

## Intel Investor Meeting February 2022

### Summary from investing perspective:

- Expect margins to drop in 2022 and then remain flat for a few years – expect single digit growth for a while, acceleration only by 2025/2026! **This could keep the pressure on the stock as the market usually wants confirmation, not promises. Gross margin 2022 around 52%, stay around that for 2023 and 2024, then increase back to higher (54% to 58%).**
- **Revenue growth is forecasted to be 1.7% for 2022 with a margin drop, single digit growth and then acceleration to double digits after 2025.**
- I would say Intel is relatively cheap in the \$40ties, cheap in the \$30ties and incredibly cheap in the \$20ties.
- **The risks come from missing the growth projections stated (12% growth in 2026). If it doesn't materialize, it will look ugly when the market loses faith in promises (so the risk is high as there is execution but also competition risk) There is a big difference between hitting the mark in 2026 or 2028, if they hit it at all as the competition isn't staying still.**
- **Intel could be a China hedge as if there is mumbo jumbo there, Intel is the global counterparty for supply.**

### Investment scenarios:

- 1) **Reward: Double by 2026, with biggest part of the gain in the latter years as the 'great growth plan' gets traction.**
- 2) **RISK: Missing the set growth targets, having a low return on invested capital (could be due to competition or to economic situation and demand – hard to predict what will the world look like in 2026/2030)**

**Value investing strategy: Wait for it to be an absolute bargain where you can't lose and left is only the upside (market capitalization in the \$150 billion on all else equal). It is unlikely it will happen, but it is worth to watch it).**

**Normal investing strategy: Intel looks undervalued on a relative basis given the potential of 15% FCF in 5 years.**

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### Intel Business Overview From Investor Day February 2022

The following slide tells us a big part of the investing risk and reward we need to know. They are presenting Intel as the ‘Next Great Growth Story’.

The slide features a background image of a glowing circuit board. It contains four stacked blue boxes with white text:

- We're rebuilding our "Groveian" execution engine**
- We have the right strategy**
- We are leveraging our core strengths to grow traditional markets and disrupt new ones**
- Intel is the next great growth story** (circled in red)

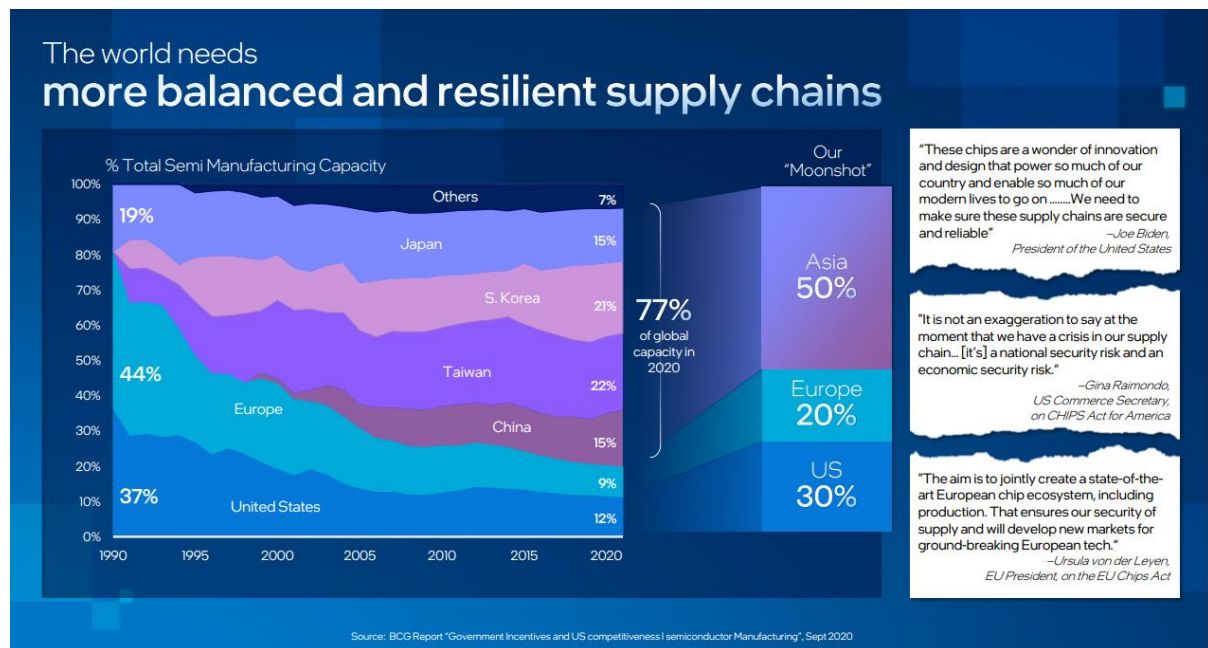
We as investors have to now put what is going on into a risk (what can go wrong) and reward (great growth story) perspective and also how much can we lose if it goes wrong and how much one can gain if it goes right.

The following is the plan:

The diagram is divided into three main sections:

- Our Beliefs:**
  - We are in an era of sustained, long-term demand
  - The insatiable need for compute drives the value of Moore's Law
  - Open ecosystems unleash innovation and democratize compute
  - The world needs more balanced and resilient supply chains
- Our Strategy:**
  - Deliver leadership products...
  - ...Anchored on open and secure platforms
  - ...Powered by sustainable manufacturing at scale
  - ...Supercharged by our people and culture
- Our Execution:** A circular diagram with 'Foundry' at the top, 'Accelerated Compute & Graphics' on the left, 'Auto & Mobility' on the right, 'Client' at the bottom left, 'Data Center & AI' at the bottom center, and 'Network & Edge' at the bottom right. The center is labeled 'IDM 2.0 Software & Security'. The entire 'Our Execution' section is circled in red.

