

Intel Q1 2022 Earnings Update

The stock didn't have a great reaction to earnings, and I must see here whether it is just the expected decline from the market's impatience to wait for 2025 and things to improve, or it is something else with Intel, something more structural (likely not).

Intel is an 2025-2026 story and in this world where everybody wants a stock that goes just up, there is no sense in holding something for the future. 2025 is 3 years away, that is something really impossible to think about for Wall Street.

Market Summary > Intel Corporation

43,59 USD

+ Follow

-2.66 (-5.75%) ↓ past 5 days

Closed: 2 May, 06:35 GMT-4 • Disclaimer
Pre-market 43,88 +0,29 (0,67%)

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



Open	44,99	Mkt cap	178,23B	CDP score	A
High	45,36	P/E ratio	8,97	52-wk high	58,43
Low	43,50	Div yield	3,35%	52-wk low	43,50

This is where value investing comes in where one looks at the dividend, the profits, how happy one is for holding no matter what, and then at the risk and the reward plus comparing it to other opportunities.

Q1 Results:

News Release

Intel Reports First-Quarter 2022 Financial Results

News Summary

- First-quarter GAAP revenue of \$18.4 billion, down 7% year over year (YoY), and non-GAAP revenue of \$18.4 billion, down 1% YoY, exceeded January guidance. Achieved record quarterly revenue in Intel's Network and Edge Group, Mobileye and Intel Foundry Services businesses.
- First-quarter GAAP earnings-per-share (EPS) was \$1.98; non-GAAP EPS was \$0.87, which exceeded January guidance by \$0.07. Exceeded January guidance for EPS and gross margin.
- Reaffirming full-year 2022 revenue guidance.

SANTA CLARA, Calif., April 28, 2022 -- Intel Corporation today reported first-quarter 2022 financial results.

"Q1 was a strong start to the year, exceeding expectations on both the top- and bottom-line," said Pat Gelsinger, Intel CEO. "With a \$1 trillion market opportunity ahead of us, we remain laser focused on our IDM 2.0 strategy. We executed well against that strategy in Q1, delivering key product and technology milestones and announcing plans to expand our manufacturing capacity in both the US and Europe to meet the continued demand for semiconductors and drive a more balanced, resilient global supply chain."

"Intel delivered strong first-quarter financial results, and we are reaffirming our full-year revenue guidance," said David Zinsner, Intel CFO. "We remain committed to the financial framework we laid out at Intel's Investor Meeting, including diligently managing the business to drive both growth and profitability and create shareholder value."

Q1 2022 Financial Highlights

	GAAP			Non-GAAP		
	Q1 2022	Q1 2021	vs. Q1 2021	Q1 2022	Q1 2021	vs. Q1 2021
Revenue (\$B)	\$18.4	\$19.7	down 7%	\$18.4 [^]	\$18.6	down 1%
Gross Margin	50.4%	55.2%	down 4.8 ppt	53.1%	58.8%	down 5.7 ppt
R&D and MG&A (\$B)	\$6.1	\$5.0	up 23%	\$5.5	\$4.4	up 25%
Operating Margin	23.7%	18.8%	up 4.9 ppt	23.1%	35.1%	down 12 ppt
Tax Rate	16.0%	14.0%	up 2.1 ppt	12.9%	13.8%	down 0.9 ppt
Net Income (\$B)	\$8.1	\$3.4	up 141%	\$3.6	\$5.5	down 35%
Earnings Per Share	\$1.98	\$0.82	up 141%	\$0.87	\$1.34	down 35%

In the first quarter, the company generated \$5.9 billion in cash from operations and paid dividends of \$1.5 billion.

Focused on IDM 2.0 Strategy and reaffirming guidance. THE DIFFERENCE BETWEEN GAAP AND NON_GAAP COMES FROM THE EXCLUSION OF THE NAND MEMORY BUSINESS SOLD December 29, 2021.

NEX, AXG, Mobileye and IFS are still small, but growing.

May 10, Intel Vision conference.

