

Intel Stock Analysis Q4 2021 Earnings + Feb Investor Day

As the 2021 results come in, I will rewrite the analysis for each covered stock. Given that I have been following a business, it also means I understand it better, know what impacts earnings, what the market is afraid of and can consequently better assess the risk and reward.

Contents

INTEL SUMMARY:..... 1

Intel Stock Price Overview 2

Intel Business Overview 2

Intel 2021 full year results 3

Intel 2021 Q4 Conference Call Notes..... 4

 Q/A Conference Call..... 6

My comments on earnings call 7

Intel Financials 7

INTEL STOCK VALUATION..... 10

Intel Stock Risk and Reward..... 13

INTEL SUMMARY:

INTEL IS MAKING \$30 billion in operating cash flows per year, but also investing \$20 billion and more per year over the next years for growth (building a complete production ecosystem that should beat others on cost).

So, the investing reward is growth of 10% per year and improving margins and Intel again gains leadership positions.

The risk is that the above doesn't lead to satisfactory investment returns where things could get ugly, especially if the competition keeps eating off Intel's cake.

Valuation is positive, expected long term return of around 10% but there are risks.(billions/market cap)

Scenario	Probability	PV	Part
Scenario 1 (normal case)	0.6	221.31	132.79
Scenario 2 (best case)	0.2	384.24	76.85
Scenario 3 (worst case)	0.2	101.60	20.32
Sum			229.95

The investments should offer a margin of safety, but that is below the \$40 per share or \$150 billion as the machines used to make chips are obsolete after 5 years.

All in all: RISK AND REWARD is MEDIUM RISK FOR MEDIUM REWARD.

Intel Stock Price Overview

Intel's stock didn't do much over the last 4 years. The market often gets excited about something they say, but then earnings come in and the stock goes down again, this must be traders' paradise.

Market Summary > Intel Corporation

51,69 USD

NASDAQ: INTC

+13.71 (36.10%) ↑ past 5 years

+ Follow

Closed: 26 Jan, 19:59 GMT-5 • Disclaimer

After hours 50,25 -1,44 (2,79%)



Open	51,13	Mkt cap	210,22B	CDP score	A
High	52,72	P/E ratio	10,04	52-wk high	68,49
Low	50,75	Div yield	2,69%	52-wk low	47,87

Intel stock price overview – 5 year chart

The market capitalization is \$210 billion, the dividend has been just increased 5% and the company reported record revenues. On the other hand, Intel is losing market share with shrinking margins, which concerns the market. We have to estimate long-term cash flow potential to assess the risk and reward.

Intel Business Overview

Best to do after Investor day on FEB 17. But I feel it will be mostly about strategy and promises, even if they say they will explain the how and give more certainty.

They plan to [take Mobileye](#) public where [some estimations are for a valuation of \\$50 billion](#) given the growth and autonomous potential. But this was before tech stocks started crashing, and with \$1.4 billion I don't know how much you can expect not. Perhaps in this market they can be happy with \$25 billion, which is not much given they paid \$15 billion in 2017. But also, for Intel, that doesn't really matter as they will keep majority ownership, so it will be for cash flows down the road, not market valuation – I actually don't like this because it is just cosmetics...

Intel 2021 full year results

Full-Year 2021 Financial Highlights

	GAAP			Non-GAAP		
	2021	2020	vs. 2020	2021	2020	vs. 2020
Revenue (\$B)	\$79.0	\$77.9	up 1%	\$74.7	\$72.9	up 2%
Gross margin	55.4%	56.0%	down 0.5 ppt	57.7%	59.4%	down 1.7 ppt
R&D and MG&A (\$B)	\$21.7	\$19.7	up 10%	\$20.9	\$18.9	up 10%
Operating margin	24.6%	30.4%	down 5.8 ppt	29.7%	33.4%	down 3.7 ppt
Tax rate	8.5%	16.7%	down 8.2 ppt	9.1%	16.6%	down 7.5 ppt
Net income (\$B)	\$19.9	\$20.9	down 5%	\$22.4	\$21.6	up 4%
Earnings per share	\$4.86	\$4.94	down 2%	\$5.47	\$5.10	up 7%

For the full year, the company generated \$30.0 billion of cash from operations, paid dividends of \$5.6 billion, and used \$2.4 billion to repurchase 39.5 million shares of stock.

