Demand for PCs Powers Intel's Earnings

All but one of its main business segments showed revenue growth in the quarter

By Asa Fitch

Intel Corp. posted strong fourth-quarter earnings that benefited from an upswing in personal-computer shipments and robust demand for chips to power data centers.

The chip maker Thursday said adjusted earnings per share in the quarter rose to $1.52 from $1.28 in the year-ago period. Sales in the period rose 8% to $20.21 billion.

Intel benefited from bumper sales of high-margin products, including its most advanced processors for data centers. That demand helped drive earnings significantly higher than Wall Street and Intel had projected, financial chief George Davis said in an interview. Intel's bottom line was also padded by gains on investments, he said.

The Santa Clara, Calif.-based company gave an upbeat outlook for the full year. Sales, it said, should reach about $73.5 billion. Analysts are expecting sales to reach $70.98 billion. Intel posted 2019 annual sales of $71.97 billion, topping the $71 billion the company forecast in October.

Intel's growth forecast for the year, Mr. Davis said, "really reflects globally very strong demand for our data center products, led by the cloud players."

The company has benefited recently from healthy demand for cloud-computing as companies migrate from owning servers to renting data storage and processing horsepower. That has driven cloud-computing vendors to build up big data centers, the chip-hungry server farms where the data is stored.

Intel also has enjoyed stronger-than-expected demand for chips powering personal computers. Vendors of those computers shipped large numbers of devices running a newer version of **Microsoft** Corp.'s Windows operating system before the software giant, this month, stopped supporting the older Windows 7. PC shipments rose by 4.8% in the quarter, according to International Data Corp. figures, helping boost Intel's chip sales.

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All but one of Intel's main business segments showed revenue increases in the fourth quarter. Its data-centers segment generated $7.2 billion in October through December sales, up 19% compared with the same period last year. The chip maker's PC division posted modest growth. But the 2% rise in sales to $10 billion in the quarter still topped the company's forecast for flat to slightly lower sales. Only the small programmable solutions group, which sells reprogrammable chips, saw sales slide, by 17% to $505 million.

Despite the better-than-expected quarter, Intel is facing several challenges, including development difficulties with new processors, chip supply shortages, loss of market share to its main chip-making rival and turmoil from the U.S.-China trade tussle.

The company has been slow in developing the tiniest transistors it has ever made, measuring roughly 10 nanometers in length. It is now ramping up their mass-manufacturing, but bringing 10-nanometer chip production to more manufacturing facilities is costly, pressuring margins.

Intel also has been struggling with supplying all the processors its customers want. Shortages last year prevented the company from fully capitalizing on PC demand.

Even though Intel boosted processor production in the second half of last year, Mr. Swan told analysts on a conference call that "supply remains tight."

But that lag has allowed Advanced Micro Devices Inc., Intel's main chip-making rival, to win market share. **AMD** also has been rolling out new chips both for servers and PCs that outperformed Intel's in some benchmarks and often cost less. Intel's market share in chips for new laptops fell from almost 96% at the beginning of 2018 to 82.5% late last year, according to Susquehanna Financial Group.

P&G Continues to Ride the Shift to Premium Products

By Sharon Terlep And Micah Maidenberg

Procter & Gamble Co. posted another quarter of rising sales and profit as the marketing giant persuaded consumers to upgrade to premium versions of Tide and Crest products, but the growth slowed from the previous quarter.

The Cincinnati company said organic sales, a measure that excludes currency moves and deals, increased 5% from a year earlier in the quarter ended Dec. 31. On that basis, sales rose 7% in the previous quarter.

Finance chief Jon Moeller said the company is pleased with the growth, and the results are evidence that its turnaround plan is working. "We're looking, as we innovate, to be able to modestly [increase] price and still build value," he said.

P&G has recorded a growth streak that has outpaced rivals such as **Kimberly-Clark** Corp. and **Unilever** PLC.

Kimberly-Clark, which makes Huggies diapers and Kleenex tissues, on Thursday reported a 3% gain in organic sales for the same quarter. The smaller company, which has also been raising prices, forecast growth for the current year that was below P&G's projections.

"It's still early days," Kimberly-Clark Chief Executive Michael Hsu said during a call with analysts. "We're making good progress, and I expect more going forward."

Kimberly-Clark said new offerings such as super premium Huggies diapers are soon headed to stores.

P&G's turnaround has been driven by higher prices, new products and a leaner portfolio of brands. The company has shed mass-market beauty brands and led the industry in a move to raise prices to offset commodity costs and fatten profit margins.

The most pressing question now facing P&G is whether the company can maintain growth as rivals step up competition and consumers and retailers potentially begin to push back on price increases.

In the December quarter, the company raised prices in its struggling Gillette razor business. Until recently, brand sales were falling despite aggressive price cuts in prior years. Gillette "is strengthening quite nicely," Mr. Moeller said in a call with reporters. "There is still work to do but we are making significant progress."

P&G's beauty business, covering brands such as Olay and Pantene, delivered the strongest growth in the quarter, with organic sales rising 8%. The health unit, which includes products such as Vicks cough drops and Crest toothpaste, recorded a 7% gain.

The one weak spot was the baby-care business, which includes Pampers diapers, where organic sales declined from a year earlier. Mr. Moeller said the division is fighting tough competition, as birthrates are falling in China and the U.S. Both P&G and Kimberly-Clark have sought to offset the impact of those declines with higher-end offerings and by focusing on other categories, such as adult diapers and feminine-care products.

P&G has benefited of late in part because consumers have proved willing to pay up for the more-expensive products it has developed, such as specialty toothpaste and Tide Pod detergent packets. Prices were up 1% across its portfolio in the quarter, P&G said.

China, where P&G was struggling a few years ago, proved to be a significant growth engine. P&G said it gained market share and sales rose 14% from a year earlier.

Profit in the fiscal second quarter rose to $3.72 billion, from $3.19 billion a year earlier. Overall, P&G reported $18.24 billion in sales, short of the $18.42 billion consensus compiled by FactSet.