Key Business Unit Revenue and Trends	Q1 2022	vs. Q1 2021
Client Computing Group (CCG)	\$9.3 billion	down 13%
Datacenter and AI Group (DCAI)	\$6.0 billion	up 22%
Network and Edge Group (NEX)	\$2.2 billion	up 23%
Accelerated Computing Systems and Graphics Group (AXG)	\$219 million	up 21%
Mobileye	\$394 million	up 5%
Intel Foundry Services (IFS)	\$283 million	up 175%

Business Highlights

- During the quarter, CCG saw continued adoption of 12th generation Alder Lake, and the Alder Lake family now has more than 250 designs planned this year.
- DCAI began shipping initial SKUs of Sapphire Rapids on Intel 7 to select customers in the first quarter and unveiled its new dual-track roadmap that utilizes both Intel's performance and efficient cores to provide high density, ultra-efficient compute for the cloud.
- NEX introduced the newest Xeon® D processors and Open VINO toolkit which will continue to advance the software defined network and edge.
- AXG launched the Intel® Arc™ A-series GPUs for laptops. Alchemist, the first of these products, began shipping to customers this quarter.
- Mobileye demonstrated its True Redundancy sensing system operating hands-free, a significant milestone in preparation for the debut of its planned robotaxi services in Israel and Germany.
- IFS continued to make progress across technology, IP, and customer engagement and now has over 30 test chips committed to Intel 16 this year. In the quarter Intel announced its intent to acquire Tower Semiconductor which is expected to accelerate IFS' goal of becoming a globally diverse end-to-end foundry with one of the broadest portfolios of differentiated technology in the industry.

% Intel Revenue Key Markets and Products



Includes platforms designed for end-user form factors, focusing on higher growth segments of 2-in-1, thin-and-light, commercial and gaming, and growing adjacencies such as connectivity and graphics.



Includes workload-optimized platforms and related products designed for cloud service providers, enterprise and government, and communications service providers market segments.



Includes high-performance compute solutions for targeted verticals and embedded applications in market segments such as retail, industrial, and healthcare.



Includes comprehensive solutions required for autonomous driving, including compute platforms, computer vision, and machine learning-based sensing, mapping and localization, driving policy, and active sensors in development, utilized for both Robotaxi and consumer level autonomy.



Includes memory and storage products like Intel 3D NAND technology, primarily used in SSDs.



Includes programmable semiconductors, primarily FPGAs and structured ASICs, and related products for communications, cloud and enterprise, and embedded market segments.



IOTG, Mobileye, NSG and PSG are small for now, but could be really bigger in the future.

Guidance remains:

Business Outlook

Intel's guidance for the second quarter and full year includes both GAAP and non-GAAP estimates. Reconciliations between GAAP and non-GAAP financial measures are included below.

Q2 2022	GAAP	Non-GAAP
	Approximately	Approximately
Revenue	\$18.0 billion	\$18.0 billion [^]
Gross Margin	48%	51%
Tax rate	4%	12%
Earnings per share	\$0.50	\$0.70
Full-Year 2022	GAAP	Non-GAAP
	Approximately	Approximately
Revenue	\$76.0 billion	\$76.0 billion [^]
Gross Margin	49%	52%
Tax rate	9%	12%
Earnings per share	\$4.19	\$3.60
Full-year net capital spending	\$27 billion	\$27 billion [^]
Adjusted free cash flow	N/A	(\$1-2 billion)

Profits are skewed towards the second part of the year – which is both a risk and reward.

(In Billions, Except Per Share Amounts)	Q2 2022 Outlook	Full-Year 2022
	Approximately	Approximately
GAAP gross margin	48.1 %	49.3 %
Amortization of acquisition-related intangible assets	1.8 %	1.8 %
Share-based compensation	1.1 %	0.9 %
Non-GAAP gross margin¹	51.0 %	52.0 %
GAAP tax rate	4 %	9 %
Tax reform	3 %	9 %
Income tax effects	5 %	(6)%
Non-GAAP tax rate	12 %	12 %
GAAP earnings per share—diluted	\$ 0.50	\$ 4.19
Acquisition-related adjustments	0.09	0.36
Restructuring and other charges	0.01	(0.27)
Share-based compensation	0.23	0.82
(Gains) losses from divestiture	(0.01)	(0.30)
(Gains) losses on equity investments, net	(0.05)	(1.12)
Tax Reform	(0.03)	(0.22)
Income tax effects	(0.04)	0.14
Non-GAAP earnings per share—diluted	\$ 0.70	\$ 3.60

(In Billions)	Full-Year 2022
GAAP cash from operations	\$ 21.3
Net additions to property, plant and equipment	(27.0)
Payments on finance leases	(0.4)
Sale of equity investment	4.6
Adjusted free cash flow	\$ (1.5)

Conference call notes:

- PC revenue down a bit (I would see that as normal given the 2021 Covid environment)
- On track to spin off Mobileye
- Semis [production in Europe](#)

Intel Announces Initial Investment of More Than €33 Billion for Semiconductor R&D and Manufacturing in EU



- CEO:

Before I get into specific updates for each of our business units, let me start with some observations of what we are seeing in the industry. I continue to believe we are just at the beginning of a long-term growth cycle across semiconductors. We continue to see some match set limitations in areas like ethernet, some softening in low-end consumer PC and some inventory adjustments, as we discussed on our last call. But overall, the demand signals from customers continue to be robust in areas like enterprise, cloud, AI, graphics and networking.