In a year where demand for chips has been crazy, Intel managed to grow only 1%. At the same time, AMD grew 54%. So, this is where the concerns come from.

SUMMARY Q3 2021¹

- Record revenue \$4.3 billion, up 54% y/y and 12% q/q
- Gross margin 48%, up over 400 bps y/y and up 80 bps q/q
- OpEx \$1.14 billion; Non-GAAP OpEx \$1.04 billion
- Significant y/y growth in profitability
 - Operating income \$948 million; Non-GAAP operating income \$1.06 billion
 - Operating margin 22%; Non-GAAP operating margin 24%
 - Net income \$923 million; Non-GAAP net income \$893 million
 - Diluted EPS \$0.75; Non-GAAP diluted EPS \$0.73
- Cash, cash equivalents and short-term investments \$3.6 billion
- Operating cash flow \$849 million; Free cash flow \$764 million
- Repurchased more than 7 million shares for \$750 million
- Xilinx acquisition remains on track to close by end of year

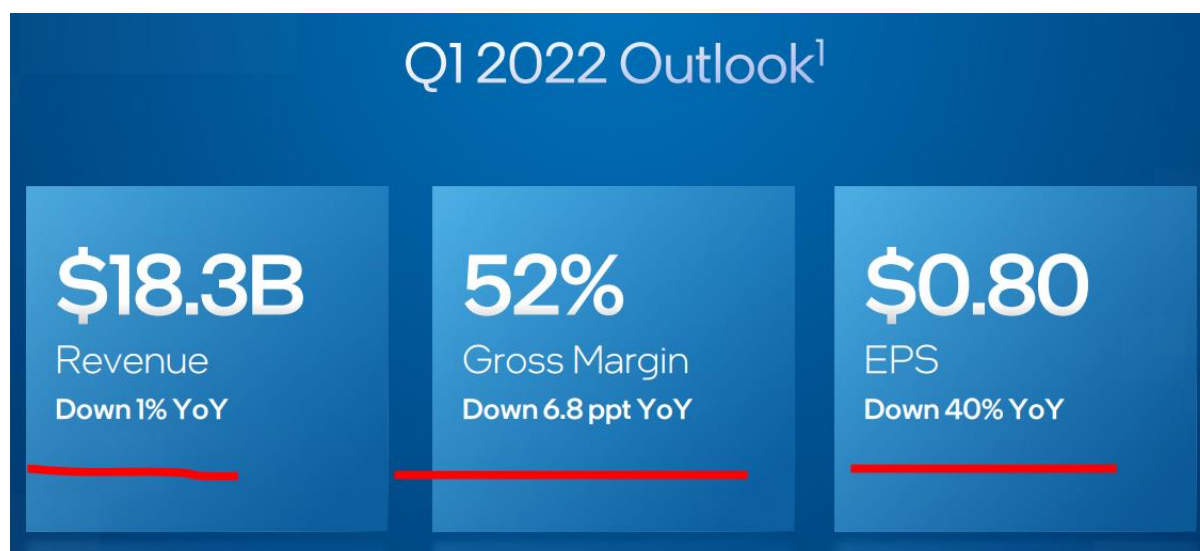
Quarterly Revenue (\$B)

Quarter	Revenue (\$B)
Q3 2020	\$2.80
Q3 2021	\$4.31 (+54% y/y)

6 THIRD QUARTER 2021 FINANCIAL RESULTS | OCTOBER 26, 2021

And, the \$20 billion in revenue for AMD are not that insignificant anymore compared to Intel's \$78.

Plus, Intel is guiding down, in the best environment the sector has ever had.



Of course, as you will see in the notes below, the CEO is saying how this is due to investments etc., but this is the name of the game when it comes to investing in Intel – is it a growth story or a stagnating/declining story?

[Intel 2021 Q4 Conference Call Notes](#)

Intel still has a strong position – “We had a record quarter for DCG, where we grew 20% year-on-year and where we continue to be the partner of choice for cloud and data center customers. We expect that our Xeon shipments in December alone exceeded the total server CPU shipments by any single competitor for all of 2021.”

The fabs are starting - “broke ground on 2 new fabs in Arizona 3 months ahead of schedule as part of the largest overall manufacturing expansion in Intel's history” + “new manufacturing site in Ohio”

Mobileye goes public – “we began unfolding our plan to find innovative ways to sustainably unlock shareholder value with the announcement of our intent to take Mobileye public in 2022.”

