Intel Says Net Doubles, With Sales Up Overseas


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Thomas Thornhill, an analyst with UBS Securities, said the increase in gross margin was evidence the company's main strategy -- moving customers to higher-margin notebooks based on the Centrino chip -- was clearly working. "For Intel, this is part of a broader strategy to define new usage models," he said. "It's not happening by accident. It's by design."

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The Intel Corporation said yesterday that its third-quarter profit more than doubled and exceeded its own forecasts based on strong sales to Asia and Europe.

"Our resolve to invest aggressively during the downturn is paying off with double-digit revenue growth," said Craig R. Barrett, Intel's chief executive.

Andy D. Bryant, the chief financial officer, said during a conference call with analysts that sales were particularly strong to emerging markets like India, China and Russia, while sales to the United States were "still lagging." Still, he said, "the quarter turned out to be among the better quarters we've seen."

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Net income for the third quarter was $1.7 billion, or 25 cents a share, up from $686 million, or 10 cents a share, in the period a year earlier. Revenue rose to $7.8 billion from $6.5 billion.

Analysts had projected earnings of 23 cents a share on revenue of $7.71 billion, according to Thomson First Call.

Before Intel announced its third-quarter results, its shares closed at $31.08, up 28 cents. They rose as high as $31.66 after hours.

Intel executives said they expected strong sales in the fourth quarter, forecasting $8.1 billion to $8.7 billion. The midpoint of that range, $8.4 billion, would be a 17 percent increase compared from the period a year earlier, the highest the company has seen since 1998, Mr. Bryant said.

Gross margin improved substantially during the third quarter, to 58.2 percent, an increase of 9.4 percentage points. Mr. Bryant predicted that trend would continue during the fourth quarter, when gross margin percentage could rise as high as 60 percent.

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Optimism has been building around Intel since the end of the second quarter, when the company initially predicted sales would be $6.9 billion to $7.5 billion. A few weeks later, the company said sales were unexpectedly strong and would be $7.3 billion to $7.8 billion. Two weeks later, on Sept. 4, the company narrowed its forecast to $7.6 billion to $7.8 billion.

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"We're still in the hole we dug ourselves," Mr. Bryant said on the conference call, referring to the company’s decision to raise the prices of flash memory earlier in the year.

Adam Parker, an analyst with Sanford Bernstein, said that the company's shift to chips for notebook PC's, which are typically priced higher than those for desktop units, certainly helped to fuel the growth. He added, however, that some of the strength in the third quarter could be attributed to consumers in China delaying purchases in the second quarter because of the outbreak of severe acute respiratory syndrome, or SARS.