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TECH

Intel Projects Slower Revenue Growth This Year

Revenue rose in latest quarter, but the chip maker missed sales targets

Attendees took a virtual-reality tour at the Intel booth at 2019 Consumer Electronics Show earlier this month in Las Vegas.
PHOTO: ROBYN BECK/AGENCE FRANCE-PRESSE/GETTY IMAGES

By Jay Greene

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Intel Corp. INTC **-0.56%** ▼ reported a 9% gain in revenue but cautioned that it expects slowing demand for data-center chips to continue well into 2019, a considerable challenge as the company's search for a new chief executive stretches into month eight.

For much of 2018, Intel had raked in money from an unexpected surge in demand for personal computers, as well as the ever-present halo from the growth of cloud computing—even after the abrupt resignation in June of its CEO.

But that strong run is now losing steam.

Shares fell nearly 7% in after-hours trading Thursday. Revenue from Intel's data-center group, a critical area as the company builds beyond its personal-computer stronghold, came in at $6.07 billion—about $200 million shy of what the company projected just three months ago.

Customers' robust appetite for server chips boosted data-center businesses by 45% through the first nine months of 2018, but now those buyers need to digest those purchases, finance chief and interim chief executive Bob Swan said in an interview. That slowdown will hit the next two quarters as well, he said.

Intel also suffered from slowing sales in China, whose trade dispute with the U.S. is dragging down the economy, Mr. Swan said. "The macro and the geopolitical environment is a just a little bit weaker, and we expect that will impede growth in 2019," he said.

The company now expects total revenue growth of about 1% in the year ahead to $71.5 billion, a much more conservative pace than the nearly 13% growth in 2018.

Analysts polled by FactSet had expected Intel to generate $75.07 billion in revenue.

The sluggishness comes after Intel capped a record year of results but has struggled to manufacture plentiful quantities of its next-generation chipset, a problem it says is now resolved. Even more pressing, Intel is still looking for a permanent replacement for former CEO Brian Krzanich, who resigned after violating company policy by having a relationship with a co-worker.

Intel's board is "moving as quickly as they can," Mr. Swan said, though he declined to put a timeline on when they would make a pick.

"I believe this is the biggest, best open job on the planet," he said, adding, as he has previously, that he isn't interested in the post.

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Before the just-ended quarter, Intel had been on a tear, benefiting from strong corporate technology spending and surprising strength in personal computer sales.

In September, it said that it could barely keep up and that the demand had "put pressure on our factory network." That surge generated a 19% boost to Intel's third-quarter revenue.

The global economic slowdown appears to have caught up with Intel, said Stacy Rasgon, a Bernstein Research analyst. "They've been saying, 'We've got so much demand; we can't handle it all,'" Mr. Rasgon said. "Now, they are taking their medicine."

Mr. Swan told analysts Thursday that “our outlook is a little more cautious than it was a few months ago.”

Overall, revenue rose to $18.66 billion, below the $19 billion Intel had expected three months ago. Profit came to $5.2 billion, compared with a loss the year earlier that was largely tied to the U.S. tax overhaul.

Excluding restructuring costs and other items, profit rose to $1.28 a share. Analysts surveyed by Refinitiv had expected $1.22.

— **Maria Armental contributed to this article.**

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