

Intel pressure grows as CEO question looms

By [Dan Gallagher](#)

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SAN FRANCISCO (MarketWatch) — Intel Corp. is expected to post another decline in both sales and earnings when it reports first-quarter results Tuesday afternoon, as a sharp decline in PC sales has crimped demand for the company's chip products.



Reuters

Intel CEO Paul Otellini is slated to deliver his last earnings report on Tuesday afternoon.

With Intel stock already down more than 20% over the last 12 months, investors may have already built in low expectations for Intel [INTC, -0.03%](#) — especially [after reports about dismal PC sales in the first quarter](#) that came last week from firms including IDC and Gartner.

But many on Wall Street expect things to get worse for the semiconductor major. Less than one-third of the brokers covering Intel currently rate the stock as a buy. Meanwhile, short interest on the stock has grown significantly, from 2.9 days to cover last April to nearly 7 days as of March 28, according to Nasdaq data.

"We believe investors may not be hugely surprised by weak

outlook in the current environment, and would not hugely press the short into the quarter," wrote Stacy Rasgon of Bernstein Research in a note to clients on Monday.

For the first quarter, Intel is expected to report earnings of 40 cents a share on revenue of \$12.6 billion, according to consensus estimates from FactSet. The Street's revenue target is slightly below the \$12.7 billion mid-point of Intel's own guidance for the period, issued after its last earnings report in January.

While weak results may already be factored in, investors will be paying close attention to the company's forecast for the rest of the year. Some believe an influx of touch-enabled PC products using Intel's new line of Haswell chips will boost demand for the second half of the year.

"Meanwhile, we remain positive on Intel shares, based on the company's lead in semiconductor-manufacturing technology," wrote Kevin Cassidy of Stifel Nicolaus, who rates the stock as a buy.

"In our view, it is this manufacturing advantage that may drive Intel products into a wider range of mobile products as consumers demand more performance and longer battery life from their mobile devices," Cassidy wrote.

Microsoft may build smartwatch

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Microsoft is working on designs for a touch-enabled wrist watch device, executives at suppliers said. MarketWatch's

Dan Gallagher reports.

Others are less optimistic. Rasgon of Bernstein rates Intel as underweight, or sell, in part on the belief that the company's high capital expenditures on new fabricating technology will put it in a position of having to chase lower-margin chip products due to less PC demand.

Rasgon also cites a lack of significant presence in devices such as smartphones and tablets.

Who will run Intel?

But the question over who will become Intel's next chief executive officer is a key overhang on the company right now.

Current chief Paul Otellini has announced his plans to retire, with his final day set for the company's May 16 annual meeting. There is significant speculation around Silicon Valley right now as to who might land the top job, but the company has made no announcements yet.

Most analysts agree on the need for the company to find a leader who can grow the Intel's mobile business.

"So while we expect management to reaffirm its growth targets for the year on Tuesday's call, we don't expect the stock to outperform the market until consumers become more excited about new PC categories or the company lands a high-volume design win in mobile," Ed Snyder of Charter Equity wrote in a note to clients Monday.



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