But growth also includes risks and even they call it ‘Moonshot’, because the below implies high growth and global market share gains. Politics will also have a great impact on the below, and you never know how will that work. But, Intel could be a China, Taiwan hedge – but let’s hope no mumbo jumbo happens there as then we would have other things to think about rather than our stock portfolios.



Intel has lost leadership in some segments, and we will see whether they will gain it back, others aren't staying still.

### We remain confident we will regain process leadership

2022 Milestones		Angstrom Era		
<b>Intel 7</b>  Shipping Now	<b>Intel 4</b>  Manufacturing Ready in 2H'22	<b>Intel 3</b>  Manufacturing Ready in 2H'23	<b>Intel 20A</b>  Manufacturing Ready in 1H'24	<b>Intel 18A</b>  Manufacturing Ready in 2H'24
Meteor Lake CPU tile production stepping tape out	Lead server product test wafers running in fab	IP Test Wafers running in Fab	1H'22: Foundry Customer Test Chips 2H'22: First IP shuttle	

Tick Tock development model enables execution innovation and **5 nodes in 4 years**

\* Process leadership based on performance per watt

The following, from an investing perspective, tells me there is time, but not much time. Namely, the market rarely reacts before something happens, the market always waits for something to happen, but you need to anticipate that to get the most gains. (That is also the risk and reward)



Intel projects seeing accelerating growth, but still slow in 2022 – which means the stock could still be down or stay flat for longer. As it was the case after the investor day presentation:

Market Summary > Intel Corporation

47,66 USD

NASDAQ: INTC

-1.52 (-3.11%) ↓ past month

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1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	47,00	Mkt cap	192,52B	CDP score	A
High	47,57	P/E ratio	9,74	52-wk high	68,49
Low	47,00	Div yield	3,09%	52-wk low	43,62

Plus, Intel doesn't see margin improvements until 2025 (that can also go to 2027, if ever, you never know as this is just their plan, then we will see what reality will be – so hard to know from an investing perspective).

Segmented, we have the following:



Low to mid single digit growth expected in CCG (Client Computing Group)

CCG

With a growing market and leadership products we are

## positioned to grow and win share

**Low-to-Mid Single Digit**  
YoY Growth

Revenue

2021                      2026

\$41B

The PC is more essential than ever  
 Structurally larger, growing market  
 Positioned to win share and grow ASP  
 Platform innovation drives SOW Growth

2021	2022	2023	2024
Alder Lake	Raptor Lake	Meteor Lake	Arrow Lake

- Accelerated cadence of leadership products
- Disaggregated strategy leveraging IDM 2.0
- Reinvigorating and leading an Open Ecosystem

2021 segmentation data is preliminary and unaudited, and subject to change; final data to be provided in Intel's future SEC filings.

2026 acceleration in DCAI (Datacenter and AI Group)

DCAI

New dual track roadmap with differentiated features

## accelerates our competitive position

**Mid-to-High Single Digit**  
YoY Growth

Revenue

2021                      2023                      2026

\$23B

Large and Growing Market  
 Increasing Roadmap Competitiveness  
 Accelerating to Market Growth

2021	2022	2023	2024	
				P-Core
				E-Core

- Expanding to dual track P/E core roadmap
- Unmatched, differentiated features in AI & Security
- Building on our position as a trusted industry leader

2021 segmentation data is preliminary and unaudited, and subject to change; final data to be provided in Intel's future SEC filings.

Mid teens growth in NEX (Network and Edge Group):

### NEX

NEX was created to deliver a fully programmable **cloud to edge infrastructure**

Mid-teens YoY Growth  
Revenue  
\$8B  
2021 2026

Fast growing, transforming industry  
We are leading the edge architecture  
Growing faster than market

Networks are moving towards software  
AI Inference is transforming every industry

Cloud Data Center Core Network Network Edge Devices & Things

Intel Si Photonics IPU Agilex Ethernet Xeon Stratix Xeon Core Atom Hopedale

Intel Intelligent Fabric Cloud-Native Network Edge Inference

FlexRAN intel SMART EDGE OpenVINO

Open Standards and Developer Tools

2021 segmentation data is preliminary and unaudited, and subject to change; final data to be provided in Intel's future SEC filings. \*FPGA product revenue is included in DCAI segment.

Summary:

### Traditional businesses account for ~ half of our growth

Foundry  
Accelerated Compute & Graphics  
IDM 2.0 Software & Security  
Auto & Mobility  
Client Data Center & AI Network & Edge

Traditional Business: **mid-to-high single digit** YoY Growth

Yearly Revenue  
2021 2026  
CCG DCAI NEX

New businesses include AXG (Accelerated Computing Systems and Graphics Group) – which is minimal now.

AXG

Building on our installed base and a thriving open ecosystem we expect

## AXG to approach \$10B by 2026

Approaching \$10B

Explosive market growth  
Builds on foundation of Intel installed base, technology, IP, and software  
Growing to meaningful share of market

2021	2022	2023	2024
Super Compute HPC- AI	Sapphire Rapids HBM		Xeon next HBM                              Falcon Shores
Media & Analytics	Ponte Vecchio                              Arctic Sound		Ponte Vecchio next                              Arctic Sound next
Visual Compute (Client GPU)	Alchemist                              Battlemage		

- Intel ARC Alchemist shipping today; +4Mu GPUs in '22
- Sapphire Rapids HBM: ships 2H'22, up to 2.8x gen-on-gen
- Ponte Vecchio: to power Aurora supercomputer
- Launching custom compute

\*Revenue Outlook includes intersegment graphics royalty that is eliminated in Intel consolidated results  
2021 segmentation data is preliminary and unaudited, and subject to change; final data to be provided in Intel's future SEC filings.  
Learn more at [www.intel.com/PerformanceIndex](http://www.intel.com/PerformanceIndex). Results may vary.