- A year or two ago, it was all about how bad Intel is with data centers as nobody will be using them anymore given the competition is better – I was getting an email a day from very smart engineers telling me how bad Intel is (but fortunately I also got a few emails from people in big companies telling me that they just keep buying Intel) – here is the result and just a note how one should always focus on the general numbers and not on some small point on which engineers focus on.

In data center, DCAI had strong year-on-year growth as customers continue to choose Intel and as we continue to deliver increasing value and innovation, we are seeing strength in both hyperscaler and enterprise, and we expect the market to grow double digits going forward, driven by workloads like AI and security. Here, too, we are seeing ecosystem supply constraints, particularly in Ethernet that have limited end system shipments, which we expect to be a headwind through the year. Our third-generation Intel Scalable processor Ice Lake has now shipped almost 4 million units and Amazon Web Services recently announced general availability of its EC2 I4i instance designed for storage and I/O intensive workloads. This is the 48th AWS instance powered by Ice Lake.

-
- Many products mentioned and developed, 5nm by 2026 on schedule.
- Some companies get market caps of trillions for the following: “Mobileye expects to launch its commercial robotaxi services in Munich and Tel Aviv by the end of 2022”
- Plus. Mobileye public in 2022.
- They keep making cash - \$6 billion – that is \$24 billion per year

Operational cash flow for the quarter was \$5.9 billion and we received an additional \$4.6 billion from the McAfee equity sale. Total cash and investments increased by \$9.7 billion in the quarter to \$39 billion, driven by the NAND divestiture and McAfee sale. CapEx for the quarter was \$4.6 billion.

-
- That is already double digit operating cash flow yield.

Question-and-Answer Session

- Question: Things might be inflecting, PCs are bad, how do we get confidence things will be good in the second part of the year?
- Answer: Long-lead times, better products and margins coming... (my comment: however this assumes stability in the market – a recession or whatever and you see the numbers going down).

I have changed the valuation input for Intel as we better focus on EPS than FCF given there won't be any FCF for the coming years.

INTEL **LINK** <https://sven-carlin-research-platform.teachable.com/courses/335443/lectures/20924528>
43.59

STOCK VALUE LIST IA1

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Terminal Value	Growth rate		
Scenario 1	EPS												4%	next 5 years	
normal case		4.00	4.00	4.16	4.33	4.50	5.04	5.64	6.32	7.08	7.93	8.88	118.94	12%	5 to 10 years
	12.5%)		1.30	1.20	1.11	1.03	1.02	1.02	1.01	1.01	1.00	1.00	36.63	13%	Discount rate
	INTRINSIC VALUE		47.32											15.0	Terminal multiple

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Terminal Value	Growth rate		
Scenario 2	EPS												6%	next 5 years	
best case		4.00	4.00	4.24	4.49	4.76	5.48	6.30	7.25	8.33	9.58	11.02	191.64	15%	5 to 10 years
	12.5%)		1.30	1.22	1.15	1.09	1.11	1.13	1.16	1.19	1.21	1.24	59.02	13%	Discount rate
	Present value sum		70.81											20.0	Terminal multiple

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Terminal Value	Growth rate		
Scenario 3	EPS												2%	next 5 years	
worst case		4.00	4.00	4.24	4.49	4.76	5.48	5.86	6.27	6.71	7.18	7.68	71.81	7%	5 to 10 years
	12.5%)		1.30	1.22	1.15	1.09	1.11	1.06	1.00	0.95	0.91	0.86	22.11	13%	Discount rate
	Present value sum		32.77											10.0	Terminal multiple

Scenario	Probability	PV	Part
Scenario 1 (normal case)	0.6	47.32	28.39
Scenario 2 (best case)	0.2	70.81	14.16
Scenario 3 (worst case)	0.2	32.77	6.55
Stock Price		43.59	Sum 49.11

SVEN CARLIN

RESEARCH
PLATFORM

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

MADE BY [STOCK MARKET RESEARCH PLATFORM](#)

Dividend payout is 36.5% of the expected \$4 in EPS and I have used the same dividend payout for the whole time even if it could go up in the future when the investment cycle subdues.

All in all, Intel doesn't look bad at current levels. At a PE ratio of 10, it seems nothing of the upside is priced in. The dividend yield is 3.35% which is not bad.

Of course, a recession etc. might delay things and send everything down with it, but that is normal investing risk.

The stock can easily go lower on missed expectations for 2022, or higher on better – but that is the market – value investors focus on value creation, which is in place for Intel at current levels!