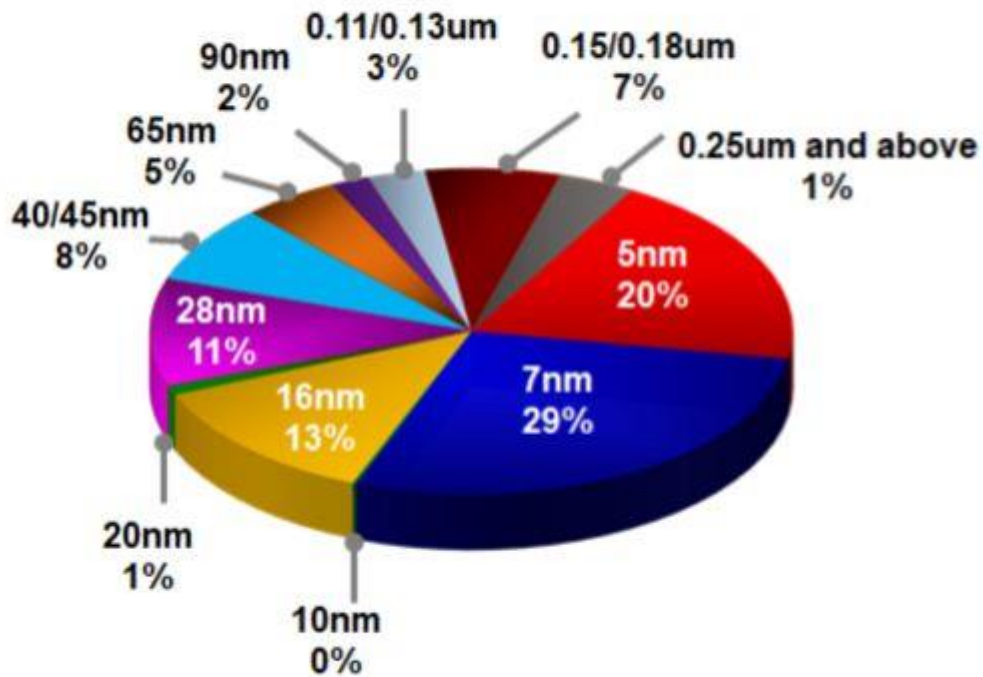


Intel 2020 Q4 Earnings Update

I'll start this update with TSMC - Taiwan Semiconductor Manufacturing Co., that [plans on spending](#) \$28 billion for new chip fabrication facilities. The expectation is that Intel will outsource its production to TSMC too.



TSMC's revenue split

It is very interesting how there doesn't exist only the best or only Apple chips, it is a big and variegated market that is growing which creates a tailwind for all. Further, global foundries are not expanding fast enough to meet the surge in demand for chips.

Intel Earnings Results

The summary:

Executive Summary

Fifth consecutive record year...


Exceeded October guidance on revenue by \$2.6B and EPS by 42 cents
Record full-year revenue for CCG, DCG, NSG, and Mobileye

Improving our execution...

Meeting strong customer demand... Q4 PC unit growth up 33% YoY
Ramping SuperFin technology in 3 HVM fabs... 10nm supply unit growth up 4x YoY
Strong progress on 7nm

Ice Lake Server now shipping
Alder Lake and Sapphire Rapids sampling to customers


Highest-ever free cash flow of \$21.1B... Raising dividend by 5%


3

Business as usual:


Our Priorities

Improving Our Execution to Strengthen Our Core




- 3rd Gen Intel Xeon Scalable Processors (Ice Lake) shipping
- 11th Gen Intel Core desktop processors (Rocket Lake) shipping
- Sapphire Rapids sampling broadly to customers
- Alder Lake, Intel's first 10nm CPU for desktop, sampling to customers
- Habana Gaudi design win with AWS... Goya2 sampling with CSPs
- Shipping Intel Iris X^e MAX Graphics and Intel Server GPU

Extending Our Reach to Accelerate Growth




- ~\$6B revenue in networking
- Delivered Gold release of OneAPI developer toolkit
- Mobileye announced new Lidar SoC, software-defined radar and AV test vehicles in four new countries
- ~13,000 deployments of Intel IoT Market Ready Solutions
- Debuted cryogenic quantum computing control chip, Horse Ridge II

