

# Intel May Have Upper Hand in Processor War, for Now



**Intel, the world's largest chip maker, had been losing market share to rival AMD, but is now believed by analysts to have stemmed losses or even gained share thanks to a raft of new products.**

What a difference a year has made in the microprocessor industry.

Intel Corp., the world's largest chipmaker, had been losing market share to rival AMD, but is now believed by analysts to have stemmed losses or even gained share thanks to a raft of new products.

Meanwhile, Advanced Micro Devices Inc., which saw its sales soar in recent years as its powerful, energy-efficient processors trumped Intel's, is now struggling with outdated products and a costly acquisition.

AMD's woes were underscored earlier this week when it said that lower prices and unit sales meant that first-quarter revenue would be about \$1.23 billion, 20 percent below the average Wall Street forecast.

"AMD had superior products a year to two years ago and for the first time was able to have prices above Intel's, and Intel was having to be competitive on pricing to clear inventories" said Cody Acree, an analyst with Stifel Nicolaus.

"Today, it's a reversal of those roles," Acree said. "We expect that Intel is actually gaining share and that AMD is having trouble staying that off and is having to cut prices to help make that happen."

Intel had about 74.4 percent of the market for desktop, laptop and server processors, according to January data from Mercury Research, which estimated AMD's share at about 25 percent.

When Intel reports first-quarter earnings on Tuesday, it is expected to show a net profit of \$1.28 billion, or 22 cents per share, on revenue of \$8.97 billion, according to the average Wall Street forecast on Reuters Estimates.

While that would be a 5 percent fall in profit from a year earlier, analysts are bracing for AMD to report on Thursday a net loss of almost \$342 million, a dramatic about-face from the \$184.5 million profit it posted a year earlier.

AMD plans to counter Intel in the middle of this year when it launches a new chip with four processing cores, meaning that it can handle several tasks at once.

The big question is whether the chip, known as Barcelona, will offer enough of an advantage to take more customers away from Intel.

Intel has a quad-core chip as well, but it consists of two dual-core chips stuck together. AMD says its

design of having all four cores on one piece of silicon will be faster and use less energy.

Even if Barcelona is a winner, it won't have an immediate financial effect since it takes months for a new processor to attain the production volume and industry acceptance needed to generate meaningful revenue.

"I think it's going to stall the share losses but certainly not gain them back for AMD. 2008 is a long ways away," said Eric Ross, an analyst with ThinkEquity Partners. "Barcelona is nice, but Intel's not that far behind."

Intel isn't standing still. AMD's resurgence a couple years ago took the Silicon Valley stalwart by surprise and sparked a renewed determination by Intel Chief Executive Paul Otellini not to fall behind in the technology race.

Intel plans to start making chips with new production tools that will shrink circuitry width by about 30 percent, lowering its per-chip production costs and making its processors faster. It also has an all-new chip design planned for next year.

AMD hopes to wow the market in 2009 when it introduces a chip incorporating graphics technology it gained when it bought ATI last year for \$5.4 billion. But right now that deal is also weighing on its bottom line and balance sheet.

"I think strategically over several years, it's going to look like a good acquisition, but definitely there's a lot of short-term pain," Ross said.

*Copyright 2007 by Ziff Davis Media, Distributed by United Press International*

*This document is subject to copyright. Apart from any fair dealing for the purpose of private study, research, no part may be reproduced without the written permission. The content is provided for information purposes only.*