

AMD expected to report narrower loss, 6% sales gain

By [Benjamin Pimentel](#), MarketWatch

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A previous version misstated the day when AMD is scheduled to report its results.

SAN FRANCISCO (MarketWatch) -- Advanced Micro Devices Inc. is expected to report a narrower loss and a 6% revenue gain when it announces its second-quarter results Thursday.

The chip giant's results come on the heels of archrival Intel Corp.'s bullish third-quarter outlook that lifted technology stocks Wednesday and appeared to signal that market demand for tech products may not be as bad as some feared in the second half of 2008. Still, the global economic slump has some analysts worried about AMD's prospects, especially since the Sunnyvale, Calif., tech giant continues to struggle with its own financial and production issues.

In a note to clients, analyst Craig Berger of Friedman, Billings, Ramsey & Co. said the "slowing PC market warrants caution."

"While checks suggest second quarter PC chip shipments were reasonably robust due to emerging market unit demand and easy first quarter comparisons, it seems AMD may have slightly underperformed the market because of a stale PC offering, increasing price competitiveness in graphics chips and poor demand for its consumer chips," Berger said. Analysts expect the company to report a net loss of 53 cents a share on revenue of \$1.46 billion. AMD reported a net loss of \$600 million, or \$1.09 a share, on revenue of \$1.38 billion, for the year-earlier period.

The company has struggled to be profitable over the past year due to production missteps, mounting competition with Intel and the financial burden related to its 2006 acquisition of ATI Technologies.

Recently, AMD said it will report a goodwill and intangible asset impairment charge of about \$800 million related to the former ATI handheld and digital television units of AMD's consumer electronics group.

However, analyst John Dryden of Charter Equity Research said AMD currently has the "best portfolio in two years" that he said "will help stop declining market share." But he also added, "management has to deliver on transition to asset-light and the latest restructuring."

Dryden was referring to AMD's stated plan to revamp its manufacturing operations, which prompted speculation that it may be planning to split up the company or outsource some of its production. AMD has yet to release details of the plan.

"We are encouraged by the underlying strength in the new product portfolio, but we're not as confident in management's targets for profitability in the second half of 2008," Dryden said in a research note.

"Lower headcount will improve operational losses, but declining share in server will not rebound as quickly as management expects and global demand for computers isn't going to exceed expectations," he said. ■

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