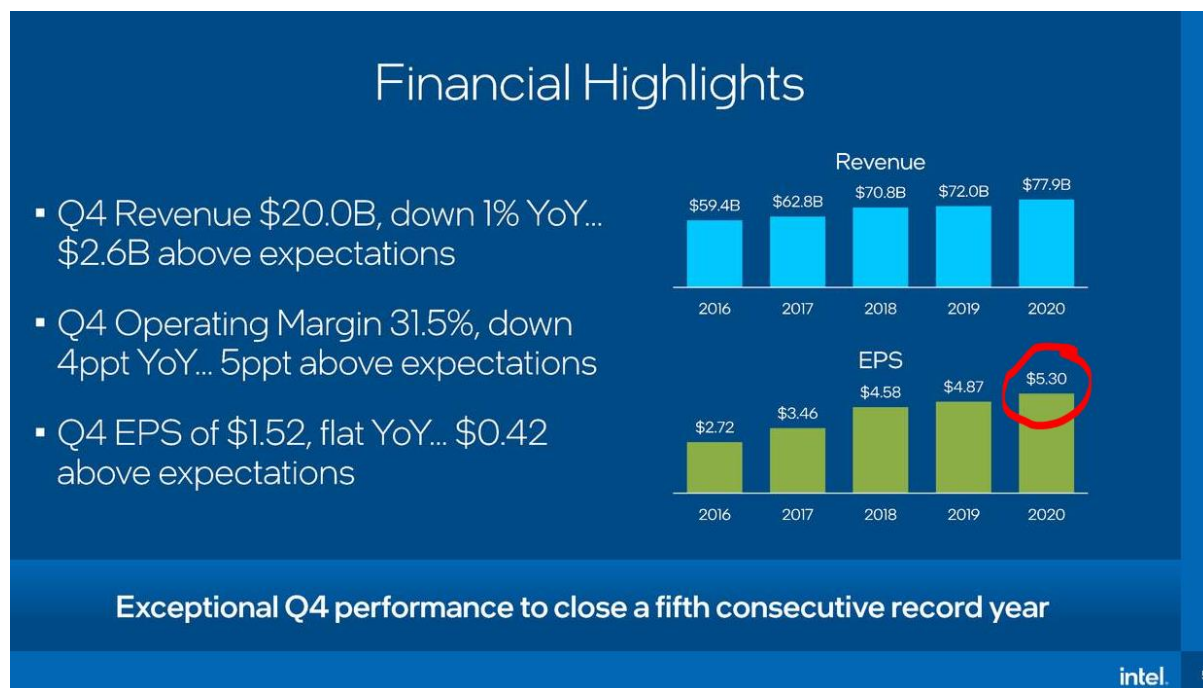
Thoughtfully Deploying Your Capital



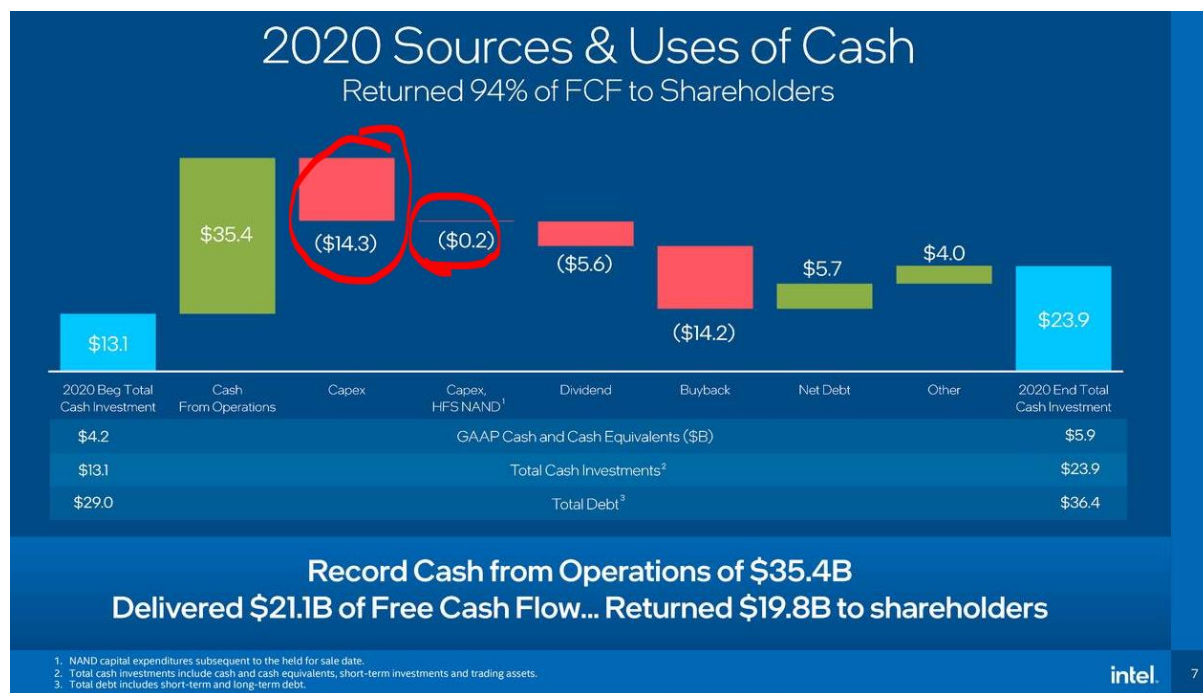
- 2020 cash from operations \$35.4B and free cash flow of \$21.1B, up 25% YoY
- Returned \$19.8B to shareholders in 2020
- Raising dividend by 5% to \$1.39/share
- Doubled 14/10nm manufacturing capacity since 2017


4

Earnings per share



\$15 billion for Capex, new CEO says Intel will keep most of its production in house but outside foundries will be used more than in the past – perhaps it will put less pressure on capex and increase FCF even more – good to balance.