Mobileye

mobileye

With a large installed base and full stack capability,

## Mobileye is a leader in ADAS and AV

### Comprehensive Strategy

- True Redundancy
- Crowd Source Mapping
- RSS Formal Safety Model
- The EyeQ Family

### Full-Stack Roadmap

E2E MaaS	moovit
Drive	Mobility AV. Multiple applications: Robotaxi + aaS
Chauffeur	Consumer AV Imaging radar and FMCW Lidar
SuperVision	Geely, Zeeker
Enhanced ADAS	BMW, Audi, NIO, +
Base + Cloud ADAS	VW, Ford, Nissan, +
Base ADAS	

### Market leader

Mobileye ADAS deployed in over

## 100M Vehicles

Shipping solutions to

## 13 of 15 top OEMs

2.5 Billion Miles  
of road data collected to date

And there is also foundry, where a lot of the investments are going into:



**intel foundry services**

With a wide range of process, IP, and packaging, IFS will become the **trusted provider of foundry services**

Revenue: Existing IFS, Leading Edge, Tower Semiconductor. Revenue ~\$1.5B\* (2021, 2023, 2026). Tower Semiconductor accelerates our entry into the foundry market.

**Process:** Intel 16 (2022), Intel 3 (2H 2023), Intel 18A (2H 2024), Tower Semiconductor (0.5um to 45nm – Available Today).

**IP:** intel x86, arm, RISC-V, Ecosystem IP (Growing Portfolio of 3<sup>rd</sup> party IP), Specialty IP (Design Enablement for RF, Power, Optical and Auto).

**Packaging:** EMIB, Foveros (Available Today), Foveros Omni, Foveros Direct (Target Availability 2H 2023), Direct Bonding, Large Die Stitching (Available Today).

- Specialty node leader. 20 years of foundry experience
- Deep customer and ecosystem relationships
- Global manufacturing footprint

\* Based on FACT SET consensus estimates

But, there is also risk – can we know now what will the future look like in 5 to 10 years? Will we have the need for so much computing power, will there be the necessary money for investments, will it make us happier? It will be interesting, we will see but for now, the underlying trend seems strong, which is always a positive when it comes to investing as it helps with mistakes and increases the gains.

Every aspect of human existence is becoming more digital creating an era of **sustained, long-term demand**

**A \$IT market opportunity**

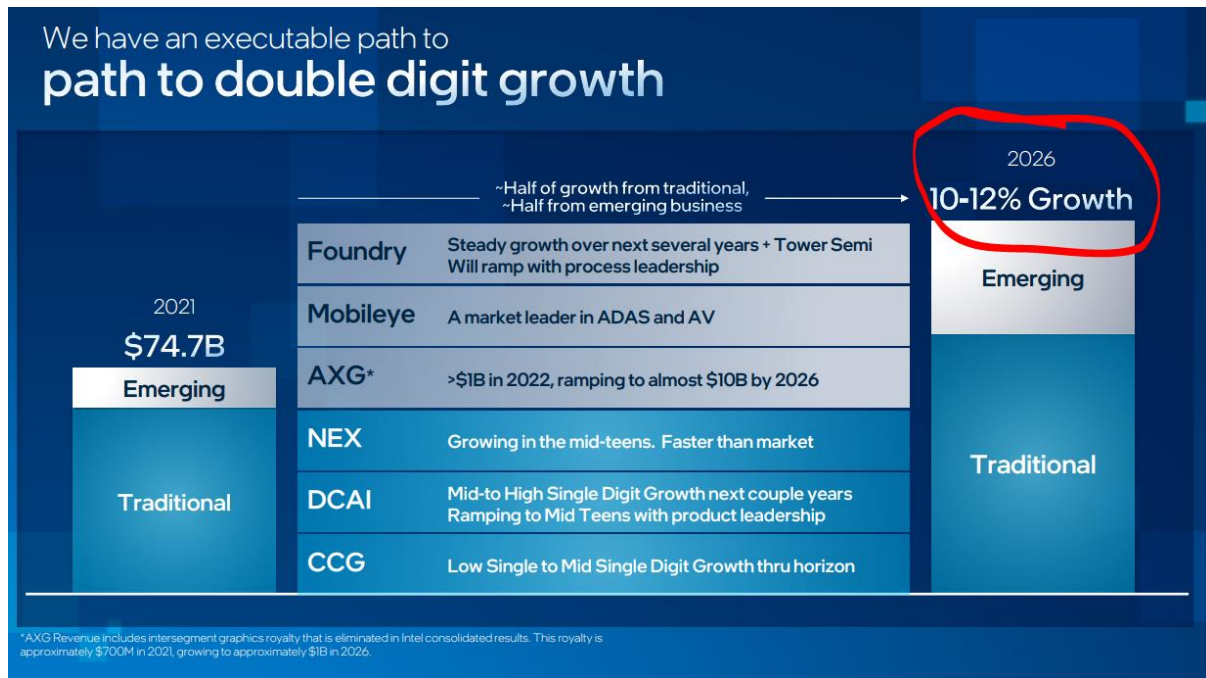
Ubiquitous Compute, Cloud-to-Edge Infrastructure, Pervasive Connectivity, Artificial Intelligence.

