

Intel Earnings Update Q4 2023

As you know, I said Intel could be interesting trading in the low twenties and that the semis cycle might take a while to revert. The market got exuberant faster than I thought possible, and the stock shoot up. At a market cap of \$208 billion Intel is more of a bet then other. Let's check the earnings to see if something changed there.

Market Summary > Intel Corp

49,55 USD

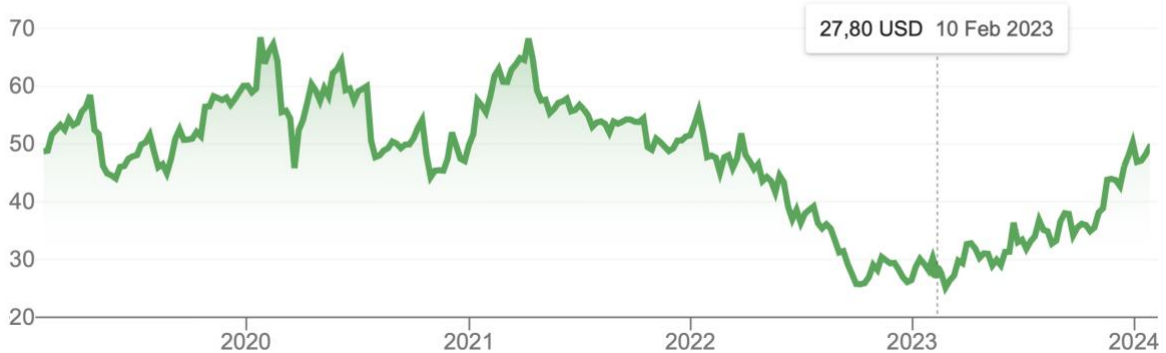
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+0.82 (1.68%) ↑ past 5 years

Closed: 25 Jan, 19:59 GMT-5 • Disclaimer

After hours 44,15 -5,40 (10,90%)

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



Open 50,00 Mkt cap 208,90B 52-wk high 51,28

Now, after following Intel for a few years, I already know that their presentations are 10 levels of exuberance above reality. Their summary is how earnings are great, how they lead again in technology and how AI will change their world.

Executive Summary



Q4 beat on Revenue, Gross Margin and EPS
 Strong sequential revenue growth in client, server, network
 Continued operating leverage and expense discipline, achieved FY \$3B cost savings

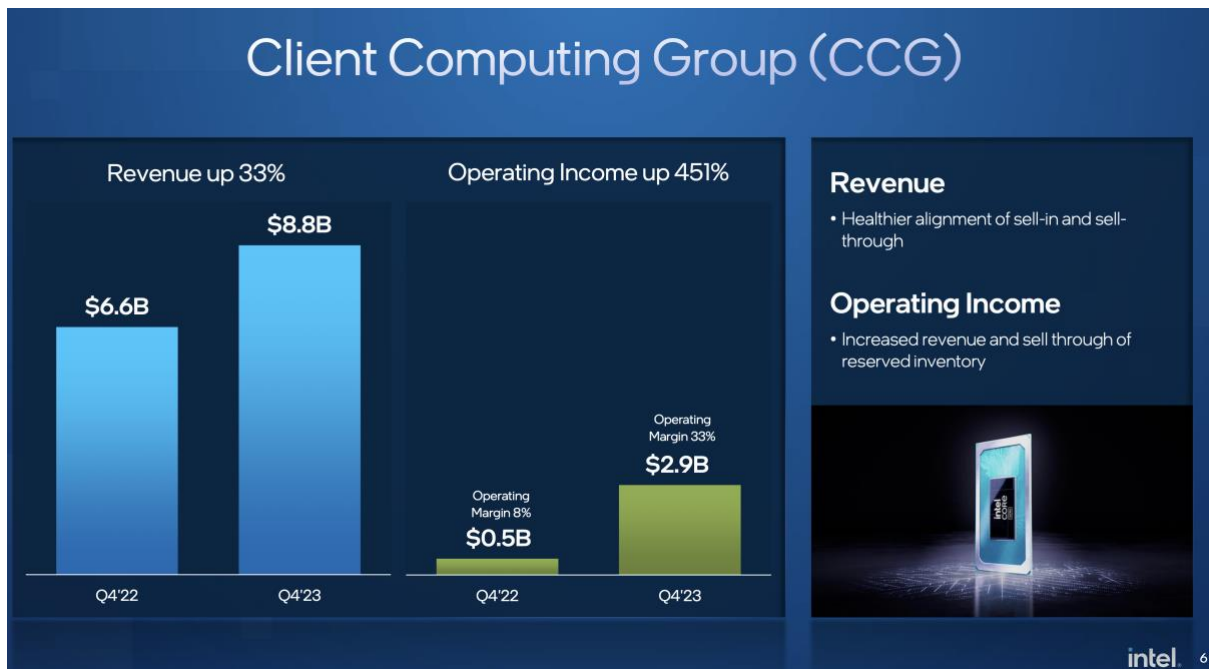
Re-establishing technology leadership
 Closing in on 5N4Y: Intel 3 mfg ready; entering angstrom era with Intel 20A & Intel 18A
 2023 IFS momentum: 4 Intel 18A + 5 advanced packaging wins; >\$10B lifetime deal value