Guidance is conservative:



Conference call comments:

Management view:

- Intel has been in the midst of a major transformation to strengthen our CPU franchise, while evolving into a multi-architecture XPU company.
- The business is well-positioned to capitalize on key technology inflections and extend our reach into fast-growing markets.
- Pat Gelsinger will re-join Intel on February the 15th as our new CEO and a member of our Board (I'll be sharing my detailed perspective after I assume my new role mid-February) (I am pleased with the progress made on the health and recovery of the 7-nanometer program. I am confident that the majority of our 2023 products will be manufactured internally) (Intel is the only semiconductor company in the world that has the depth of intelligent silicon, platform vision, design and manufacturing capabilities, and scale that our customers need to fuel their next-generation innovations)
- We believe we gained market share as PC CPU units grew an impressive 33% in the quarter
- We are now shipping discrete graphics into thin and light notebooks from Acer, Asus, and Dell and we introduced our first discrete GPU for the data center, which is already delivering great cloud gaming experiences for customers such as Tencent
- Amazon announced EC2 instances that will leverage up to eight of our Habana Gaudi AI training accelerators and deliver up to 40% better price performance than current GPU-based EC2 instances for machine learning workloads
- Our IOTG and Mobileye businesses have a combined annual revenue of \$4 billion
- we anticipate approximately \$12 billion in proceeds from our NAND and McAfee exits over time
- increasing our annual dividend by \$0.07 or 5% from \$1.32 to \$1.39 per share.

Questions:

- dual foundry strategy? Answer: good place for 2023 market leading products – balancing costs, supply chain and quality
- Margins? going into 2021 are going to be -- you're going to have a much better mix because of the exit of modem and NAND, number one. Number two, 10-nanometer product cost, as George mentioned, is going to get much better during the course of the year. Number three, 14-nanometer is going to be more fully depreciated equipment. Those three things are very positive as we go into the year.
- Question: Intel will get to 7-nanometer by 2023, the competitive foundry products will still be one node ahead. TSMC is planning to ramp their 3-nanometer node next year, right and will probably have a much bigger ramp by 2023. what is kind of a conceptual state of competitive play when we get to 2023? ANSWER: It is not just about not, it is about 5 other things.

All in all, positive conference call, the tailwind is what they bank on which gives a margin of safety. It will be volatile but they could do good.

Intel 2020 Earnings update valuation

I know they made \$20 billion in FCF this year but I am still going to use \$15 for now in the normal case scenario and 5% growth ahead (growth that will surely not be linear).

INTEL		LINK		https://sven-carlin-research-platform.teachable.com/courses/335443/lectures/20924528											
TO VALUE LIST												Terminal Value	Growth rate		
Scenario 1 normal case in EUR	FCF	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2030	4%	next 5 years	
		15.00	15.60	16.22	16.87	17.55	18.25	18.98	19.74	20.53	21.35	22.20	320.25	4%	5 to 10 years
	10%)		14.18	13.41	12.68	11.99	11.33	10.71	10.13	9.58	9.05	8.56	123.47	10%	Discount rate
	INTRINSIC VALUE		235.09											15.0	Terminal multiple
Scenario 2 best case in EUR	FCF	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2030	5%	next 5 years	
		20.00	21.00	22.05	23.15	24.31	25.53	26.80	28.14	29.55	31.03	32.58	775.66	5%	5 to 10 years
	10%)		19.09	18.22	17.39	16.60	15.85	15.13	14.44	13.78	13.16	12.56	299.05	10%	Discount rate
	Present value sum		455.29											25.0	Terminal multiple
Scenario 3 worst case in EUR	FCF	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2030	0%	next 5 years	
		12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	84.00	0%	5 to 10 years
	10%)		10.91	9.92	9.02	8.20	7.45	6.77	6.16	5.60	5.09	4.63	32.39	10%	Discount rate
	Present value sum		106.12											7.0	Terminal multiple
		Scenario	Probability	PV	Part										
		Scenario 1 (normal case)	0.6	235.09	141.05										
		Scenario 2 (best case)	0.2	455.29	91.06										
		Scenario 3 (worst case)	0.2	106.12	21.22										
		Sum		253.33											

SVEN CARLIN

RESEARCH PLATFORM

Disclaimer: This is just for educational purposes and not for investing advice!

Fair value for now is around \$250 billion so fairly valued for a good return for a good business.

11	INTEL	INTC	255.96	253.33	0.99	https://sven-carlin	INTC	22-Jan-21	GOOD	USD Billions
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All good here! Let's see how it goes over the next 5 years with the new CEO.

To answer any questions whether Intel is a buy now or not, well, it depends on you and how it fits your portfolio. We have 15 to 20 billion in FCF where 15 will be bad on the stock and 22 would be great – time will tell, that is how it is with investing.

As an investor, I focus on the \$15 and on the opportunity going forward, if Cathie Wood from ARK is even a bit right on disruption, we'll need a heck of a lot of chips!!!