Intel expected to post 7% revenue rise

By Benjamin Pimentel, MarketWatch
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SAN FRANCISCO (MarketWatch) -- Intel Corp. is expected to report a 7% increase in second-quarter sales as investors look to the chip giant's results for signs of how the economic slump is affecting the technology sector.
Intel is expected to post earnings of 26 cents a share on revenue of $9.3 billion, compared with earnings of 22 cents a share on revenue of $8.7 billion for the year-earlier period, according to the average estimate of analysts surveyed by FactSet Research.

Analyst Edwin Mok of Needham & Company said ongoing concerns about the state of the economy "remains the biggest concern."

But he added that it appears that sales of personal computers, particularly notebooks, are "holding up well despite the weaker economy."

"With the recent pullback of the stock, we believe an inline report could lead to a higher share price," Mok told clients in a research note. "However, we think weak consumer spending could lead to below-seasonal results in the second half of 2008."

Analyst John Dryden of Charter Equity Research said Intel remains a dominant player in the tech market, but added that "a weakening economy and increased sales of lower-priced notebooks are pressuring average selling prices which limit revenue and margin upside this year."

Analyst Craig Berger of Friedman, Billings, Ramsey & Co. said investors should brace themselves for a third-quarter revenue forecast that "could be a touch worse than expected."

"With renewed macro concerns and the possibility that some supply-chain production was pulled into the second quarter due to greater use of ocean freight, Intel's guidance could slightly disappoint," Berger said.

Analysts current expect Intel to report third-quarter revenue of $10.05 billion, according to FactSet Research.

Analyst Brian Piccioni of BMO Capital Markets said it wouldn't be surprising to see "a bit of softening" in PC demand. He cited the corporate market where companies are bound to be "looking carefully at capital budgets." ■

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