Executing strategy to bring AI everywhere
 Launched Core Ultra AI PC and 5th Gen Xeon, the unquestioned AI CPU leader
 Enabling AI across the continuum, propelling \$IT semi-industry revenue by 2030

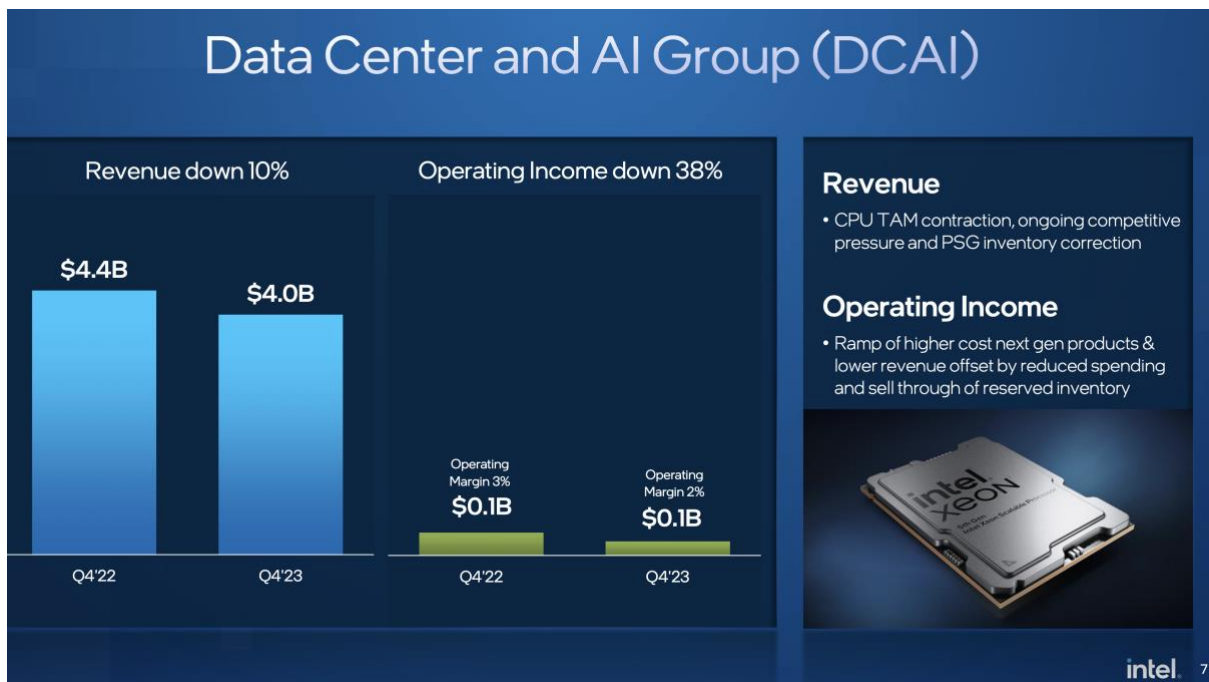


Let's check reality:

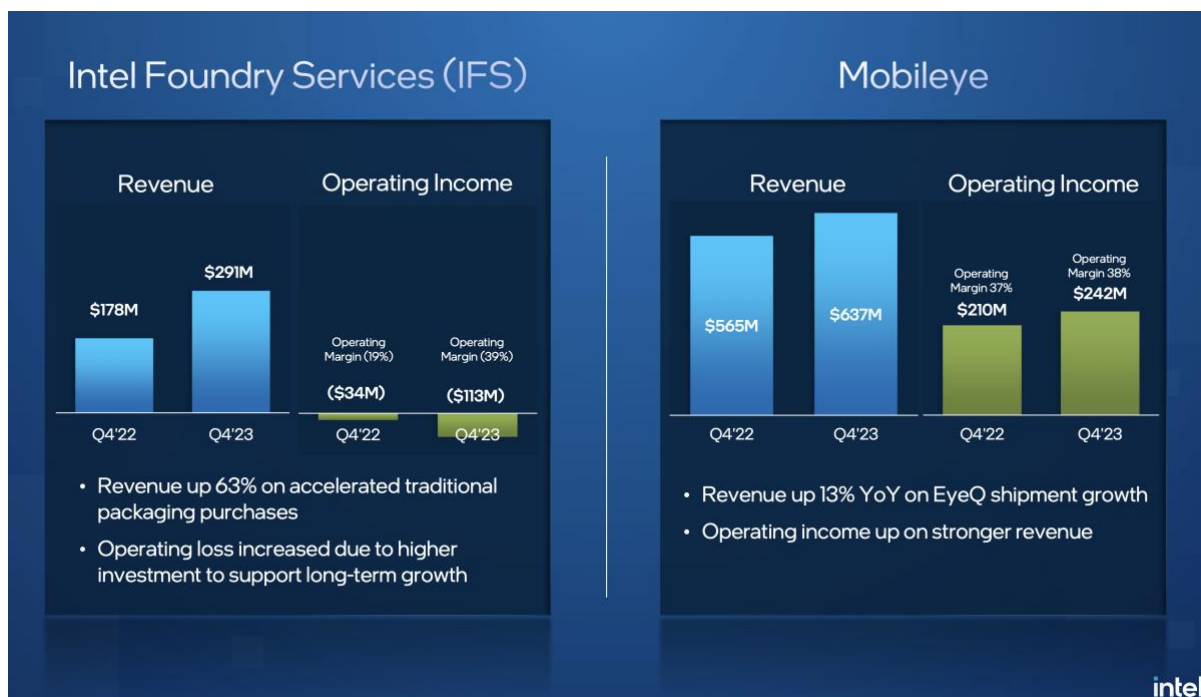
They pushed sales in Q4 to make things look as good as possible, likely to force inventory sales:



Data centers and networks are still down:



Foundry is still irrelevant:



Now, they guide for positive earnings in the next quarter but don't forget [their depreciation accounting change](#) from last year added \$4 billion in earnings that aren't there. So, they will keep losing money.

Just a comment on their technology leadership statement: Nvidia's net profit margin is 50%, Intel's Gross profit margin is 44% - nothing to add there.

Further, they are borrowing money to invest in something that might work in the future but also might not, and they are also borrowing to pay dividends, which is crazy:

FY'23 Cash and Dividends

Non-GAAP adjusted free cash flow

\$-11.9B

Paid dividends

\$3.1B

In a year, they increased their debt by \$10 billion;

Intel Corporation		Consolidated Balance Sheets	
(In Millions, Except Par Value)	Dec 30, 2023	Dec 31, 2022	
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,079	\$ 11,144	
Short-term investments	17,955	17,194	
Accounts receivable, net	3,402	4,133	
Inventories			
Raw materials	1,166	1,517	
Work in process	6,203	7,565	
Finished goods	3,758	4,142	
	11,127	13,224	
Other current assets	3,706	4,712	
Total current assets	43,269	50,407	
Property, plant, and equipment, net	96,647	80,860	
Equity investments	5,829	5,912	
Goodwill	27,591	27,591	
Identified intangible assets, net	4,589	6,018	
Other long-term assets	13,647	11,315	
Total assets	\$ 191,572	\$ 182,103	
Liabilities and stockholders' equity			
Current liabilities:			
Short-term debt	\$ 2,288	\$ 4,367	
Accounts payable	8,578	9,595	
Accrued compensation and benefits	3,655	4,084	
Income taxes payable	1,107	2,251	
Other accrued liabilities	12,425	11,858	
Total current liabilities	28,053	32,155	
Debt	46,978	37,684	

Intel spent \$50 billion last two years on investments:

Net cash provided by (used for) operating activities	11,471	15,433
Cash flows provided by (used for) investing activities:		
Additions to property, plant, and equipment	(25,750)	(24,844)

Within the semis industry, given the high competition, I don't know whether those \$50 billion spent will lead to constant \$5 billion yearly growing profits. Maybe, but also maybe not as people in Asia know how to do things too, and if there is no reshoring... Thus, a big bet on AI booming, if there is a delay, we have seen the story many times over.

MY CONCLUSION: SEMIS ARE TO BE CHECKED AT 80% of BOOK VALUE, the REST IS GAMBLING. SO, WAKE ME UP WHEN THE MARKET CAPITALIZATION IS \$100 BILLION>>> It might happen, it might not happen but that is value investing.