that area represent a sliver of what it makes from chips for computers and servers. Besides, most software for x86 processors are for use in computers and servers, not embedded systems, Mr. Massimini added.

"Today there is not a big market in the embedded space," Mr. Massimini said. "I can tell you x86 is a minor player in telecom."

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