Simulation of Photorealism (2000), Simulation of Full Immersion (2020), Simulation of Intelligent Avatars & Bots, Simulation of Virtual Economies.

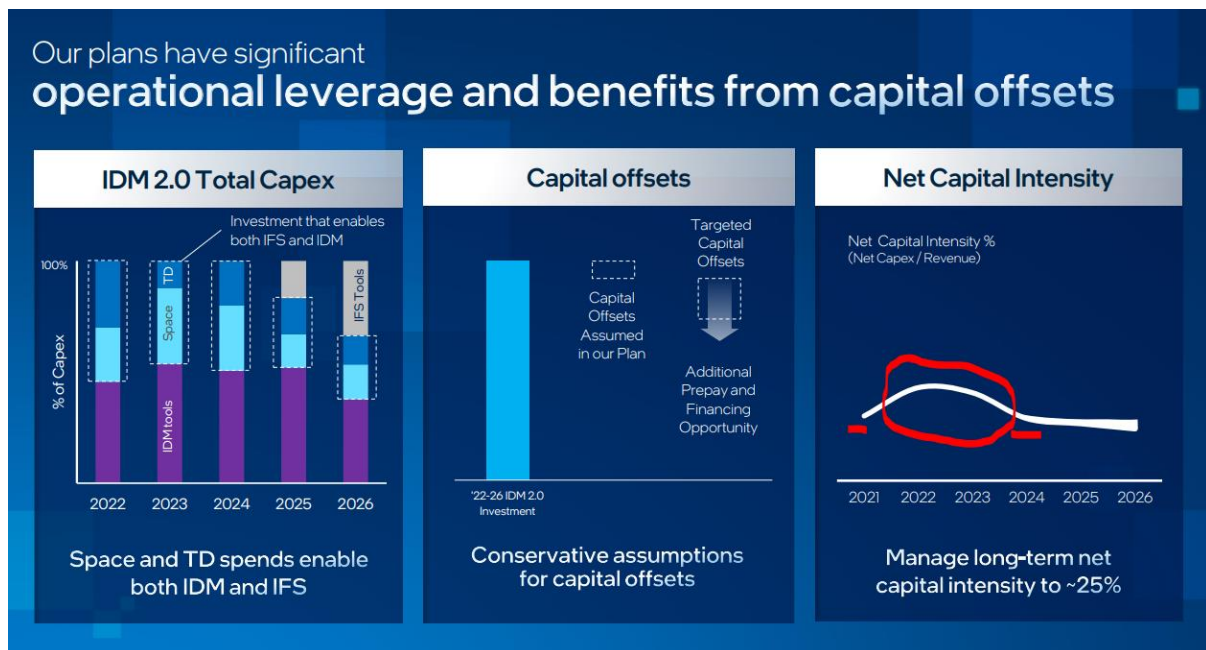
Compute  $10^9$  to  $10^{30}$ . Tera, Peta, Zetta, Quecca.

Ok, if they can deliver on the below, then it can get interesting:

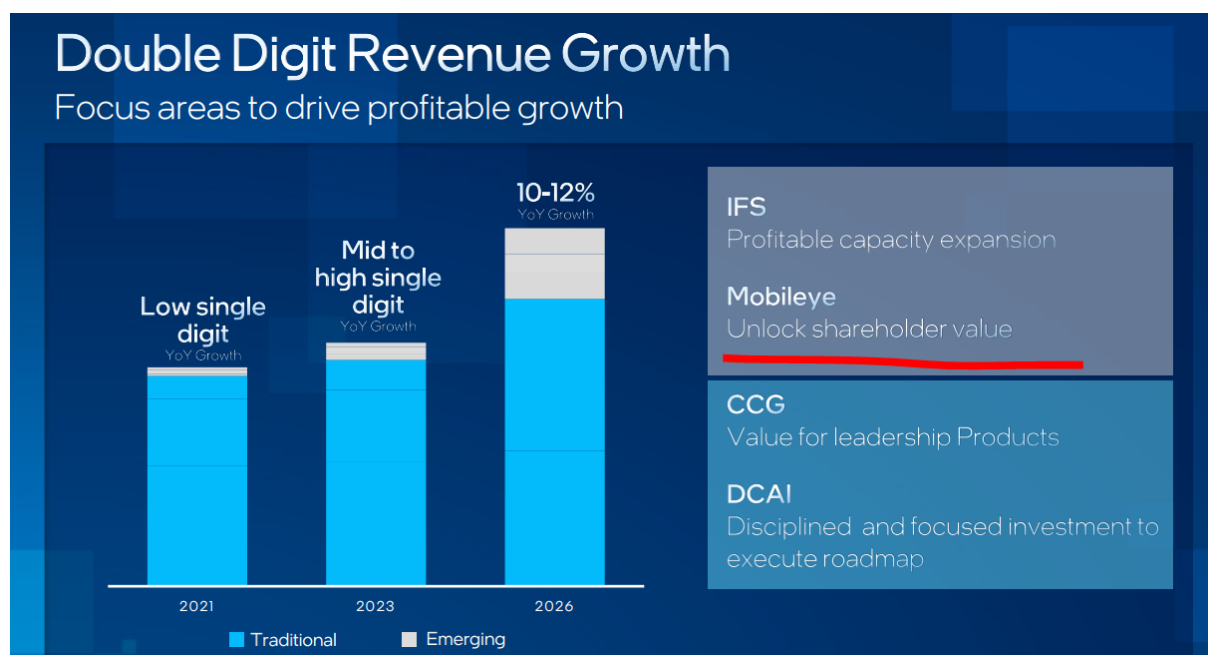
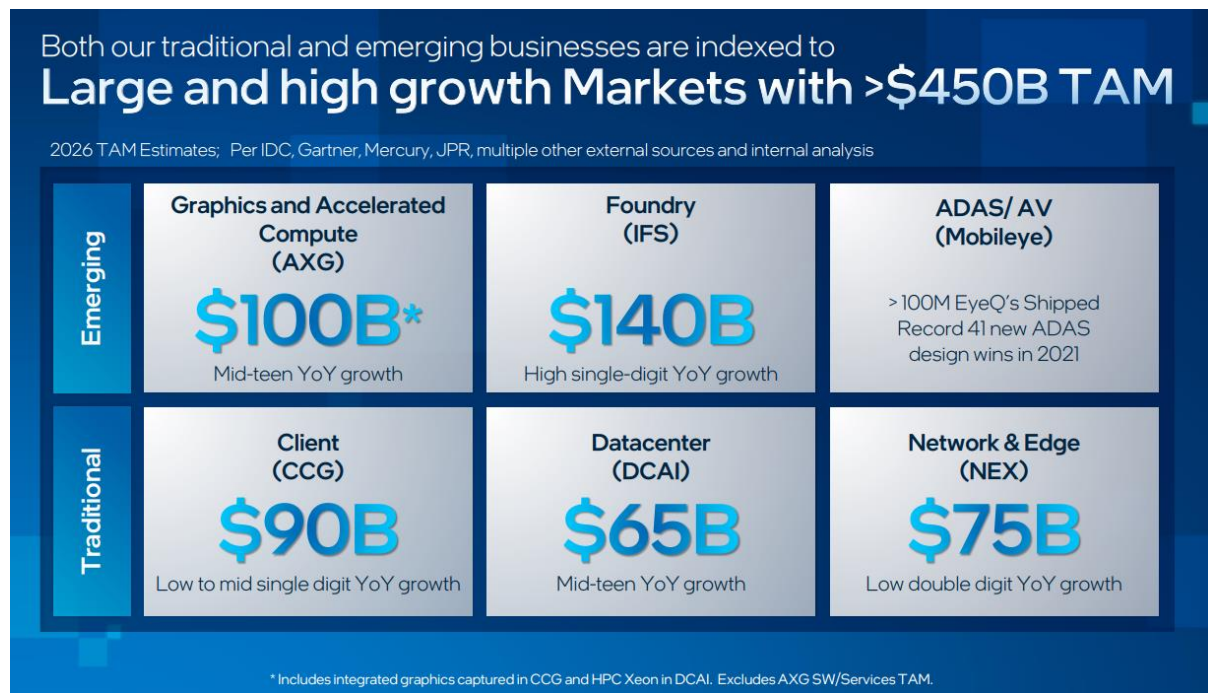




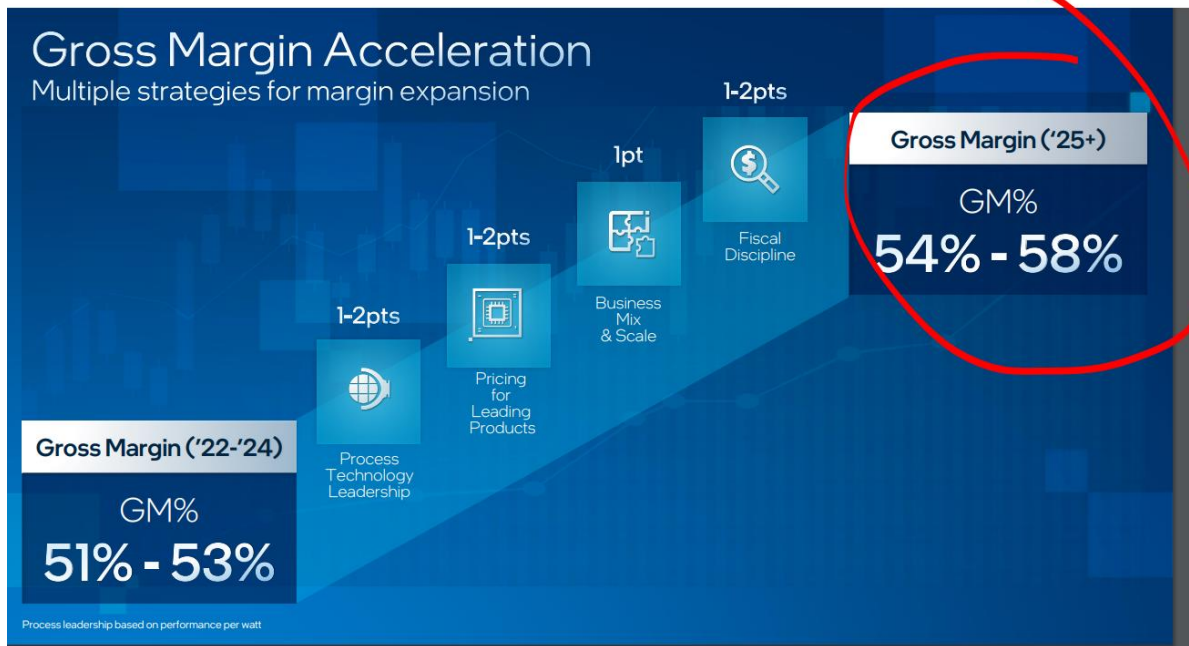
To achieve it, they are entering a high capital intensity period:



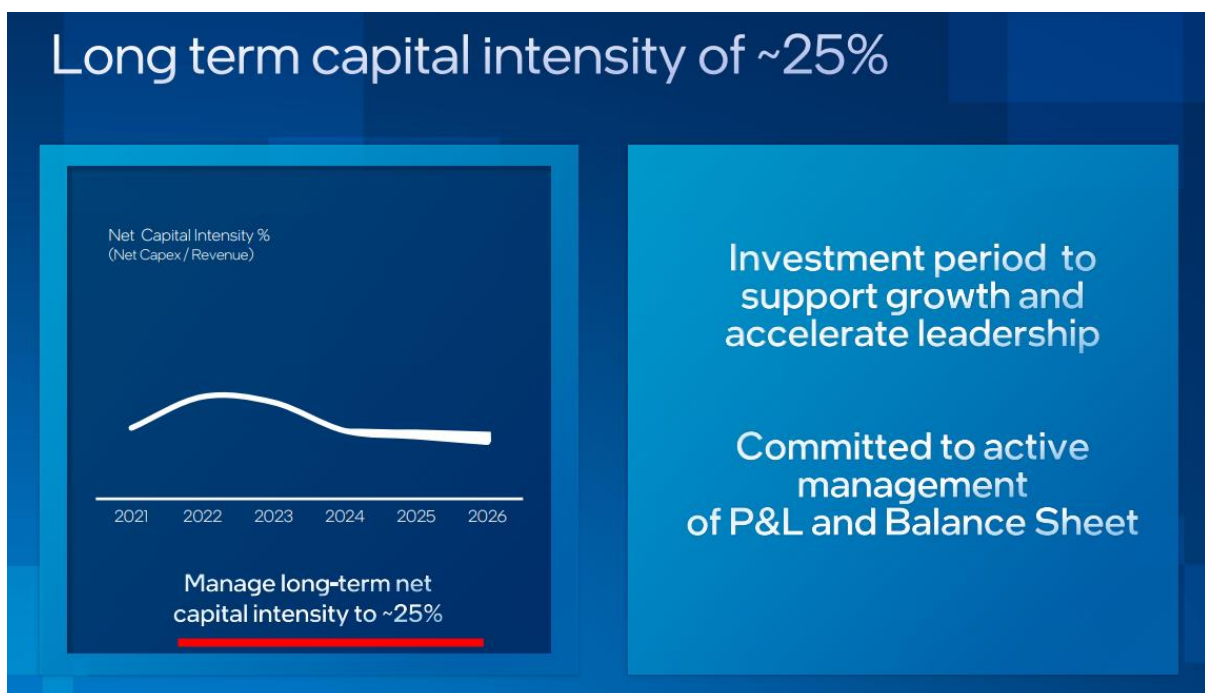
CFO Presentation:



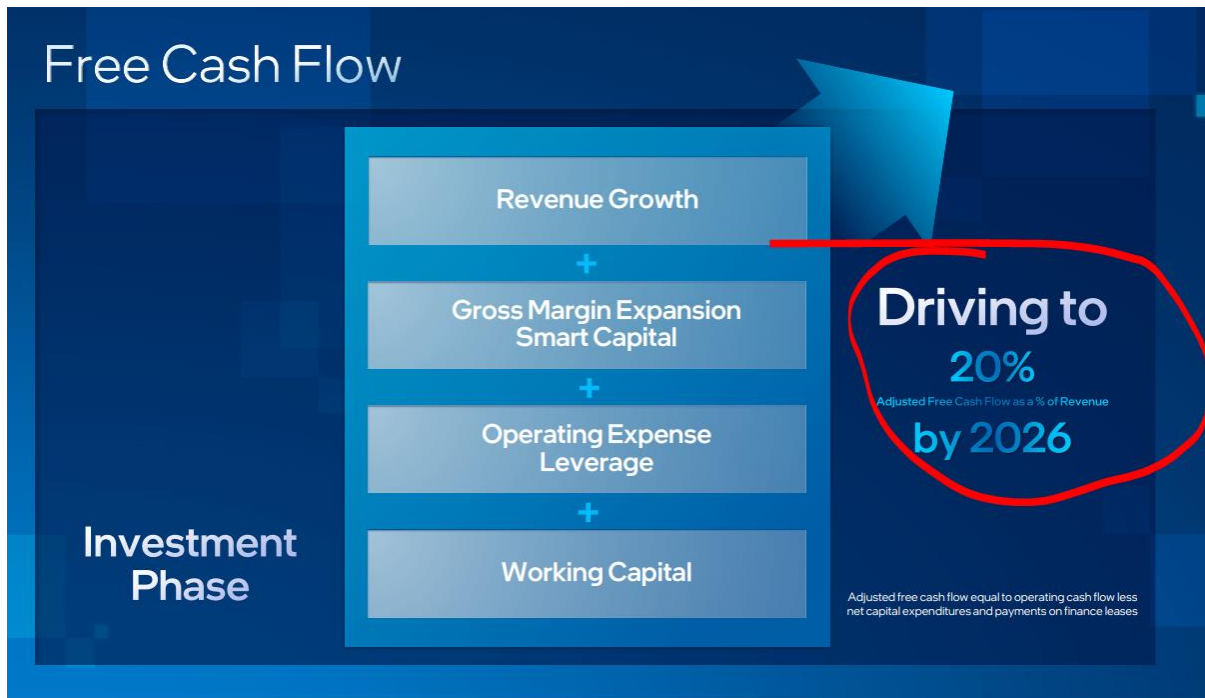
54% OR 58% gross margin makes A HUGE DIFFERENCE?!?!? But it will also depend on the economy and the demand for products. Something nobody can know, of course. Plus, such a wide margin also covers their behinds, so for a margin of safety calculation, take 54% gross margin, which shaves 4 to 5 billion from FCF..



