

Sales of new chip lift AMD to 2Q profit

Advanced Micro Devices Inc. has been punished so hard for unexpectedly ousting its CEO more than 6 months ago that the second-quarter profit it posted Thursday gave investors a measure of confidence about its direction.

AMD shares rose 38 cents, or 5.9 percent, to \$6.88 after the No. 2 maker of computer microprocessors reported its results. The stock had fallen by 30 percent since CEO Dirk Meyer was ousted in January.

The numbers were a rare bright spot in an industry in tumult.

They showed early signs of success for a new chip that combines general-purpose and graphics capabilities. AMD sold more than 7 million of the "accelerated processing units" in the second quarter, more than half of the total since they went on sale in November.

The chips feature an innovative design that represents the kind of creative risks that allow AMD to remain a technological trendsetter despite its perpetual underdog status against Intel Corp.

AMD is counting on the chips to help it gain market share against Intel, which controls 80 percent of the world's PC microprocessor market. AMD also needs the marketing buzz to help generate some excitement as the PC market flags.

Recent signs have worried investors.

Microsoft Corp.'s Windows business is seeing declines. Microsoft reported Thursday that revenue in the division that makes the Windows operating system, which powers the bulk of traditional PCs, fell in the latest quarter. The Redmond, Wash.-based company said revenue would have grown were it not for the launch of Windows 7 a year ago, which made comparisons tougher this year.

Intel has downgraded its view of the PC market. Intel on Wednesday cut its forecast for PC unit growth in 2011 to 8 percent to 10 percent over last year. The Santa Clara, California-based company earlier predicted low double-digit percentage growth. The cut weighed on Intel shares despite stronger-than-expected second-quarter results.

Last week market research firms IDC and Gartner reported that PC shipments worldwide are growing slower than expected, with the U.S. and European markets even contracting.

AMD has also been hurt by the weakness. But investors saw encouraging signs in the latest results, despite some troubles.

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Revenue in its microprocessor division was flat. The division was hurt by lower revenue from server chips, suggesting losses in market share to Intel. Intel's revenue from server chips was up in the latest quarter.

And AMD's revenue in its graphics chip division fell 17 percent from last year.

AMD has long been a distant second to Intel and now is even further behind in the transition to smartphones and tablet computers. AMD's chips are primarily used in traditional desktop and laptop computers.

The lack of a permanent CEO has weighed heavily on AMD's shares. Meyer was forced out over the board's unhappiness with AMD's growth rate and its strategy for mobile. The growth of Apple Inc.'s iPad has disrupted the traditional PC business, with some analysts predicting tens of millions of people are now buying tablets instead of laptops.

Apple reported blowout results Tuesday that show the emergence of what CEO Steve Jobs calls the "post-PC era." Apple has now sold 29 million iPads since they went on sale in April 2010, and more than 128 million iPhones since they went on sale in 2007.

AMD earned \$61 million, or 8 cents per share, in the three months ended July 2. That compares with a loss of \$43 million, or 6 cents per share, a year ago. Adjusted net income was 9 cents per share, a penny better than the average estimate of analysts polled by FactSet.

Revenue fell slightly short at \$1.57 billion. Analysts expected \$1.58 billion, according to FactSet.

AMD's third-quarter forecast calls for a sequential increase in revenue of 8 percent to 12 percent. That translates to \$1.70 billion to \$1.76 billion, in line with analyst forecasts for \$1.71 billion.

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