Industry demand is strong “We expect this trend to continue as the digitization of everything, driven by the 4 superpowers of AI, pervasive connectivity, ubiquitous compute and cloud-to-edge infrastructure leads to an era of sustainable growth. 2021 marked the best year in a decade for the PC industry, with third parties reporting a growth rate of approximately 15%, driven by higher PC density, shorter replacement cycles and increased market penetration.”

Growth ahead – “We expect the data center, network and edge markets to continue to have robust growth as hyperscalers lay out multiyear cloud CapEx investment plans. The ongoing need for data privacy and security

drives additional edge and on-prem deployments. 5G network and edge build-outs are scaling and workloads like AI continue to expand

On supply chain issues – “With control over our manufacturing network and supply chain, we are able to react to rapid changes in demand that help solve challenges for our customers, suppliers and partners. Equally important as an IDM, we remain more resilient to foundry price increases as only a minority of our volume is produced by third parties.”

The answer all want to know, will Intel be the leader again? – “With unprecedented transparency, we laid out an ambitious path to deliver 5 process nodes in 4 years and regain process performance parity by 2024 and unquestioned leadership by 2025.”

“In client, we had another \$10 billion quarter, and 2021 was our 6th straight year of revenue growth. We feel great about our position within the sustainably larger client market, and we had an all-time record shipments with **customers like Dell**”

There is still something good “The Alder Lake family will scale across every PC segment from ultra-thin and light laptops to enthusiast desktops, where we've now set new overclocking records to mobile gaming, where the Core i9-12900HK, the world's best mobile gaming processor, is up to 40% faster than the prior generation.”

Data doing well too “Our Data Center Group had its best quarter ever as customers continued rebuilding their confidence in choosing Intel. Enabled by our IDM advantage, Ice Lake servers shipped more than 1 million units, equal to the amount we had shipped in the prior 3 quarters combined. All of our OEMs are currently shipping systems, and all of our major cloud customers have announced instances, including our third instance with **Amazon Web Services**”

Robotaxis by Intel “In mobility, Mobileye continues to be an industry leader in both ADAS and AV, and we recently hit a significant milestone shipping our 100th million IQ SoC. At CES, we gave a glimpse of the future with the EyeQ Ultra, which will do the work of 10 EyeQ 5 SoCs in a single package and was designed to deliver the optimum power and performance for a fully self-driving vehicle. In Q4, we also introduced our first autonomous on-demand service in Paris in collaboration with the RATP Group. Paris is the latest in a list of locations where Mobileye is piloting autonomous vehicle test fleets, including New York, Munich, Detroit, Tokyo, Israel and China.

Looking ahead, we still expect to launch commercial robotaxi services in Munich and Tel Aviv in 2022.”

“6 business units that will be further communicated at Investor Day in February”

“As we signaled in our Q3 call, gross margin will be impacted by our 10-nanometer product ramp and increased process technology investments.”

Full year guidance on Investor Day in FEB.

Q/A Conference Call

Analysts usually ask the difficult questions, that is why it is important to follow.

Q: Cloud declining?

A: Not all is cloud, they expect balance..

Q: Capital spending?

A: investor day for more granularity

Q: Capital investments when?

A: Correctly estimating 2024 and 2025, based on the current shelve capacity increase.

Q: (nasty one) – Gross margin? How come your competitor has same gross margins without that much spending?

A: 51 to 53% for now, then when leadership position achieved can go higher, more on Investor Day.

CEO: business model advantage from integration

Q: Altera spin-off? A: always looking for possibilities and strategy

Q:DCG Market share?

A: “we are on a path to sustained unquestioned leadership into this area. It's going to take us a few generations until we're unquestionably in a leadership position, but we believe our product teams, our packaging teams and our process technologies, our factory capacity, all of these give us the tools to create leadership products. **we believe we're going to have a superior cost structure, as we've already touched on”**

Q: Data Center Group. The revenue very strong, but the operating margin, I think, was down 10 points year-over-year – margin recovery?

A: where we want to be at this moment “And now we're aggressively ramping 10. We're also starting to ramp the cost of 7 and 4 as well. So all of these taken together, I think, you're seeing a very unusual period in the gross margins

and operating margins of this business. We fully expect that this is a very healthy business for us long term. And as we're going through the cycle of new process technologies, investments in the business, nothing here is surprising to us.”

Q: how much expansion depends on CHIPS Act passing?

