

Is Intel Wrong About the PC?

Written by Bob Snyder
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Intel told Wall Street that its PC sales will grow in "mid-single digits" in 2015. Some analysts think Intel is fibbing.



These industry analysts claim Intel's CPU revenue will fall by 6% in 2015, based on inventory build-ups from 2014.

Analyst Srini Pajjuri of CLSA is one of the bears. Pajjuri writes that "Management deserves credit for solid execution and consistent strategy, but we believe the company's 2015 guidance for mid-single-digit growth is optimistic."

He went on to say *"Intel's PC segment volumes are on track to grow 9% in 2014, compared to our PC unit forecast of -2%. We believe share gains explain ~3 points of the discrepancy, which means that the remaining 8 points of difference is largely due to inventory build at customers. PC supply-chain inventories were low entering the year, and some restocking is not unexpected given the better demand. However, the large discrepancy suggests that customers also built a meaningful amount of excess inventory. We are modeling Intel's PC revenue to decline 6% in 2015 compared to management's guidance for a slight decline. Our model assumes 2% PC market decline, 2-3 points of inventory correction, 2-3 points of ASP declines and 1-2 points of share gains."*

No one doubts Intel's forecast for its server CPU division (DCG) revenue to grow at a 15% annually through 2018. The server CPU growth reflects new markets (web/cloud, HPC, networking) and high-single digit growth at enterprise (inspired, no doubt, by Microsoft's planned expiration of Server 2003 support in July).

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The PC division had \$4.1B in Q3 operating profit and DCG unit just \$1.9B.

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