

Intel's Power-Saving Chips at Computex Help Fight PC Slump (2)  
2013-06-04 14:51:34.945 GMT

(Updates shares in 12th paragraph.)

By Ian King and Dina Bass

June 4 (Bloomberg) -- Intel Corp. and personal-computer makers are relying on a new power-sipping chip to restore demand to an ailing PC market reeling from consumers abandoning laptops for tablets.

Called Haswell, the chip design delivers 50 percent more battery life than Intel's previous model, enabling thinner, lighter notebooks and machines that convert to tablets. PC makers including Hewlett-Packard Co. will show devices with the chip this week at Computex, the biggest annual computer event.

As Intel enters a predicted second straight year without revenue growth, Chief Executive Officer Brian Krzanich is counting on Haswell and other energy-efficient processors in the pipeline to bolster laptop sales and win more business in tablets. By 2015, global tablet shipments are expected to eclipse PCs as consumers flock to smaller, more affordable machines, according to researcher IDC.

"For the first time there will be lower price points and new form factors that will help PCs," said Tristan Gerra, an analyst at Robert W Baird & Co. in San Francisco. "In notebooks, Haswell is the first laptop chip that's going to provide enough battery life."

Haswell is Intel's latest attempt to move away from producing processors that suck as much electricity as small TVs to make chips that can let laptop users watch three movies on a single battery charge. Devices on display at Computex in Taipei will highlight the chip's ability to blur the lines between tablets and laptops, allowing transformable machines with detachable touch screens and keypads.

#### 'Tablet Demand'

"We are all in on Haswell," said Ron Coughlin, senior vice president for consumer PCs and solutions at Hewlett-Packard. "We know the convertible area can pick up some of the tablet demand."

Apple Inc. will include Haswell in the MacBook, according to people familiar with the plans who asked not to be named because the information isn't public. Acer Inc. used the processor in its Aspire 57 laptop, featured at Computex.

Haswell is the first generation of chips that "can achieve balance between high performance and very-low power consumption," Acer President Jim Wong said in an interview.

Even with some manufacturers lining up behind Haswell, Intel may struggle to overcome the surge of consumers abandoning PCs for tablets and smartphones as they increasingly choose to surf the Web, watch video and complete basic computing tasks on handheld machines.

#### Mobile Chips

Tablet shipments are projected to grow 45 percent from this year to reach 332.4 million in 2015, compared with an estimated 322.7 million for PCs, according to Framingham, Massachusetts-based IDC. PC shipments may decline 7.8 percent this year, the worst annual drop on record, the researcher said.

In mobile chips, Santa Clara, California-based Intel is playing catch-up to Qualcomm Inc., the market leader.

Intel increased 2.8 percent to \$25.95 at 10:49 a.m. in New York, following the biggest gain since 2011 yesterday after Christopher Rolland, an analyst at FBR Capital Markets, upgraded the shares to

outperform, saying mobile technology gives the chipmaker “new avenues of growth.” The stock has rallied 22 percent this year, compared with a 15 percent gain for the Standard & Poor’s 500 Index.

More than 20 tablets coming to market this year, including Samsung Electronics Co.’s Galaxy Tab 10.1, will use Intel processors, said Bill Calder, a company spokesman.

#### ‘Massive Reduction’

From the start, Haswell was designed with mobility in mind. Intel streamlined manufacturing for this chip and built it to maximize power gating, a technique that turns off transistors that aren’t in use and revives them only when needed. With on-chip power management and voltage regulation, Haswell has 20 times the energy efficiency in standby mode that Intel achieved with a processor released two years ago.

“The massive reduction in power does not come at the expense of compromised performance,” said Rani Borkar, a vice president of Intel’s architecture group.

While Haswell will bring mainstream laptops closer to tablet performance in terms of battery life and thinness, Intel is also readying the Silvermont mobile-processor design to go directly into smartphones and handheld machines. Silvermont will deliver three times the performance and is as much as five times more power-efficient than its predecessor, Intel said May 6.

#### Tablet Share

Tablets built around it will appear in the second half of the year. Intel showed off a design at the show today featuring a Silvermont-derived processor and a new radio chip that connects to mobile-phone networks using the latest LTE, or long-term evolution, standard.

“The place where we need to look for Intel to be better is in tablets and the ability to deliver a best-in-class experience,” said Doug Freedman, an analyst at RBC Capital Markets in San Francisco. He has an outperform rating on the company’s shares. “They’ve suffered through the cannibalization of the high-end notebook.”

Tom Kilroy, head of sales at Intel, also demonstrated a phone using new processors the company will offer. The design is called Merrifield and is manufactured on 22-nanometer technology. Phones using Merrifield will ship in the first half of next year, the company said.

Intel, whose processors run about 80 percent of the world’s personal computers, has less than 1 percent of the market for smartphone and tablet processors, according to research by Sanford C. Bernstein & Co.

#### ‘Smaller, Streamlined’

To expand its reach in tablets, Intel plans to introduce versions of Silvermont for Google Inc.’s Android operating system and Microsoft Corp.’s Windows 8 software at the same time. That may help Intel reach more consumers who are unwilling to buy laptops that do more than they need, according to Patrick Wang, an analyst at Evercore Partners Inc.

“Consumers aren’t buying the big, expensive ones, they’re buying the smaller, streamlined ones,” Wang said. “You can’t undo the influence of the tablet.”

Notebook shipments from the five largest contract manufacturers may decline 18 percent in the second quarter from a year earlier, according to an estimate from Chris Caso, an analyst at Susquehanna Financial Group. That comes on top of a 12 percent drop in the prior three-month period.

With Haswell, Intel has an opportunity to reverse this trend if the company also considers lowering its prices, Caso wrote in a research report.

“Haswell will undoubtedly offer better battery life and even thinner form factors, which will make for more attractive devices,” Caso said. “The main issue is system price points, and we don’t think Haswell will address this issue, since our checks suggest Intel isn’t budging.”

Intel may also have to wait until next year to see a measurable benefit from the new chips, Gerra said. Many products with Haswell won’t appear until later this year, and even then, Intel’s fortunes remain tied to the success of the PC market.

“The risk to our thesis is that it takes another year for the PC to rebound,” Gerra said.

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