A: impacts speed and size, but there is also Europe!

My comments on earnings call

Intel is definitely playing with a strong sector tailwind. A strong growth trend allows also for making mistakes and we as investors have to see whether if all goes wrong, we still make money. I mean: “if things go wrong, I make single digit returns, if things go well, I make double digit returns over the years”.

The trend for Intel is surely strong but that trend will also have its ups and downs. I have to estimate a margin of safety level, what could be the expected long-term return there and then see how investable it is. The question is that nobody knows what will be the returns on the investments: can be high, but can also be low if there is overcapacity or others make better chips etc.. (making chips for Dell is not the highest price power position you might see yourself in)

On the business, I don't think Intel will go bust and it is most likely it will be bigger than it is now in 10 years. There will certainly be mistakes, flops, but there might be also good things. High investments should lead to good positions and profits (how much all depends also on what the competition does – it is all a game of speed there). But, the ecosystem they are building is pretty unique, so one could expect good margins and industry growth. Again, if they deliver.

Intel Financials

Full-Year 2021 Financial Highlights

	GAAP			Non-GAAP		
	2021	2020	vs. 2020	2021	2020	vs. 2020
Revenue (\$B)	\$79.0	\$77.9	up 1%	\$74.7	\$72.9	up 2%
Gross margin	55.4%	56.0%	down 0.5 ppt	57.7%	59.4%	down 1.7 ppt
R&D and MG&A (\$B)	\$21.7	\$19.7	up 10%	\$20.9	\$18.9	up 10%
Operating margin	24.6%	30.4%	down 5.8 ppt	29.7%	33.4%	down 3.7 ppt
Tax rate	8.5%	16.7%	down 8.2 ppt	9.1%	16.6%	down 7.5 ppt
Net income (\$B)	\$19.9	\$20.9	down 5%	\$22.4	\$21.6	up 4%
Earnings per share	\$4.86	\$4.94	down 2%	\$5.47	\$5.10	up 7%

For the full year, the company generated \$30.0 billion of cash from operations, paid dividends of \$5.6 billion, and used \$2.4 billion to repurchase 39.5 million shares of stock.

\$22.4 billion net income on a \$210 billion market cap. This looks like Intel is priced for destruction or no new value creation in the future !?!?! As the market is growing, plus Intel is investing heavily for more growth (coming beyond 2022), this could get priced differently if the investments are well made. **THIS BEING THE KEY: GOOD RETURNS ON INVESTMENTS (that is also what the market might be vary of)** (ok, forward PE ratio is 15 and earnings are expected to be lower in 2022)

The balance sheet looks fine with \$33 billion in debt. They could close the debt in less than 2 years if they wished. Of course, that is not necessary but we know there is not much risk there.

Intel Corporation
Consolidated Condensed Balance Sheets

(In Millions)	Dec 25, 2021	Dec 26, 2020
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 4,827	\$ 5,865
Short-term investments	2,103	2,292
Trading assets	21,483	15,738
Accounts receivable, net of allowance for doubtful accounts	9,457	6,782
Inventories		
Raw materials	1,441	908
Work in process	6,656	5,693
Finished goods	2,679	1,826
	10,776	8,427
Assets held for sale	6,942	5,400
Other current assets	2,130	2,745
Total current assets	57,718	47,249
Property, plant and equipment, net	63,245	56,584
Equity investments	6,298	5,152
Other long-term investments	840	2,192
Goodwill	26,963	26,971
Identified intangible assets, net	7,270	9,026
Other long-term assets	6,072	5,917
Total assets	\$ 168,406	\$ 153,091
Liabilities		
Current liabilities		
Short-term debt	\$ 4,591	\$ 2,504
Accounts payable	5,747	5,581
Accrued compensation and benefits	4,535	3,999
Other accrued liabilities	12,589	12,670
Total current liabilities	27,462	24,754
Debt	33,510	33,897
Contract liabilities	185	1,367
Income taxes payable	4,305	4,578
Deferred income taxes	2,667	3,843
Other long-term liabilities	4,886	3,614
Stockholders' equity		
Common stock, \$0.001 par value, 10,000 shares authorized; 4,070 shares issued and outstanding (4,062 issued and outstanding in 2020) and capital in excess of par value	28,006	25,556
Accumulated other comprehensive income (loss)	(880)	(751)
Retained earnings	68,265	56,233
Total stockholders' equity	95,391	81,038

Intel Balance Sheet – Source: [2021 Results](#)

On the cash flow, we have Net income of \$20 billion, depreciation of \$10 billion and this is important because the investments are around \$19 billion, thus almost double. So, Intel wants to do double the investments and business that it did in the past.

