

AMD results may shed light on tech demand

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SAN FRANCISCO (MarketWatch) -- Analysts are not expecting much from Advanced Micro Devices Inc. after the chip maker lowered its revenue forecast and said it was cutting 10% of its workforce.

But AMD's first-quarter report, slated for release after the market closes Thursday, could shed more light on the demand picture in the technology market, especially after Intel Corp.'s better-than-expected outlook earlier in the week.

According to a survey by FactSet Research, AMD is projected to report a loss of 48 cents a share on revenue of \$1.52 billion.

For the year-earlier period, the company reported a loss of \$1.11 a share on revenue of \$1.23 billion. The loss included acquisition-related charges of 21 cents a share in connection with its merger with ATI Technologies.

Last week, AMD indicated that it had a weaker quarter than expected and expects revenue of about \$1.5 billion. That's up 22% from the year-earlier period, but down 15% from the fourth quarter.

The Sunnyvale, Calif., company had said earlier that it expected its first-quarter revenue to drop in line with seasonality, which typically translates to a roughly 7% sequential decline.

The company also unveiled a plan to cut its workforce by 10% by the end of September. "Don't expect many surprises, avoid the stock," analyst Daniel Berenbaum of Caris & Company said in a research note earlier this week.

The company's negative pre-announcement "seems to confirm our channel checks, which had suggested that weak product cycles are coming home to roost in the form of market-share loss, as business trends at Intel seem to be tracking closer to normal seasonality," he said.

"The stock has underperformed the group over the past year and year-to-date, but a weak competitive position and continued cash burn make this one of our least favorite names," he said.

AMD's preannouncement also prompted speculation that the company's problems were no longer just due to its own internal problems, including production missteps and the financial burden of its 2006 acquisition of ATI Technologies.

Some analysts now believe the broader economic slowdown, particularly a weaker demand for personal computers, will have a bigger impact on the chip industry. Analyst Edwin Mok of Needham & Co. said in a research note that "while AMD continues to suffer from competitive and operational issues, we believe the latest AMD preannouncement also reflects weakness in desktop demand."

Analyst John Dryden of Charter Equity Research speculated that AMD's shortfall was "due to weak demand in North America where the company holds a larger share of microprocessors." ■

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