They will keep spending:



By 2026 they should be at 20% FCF of revenue:

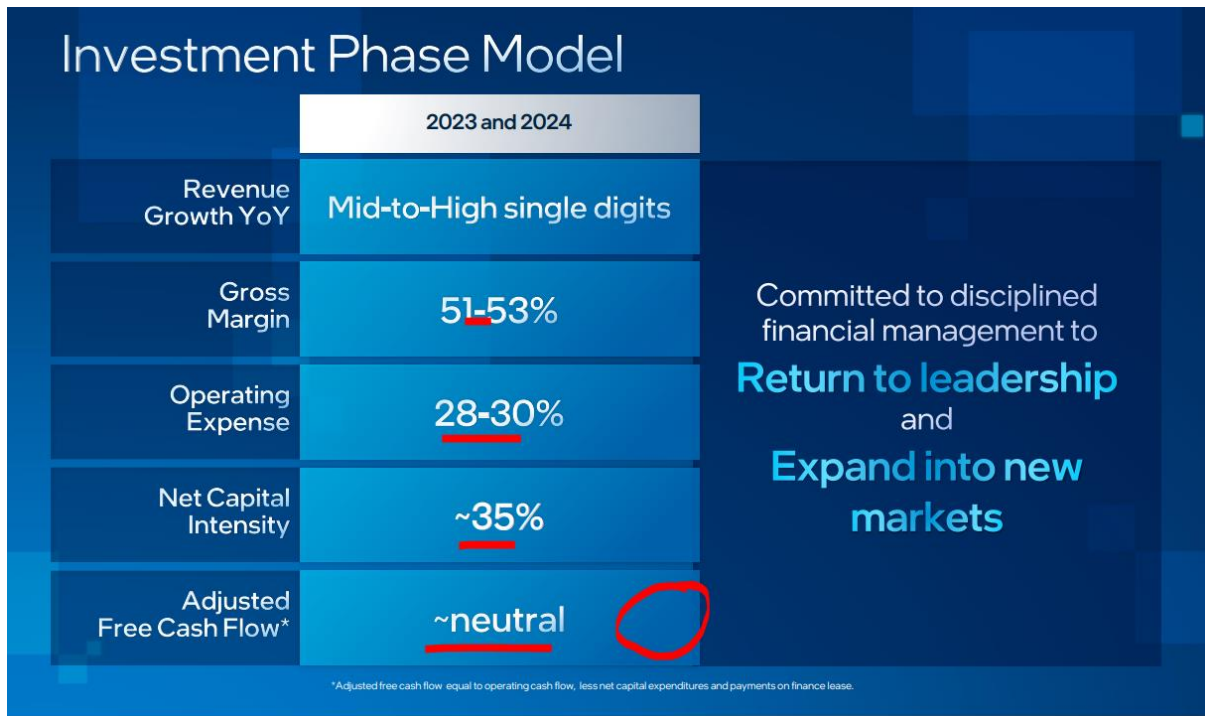


High investments in 2022

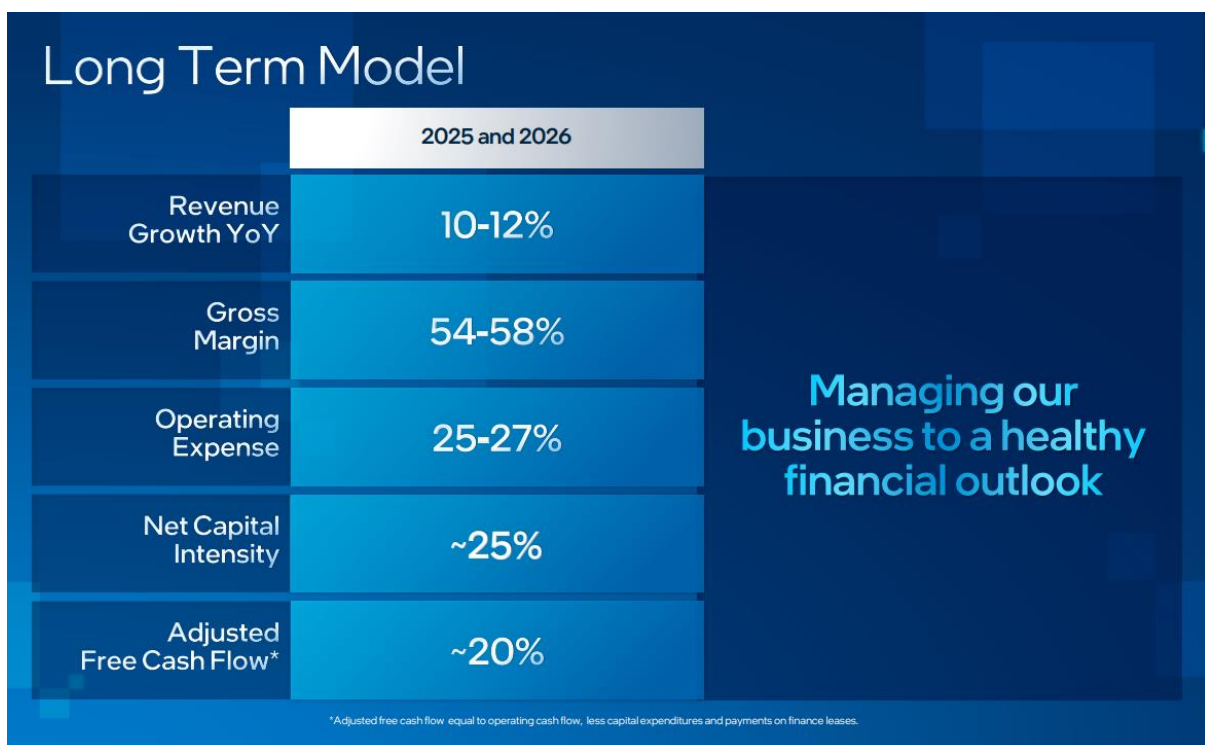


Next 3 years no free cash flow:





Then it should boom:



Let's put the above into a valuation.