What is important here is that by just being stable, Intel has \$20 billion to invest over time, even \$25 if we deduct the \$5.6 billion for dividends.

On adjustments: nothing to be concerned there, all looks like normal business.

Intel Corporation
Consolidated Condensed Statements of Cash Flows

(In Millions; unaudited)	Twelve Months Ended	
	Dec 25, 2021	Dec 26, 2020
Cash and cash equivalents, beginning of period	\$ 5,865	\$ 4,194
Cash flows provided by (used for) operating activities:		
Net income	19,868	20,899
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,953	10,482
Share-based compensation	2,036	1,854
Restructuring and other charges	2,626	198
Amortization of intangibles	1,839	1,757
(Gains) losses on equity investments, net	(1,458)	(1,757)
Changes in assets and liabilities:		
Accounts receivable	(2,674)	883
Inventories	(2,339)	(687)
Accounts payable	1,190	405
Accrued compensation and benefits	515	348
Prepaid supply agreements	(1,583)	(181)
Income taxes	(441)	1,620
Other assets and liabilities	459	(437)
Total adjustments	10,123	14,485
Net cash provided by operating activities	29,991	35,384
Cash flows provided by (used for) investing activities:		
Additions to property, plant and equipment	(18,733)	(14,259)
Additions to held for sale NAND property, plant and equipment	(1,596)	(194)
Acquisitions, net of cash acquired	(209)	(837)
Purchases of available-for-sale debt investments	(5,051)	(6,862)
Maturities and sales of available-for-sale debt investments	6,467	6,781
Purchases of trading assets	(35,503)	(22,377)
Maturities and sales of trading assets	28,832	15,377
Purchases of equity investments	(613)	(720)
Sales of equity investments	581	910
Other investing	658	1,385
Net cash used for investing activities	(25,167)	(20,796)
Cash flows provided by (used for) financing activities:		
Issuance of long-term debt, net of issuance costs	4,974	10,247
Repayment of debt and debt conversion	(2,500)	(4,525)
Proceeds from sales of common stock through employee equity incentive plans	1,020	897
Repurchase of common stock	(2,415)	(14,229)
Payment of dividends to stockholders	(5,644)	(5,568)
Other financing	(1,297)	261
Net cash provided by (used for) financing activities	(5,862)	(12,917)
Net increase (decrease) in cash and cash equivalents	(1,038)	1,671
Cash and cash equivalents, end of period	\$ 4,827	\$ 5,865

So, again, the key question is: what will the \$20+ billion invested per year deliver ?!?!?!?

INTEL STOCK VALUATION

If they manage to reach 20% return on invested capital, that would be good. On invested \$100 billion over the years, \$20 billion in profits as the business grows, on high single digit growth, in addition to some benefits for other businesses, should be really good.

So, by keeping current margins over the next 5 years, then raising them a bit and growing at let's say 8% a year as the market growth I get to the following (lowering investments later (2026) and unleashing huge cash flows):

		Value										Growth rate		
Scenario 1	FCF	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031	8%	next 5 years
normal case	15.00	10.00	10.80	11.66	12.60	20.00	21.60	23.33	25.19	27.21	29.39	408.15	8%	5 to 10 years
	10%)	5.45	5.36	5.26	5.16	7.45	7.32	7.18	7.05	6.92	6.80	157.36	10%	Discount rate
	INTRINSIC VALUE	221.31										15.0	Terminal multiple	
		Terminal Value										Growth rate		
Scenario 2	FCF	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031	12%	next 5 years
best case	20.00	10.00	11.20	12.54	14.05	25.00	28.00	31.36	35.12	39.34	44.06	786.76	12%	5 to 10 years
	10%)	5.45	5.55	5.65	5.76	9.31	9.48	9.66	9.83	10.01	10.19	303.33	10%	Discount rate
	Present value sum	384.24										20.0	Terminal multiple	
		Terminal Value										Growth rate		
Scenario 3	FCF	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2031	5%	next 5 years
worst case	12.00	10.00	10.50	11.03	11.58	12.16	12.76	13.40	14.07	14.77	15.51	147.75	5%	5 to 10 years
	10%)	5.45	5.21	4.97	4.74	4.53	4.32	4.13	3.94	3.76	3.59	56.96	10%	Discount rate
	Present value sum	101.60										10.0	Terminal multiple	

