

INTC 4Q: Thoughts on the Company

INTC	29 est.	Intel		CY24rev:	12%
Qtr:	4Q	Grade:	D	Growth (qtr-qtr)	
Rev:	15,406	Rev:	++	Rev:	8.8%
GM:	48.8%	EPS:	++	Fcst:	-21-14%
EPS:	\$0.54	Fcst:	- - -	Div:	\$0.125

Intel (INTC \$43.65 -5.90 at close on 1/26/24)

4Q Earnings: When Intel released 4Q earnings after the close on Jan 25 I was overwhelmed with all the data and details. So I kept retreating upwards to increasing levels of abstraction until I was able to wrap my brain-damaged head around a meaningfully appropriate narrative. Here goes.

Management: CEO Pat Gelsinger is the right guy. An Intel-lifer who has meaningfully appropriate experience in the electronics industry beyond Intel. If anybody can define Intel's problems and figure out what it will take to fix them—and then actually make them happen—he's the guy. His attitude seems pretty good, too.

Strengths and Weaknesses: Intel is really, really good at semiconductor technology development and manufacturing as well as the design and development of microprocessor devices for computer systems, and has plenty of financial resources and fully-capable personnel. Intel sucks at customer service and is too large to move and change strategies and operations quickly. It's well-established and continuously nurtured culture of 'constructive confrontation' has many benefits, but also has significant drawbacks and limitations.

Foundry Strategy: IFS, Intel foundry system, is an outstanding strategy to fix Intel's internal cost structure—and long overdue. How could they not have done this decades ago? However, the company's well-established weakness in customer service makes it uniquely suited for failure when competing with the likes of TSMC for outside foundry customers. The Tower Semi and UMC deals might well be the least-worst alternative to probable business failure as a standalone operation, while still being able to realize some meaningful portion of the benefits.

AI Everywhere: I was pleasantly surprised at the robustness of management's argument for Intel's ability to benefit from Artificial Intelligence with its mission to bring AI Everywhere. "We see the AI workload as a key driver of the \$1 trillion semiconductor TAM by 2030. And given our foundry and product offerings, we are the only company able to participate in 100% of the TAM for AI silicon logic." Sounds good to me. Maybe. Who knows?

Ch-ch-ch-Change'In: Intel is a huge organization undergoing massive change. Reorganization, restructuring, divestitures and joint ventures make for a VERY complex story at this time. Trying to get ahead of all of this is probably not worth the trouble. Frankly, it's probably best just to trust Pat and give him some time to deliver. The only viable way to track and grade progress is to stick with the top and bottom lines, and let them try to explain all the shit going on in between. However, if you're a management consultant and/or investment banker this could be an opportunity to pay for a large family's worth of ivy-league college educations—whether Intel is ultimately successful or not.

—Dan K. Scovel
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LEGEND		Grade	
+++	exceeded the high-end of the range	A	all +++
++	above consensus, within the high-end of the range	B	all +
+	slightly above consensus	C	all o/+
o	met consensus	D	mixed +/-
-	slightly below consensus	E	all o/-
--	missed consensus, within the low-end of the range	F	all -
---	missed the low-end of the range		

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