

## Intel's Second Quarter Results Indicate PC Market Recovery

**Good results for Intel's computing products have offset weaknesses in other areas. Intel's latest financial report confirms Gartner's forecast of a nascent recovery in the PC market. As demand increases, suppliers will set prices less aggressively.**

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**Event:** On 15 July 2003, Intel reported that its 2Q03 profits had doubled over its profits in the same quarter of 2002. In 2Q03, Intel posted net quarterly income of \$896 million on revenue of \$6.8 billion. On 16 July 2003, Advanced Micro Devices (AMD) reported a 2Q03 net loss of \$140 million on \$645 million in sales, a sales decrease of 10 percent compared to 1Q03.

**First Take:** Intel's 2Q03 revenue came in at the upper end of its guidance range. Intel CEO Craig Barrett attributed this success to strength in Intel's computing products and a record quarter in the Asia/Pacific region. Intel's overall computing revenue rose to \$620 million, a 12 percent gain from 2Q02. Also, Intel's computing product revenue normally declines from first quarter to second quarter but held flat this year. This stronger-than-expected result offset softness in Intel's other businesses. Some of Intel's success comes from AMD's weakness. In addition, the weaker dollar makes PCs more affordable overseas and drives growth. Overall, though, Intel's jump suggests a nascent recovery in the PC market, consistent with Gartner's forecast of 6.6 percent unit growth for 2003. This growth figure requires a relatively strong 2H03, which in turn depends on the strength of the U.S. business market.

Intel also reiterated its intent to deliver wireless silicon designed to replace broadband wiring to homes. In Intel's hands, such an initiative has two key factors for success. The first is access to massive financial and intellectual capital. The second is that Intel is doing this not just for wireless but to advance connectivity for PCs. Anything that causes the PC market to grow brings handsome returns to Intel's coffers.

For buyers, a recovery in the PC market will result in less aggressive pricing from suppliers as demand increases. However, the difference will be measured in tens of dollars, not hundreds of dollars. Enterprises don't need to adjust spending plans.

**Analytical Source:** Martin Reynolds, Gartner Research

### Recommended Reading and Related Research

- "Intel Remains Well Positioned Despite Tepid First Quarter Results" — Despite flat financial results in 1Q03, Intel's strategy remains sound. **By Martin Reynolds**
- "2Q03 Update: Global PC Forecast Scenarios, 2002-2004" — Gartner Dataquest has left year-over-year 2003 PC unit shipment growth unchanged at 6.6 percent compared with its previous forecast. **By Kiyomi Yamada, George Shiffler III and Charles Smulders**

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