Scenario	Probability	PV	Part
Scenario 1 (normal case)	0.6	221.31	132.79
Scenario 2 (best case)	0.2	384.24	76.85
Scenario 3 (worst case)	0.2	101.60	20.32
		Sum	229.95

SVEN CARLIN

RESEARCH
PLATFORM

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

MADE BY [STOCK MARKET RESEARCH PLATFORM](#)

With cash flows being around \$10 billion over the coming 4 years and 60% of that paid out as dividends and a subsequent jump in FCF as things ramp up, the valuation for a 10% return is around \$220 billion – which puts Intel on a fair value now for a 10% return.

For a 15% returns, one should see it at \$150 billion, that is 29% below current levels or around 36 but this seems a little bit too much. It seems INTC stock has a bottom above \$40, which would indicate the value it offers.

On the value, Seth Klarman has 10% of his portfolio in Intel, even if he bought when there were buybacks and the strategy was not 100% growth. He trimmed lately so that is another thing to watch – value investing is buybacks, cash flows, calculating future cash flows, growth is much more uncertain.

Just think, if investments at just \$10 billion, Intel would have focused on the highest ROIC investments and had \$20 billion for buybacks and dividends (that is good returns).

Number of shares	Holdings current value	% of portfolio
19.7 Million	\$1.02 Billion	10.18%



Source: [Cheaper Than Guru](#)

Back to the valuation, it is impossible to predict valuations in the future, so I can't know whether the PE ratio in the future will be 15, 10 or 25. Of course, when the market senses Intel is back to growth, it can get exuberant, which is another way of looking at this. The other way is true too, if there is a slowdown, with earnings hitting \$2.5, expect a PE ratio of 10 or lower.

Market Summary > Intel Corporation

51,69 USD

NASDAQ: INTC

+13.71 (36.10%) ↑ past 5 years

+ Follow

Closed: 27 Jan, 06:45 GMT-5 • Disclaimer

Pre-market 50,20 -1,49 (2,88%)

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



Open	51,13	Mkt cap	210,22B	CDP score	A
High	52,72	P/E ratio	10,04	52-wk high	68,49
Low	50,75	Div yield	2,69%	52-wk low	47,87

On value, the company has invested \$130 billion over the last 10 years, those investments make \$30 billion in operating cash flows, so a \$150 billion valuation is unlikely, but you never know.

Intel Corp INTC | ★★★★★

There's so much free mutual information out there.

Add to Portfolio Get E-mail Alerts Print This Page PDF Report Data Question

Quote Chart Stock Analysis Performance **Key Ratios** Financials Valuation Insiders Ownership Filings Bonds

Financials

Export Ascending

	2011-12	2012-12	2013-12	2014-12	2015-12	2016-12	2017-12	2018-12	2019-12	2020-12	TTM
Revenue USD Mil	53,999	53,341	52,708	55,870	55,355	59,387	62,761	70,848	71,965	77,867	78,474
Gross Margin %	62.5	62.1	59.8	63.7	62.6	60.9	62.3	61.7	58.6	56.0	56.3
Operating Income USD Mil	17,477	14,638	12,531	15,642	14,356	14,760	18,320	23,244	22,428	23,876	23,000
Operating Margin %	32.4	27.4	23.8	28.0	25.9	24.9	29.2	32.8	31.2	30.7	29.3
Net Income USD Mil	12,942	11,005	9,620	11,704	11,420	10,316	9,601	21,053	21,048	20,899	21,102
Earnings Per Share USD	2.39	2.13	1.89	2.31	2.33	2.12	1.99	4.48	4.71	4.94	5.15
Dividends USD	0.78	0.87	0.90	0.90	0.96	1.04	1.08	1.20	1.26	1.32	1.37
Payout Ratio % *	—	40.8	48.6	42.8	40.7	47.9	37.3	36.4	29.2	25.6	26.7
Shares Mil	5,411	5,160	5,097	5,056	4,894	4,875	4,835	4,701	4,473	4,232	4,097
Book Value Per Share * USD	—	10.36	11.16	11.81	12.08	13.34	15.13	15.83	17.31	18.35	22.15
Operating Cash Flow USD Mil	20,963	18,884	20,776	20,418	19,017	21,808	22,110	29,432	33,145	35,384	34,084
Cap Spending USD Mil	-10,764	-11,842	-10,747	-10,197	-7,446	-9,625	-11,778	-15,181	-16,213	-14,453	-16,758
Free Cash Flow USD Mil	10,199	7,042	10,029	10,221	11,571	12,183	10,332	14,251	16,932	20,931	17,326
Free Cash Flow Per Share * USD	—	1.36	2.00	1.91	2.47	2.16	2.42	3.03	3.25	4.73	—
Working Capital USD Mil	13,844	18,460	18,516	11,711	24,689	15,206	12,079	12,161	8,929	22,495	—