### Intel Stock Valuation 2022

If Intel grows revenues 4% for the first 5 years and then 10% for the next 5 years. It should reach revenues of \$151 billion in 2031.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Terminal Value	Growth rate
	76.00	79.04	82.20	85.49	94.04	103.44	113.79	125.17	137.68	151.45	200.03	4%
												10%

If they have 20% of that as FCF, that is \$30 billion! On a price to FCF ratio of 15, the valuation could reach 450 billion. A double in a decade is a return of around 7.2%.

Let me assume no cash flows up to 2026 and then various cash flows depending on the scenarios.

STOCK VALUE LIST!A1

Scenario	FCF	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031	Terminal Value	Growth rate
Scenario 1 normal case			0.00	0.00	0.00	20.00	22.00	24.20	26.62	29.28	32.21	439.23	10%	next 5 years
	10%)	0.00	0.00	0.00	0.00	7.45	7.45	7.45	7.45	7.45	7.45	169.34	10%	5 to 10 years
	INTRINSIC VALUE												15.0	Discount rate
														Terminal multiple

Scenario	FCF	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031	Terminal Value	Growth rate
Scenario 2 best case	20.00		0.00	0.00	0.00	0.00	25.00	28.00	31.36	35.12	39.34	44.06	786.76	12%
	10%)		0.00	0.00	0.00	0.00	9.31	9.48	9.66	9.83	10.01	10.19	303.33	10%
	Present value sum												20.0	Discount rate
														Terminal multiple

Scenario	FCF	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031	Terminal Value	Growth rate
Scenario 3 worst case	12.00					12.00	12.60	13.23	13.89	14.59	15.32	145.86	5%	next 5 years
	10%)		0.00	0.00	0.00	4.47	4.27	4.07	3.89	3.71	3.54	56.24	10%	5 to 10 years
	Present value sum												10.0	Discount rate
														Terminal multiple

Scenario	Probability	PV	Part
Scenario 1 (normal case)	0.6	214.05	128.43
Scenario 2 (best case)	0.2	361.82	72.36
Scenario 3 (worst case)	0.2	80.19	16.04
<b>Sum</b>		<b>216.83</b>	

SVEN CARLIN

RESEARCH

If they make \$20 billion and then grow 10% per year next, with a terminal multiple of 15, I get to a value of \$439 billion 10 years down the road.

In the best case scenario, one with faster growth and an even better multiple, the market capitalization could reach \$800 billion which is a 4X from now. But for that multiple things should work well for Intel.

In the worst case scenario, where the returns on investment Intel is making don't reach expected levels, but still some cash flows, the value is around \$145 billion down the road.

### Intel Stock Investing Review – Margin of Safety – Risk and Reward

The investing risk is related to the success of Intel's next great growth story. If they deliver by 2025, great, the stock should get traction over time and go higher. But, if there are any delays that often happen in the sector, expect the stock to continue in its limbo of going nowhere.

Market Summary > Intel Corporation

47,58 USD

NASDAQ: INTC

+47.24 (78,733.33%) ↑ all time

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1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	47,00	Mkt cap	192,52B	CDP score	A
High	47,57	P/E ratio	9,74	52-wk high	68,49
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What would be a margin of safety?

It seems the stock has a bottom at \$45 as then it is seen like value, but that is just the perception offered by the chart.

Market Summary > Intel Corporation

47,04 USD

NASDAQ: INTC

+11.40 (31.75%) ↑ past 5 years

+ Follow

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1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



For a margin of safety, a low risk and higher reward investing situation, I think one has to think in billions. Is Intel, with all that it has and has built over time worth \$200 billion? Is it worth \$150 billion?

\$150 billion is already something one would say yes because the world as we know it depends on the company. And this likely explains the stock price hitting a bottom between \$150 and \$200 billion. Also, over the last years and the next few just the capital investments will reach \$150 billion, thus practically buying at book value. With \$33 billion of debt, the investments are there:

Debt	33,510	33,897
Contract Liabilities	185	1,367
Income taxes payable, non-current	4,305	4,578
Deferred income taxes	2,667	3,843
Other long-term liabilities	4,886	3,614
Commitments and Contingencies (Note 19)		

On the upside, it will all depend on the profitability of the company and the return on current investments. Only the future will tell us exactly how that story will develop, but we have to see the potential and the compare it to the risk.

If they really grow and do well, they could be valued at \$400 billion in 2026 (\$20 billion in FCF and 20 valuation on that – maybe even \$25 billion or \$30) – so a double in 4 years. That is a 19% return over the period. Of course, if the stock goes nowhere for two years and then you buy before it doubles by 2026, you also double your return.

I would say Intel is relatively cheap in the \$40ties, cheap in the \$30ties and incredibly cheap in the \$20ties. What is the best buy range? That depends on the market and where it pushes the stock based on its current sentiment.

The risks come from missing the projections stated (12% growth in 2026). If it doesn't materialize, it will look ugly when the market loses faith in promises (so the risk is high as there is execution but also competition risk). They can miss projections due to the economic environment (less spending on tech products), competition (offering other options that eats margins), internal business issues (delays) etc...

All in all, a lot can happen, there is definitely uncertainty and that is also what creates an opportunity.