* Indicates calendar year-end data information

Intel Stock Risk and Reward

On the risk side, one has to keep in mind 2022 was one of the best years for the sector, thus if there is a slowdown or more capacity than demand, things can get uglier – keep in mind semis are cyclical – and the worst that can happen for a cyclical company is that it invests heavily in capacity (which Intel is doing NOW) and then it sees demand lower than expected exactly as the production ramps up (lower margins, ugly outlook, bad pricing power etc.) THIS IS RISK NUMBER 1 FOR INTEL – the sector.

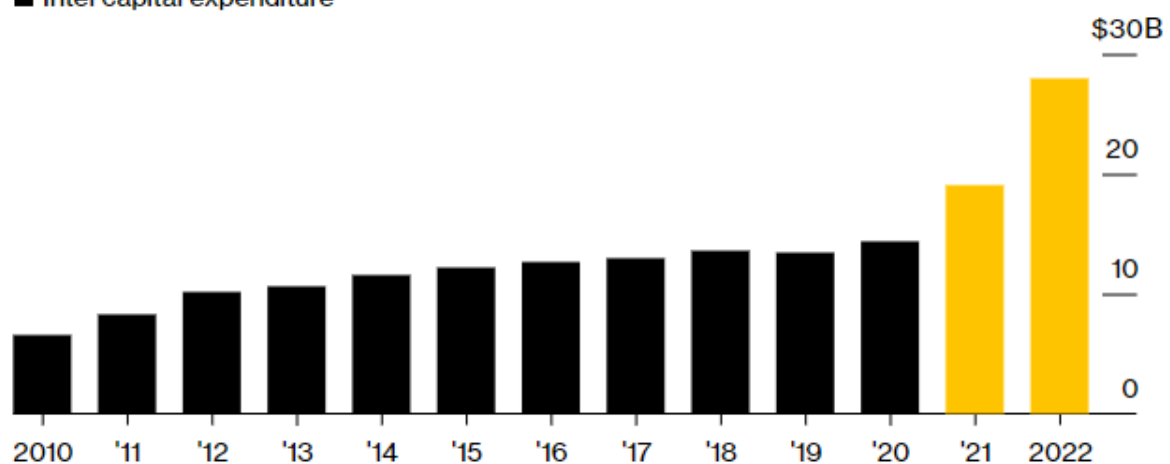
Plus, if Intel is using a ‘throw pasta at the wall investing strategy and see what sticks’ that might be very risky – any delays in building the ecosystem, failures, competition doing some things better etc. could really be ugly, and given Intel’s history, delays could be considered almost certain, that is the nature of the business. This might not create a turnaround in margins and then you again have ugly.

RISK NUMBER 2 is the competition and profitability of investments that also depend on how much the competition invest and achieves. But INTEL is also a risk to the competition given the investments. The question is also how much will Intel have to invest to reach its goal of leadership.

Chipflation

The price of staying on the leading edge in semiconductors is going up

■ Intel capital expenditure



Source: Company reports and projections

Source: [Bloomberg](#)

For now AMD is taking the growth and higher margin business, if that continues, there is a risk, if not, it is a possible reward. Is it just talk from the new CEO, great talk I must say as he really is a great marketer (contacting regulators etc.), or is this real tangible development that will make money in the future, a lot of money?

Other risks are general market risks like valuations etc. Plus, when it comes to investing, you never know what will happen, but I would say intel has a good moat and if it manages to build on it, it will do well.

The reward comes from a bet Intel is making on investing heavily (\$100 billion) while the risk comes from the same source, simply that it doesn’t work as expected. The growth story makes Intel a MEDIUM RISK PLAY, WHILE THE 10% possible reward is also MEDIUM. Nothing bad, just medium.