

intel.

Q2
Earnings
Aug 1st, 2024

intel.



2nd Quarter Earnings Presentation



Pat Gelsinger

Chief Executive Officer



David Zinsner

Executive Vice President and
Chief Financial Officer

Non-GAAP Financial Measures and Forward-Looking Statements

- This presentation contains non-GAAP financial measures. Intel gross margin percentage, operating income, and earnings per share attributable to Intel, including year-over-year comparisons, are presented on a non-GAAP basis. This presentation also contains forward-looking estimates for non-GAAP R&D and MG&A and non-GAAP net capital spending. The Appendix provides a reconciliation of these measures to the most directly comparable GAAP financial measure. The non-GAAP financial measures disclosed by Intel should not be considered a substitute for, or superior to, the financial measures prepared in accordance with GAAP. Please refer to “Explanation of Non-GAAP Measures” in our earnings released dated August 1st, 2024 for a detailed explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide investors with useful supplemental information.
- Statements in this presentation that refer to business outlook, plans, and expectations are forward-looking statements that involve risks and uncertainties. Such statements may include, but not be limited to, those regarding: our business plans and strategy and anticipated benefits therefrom; projections of our future financial performance, including future revenue, gross margins, capital expenditures, and cash flows; future cash requirements and the availability and sufficiency of funding; expected returns to stockholders, such as stock repurchases and dividends; future products, services and technologies, and the expected goals, timeline, ramps, progress, availability, production, regulation and benefits of such products, services and technologies, including future process nodes and packaging technology, product roadmaps, schedules, future product architectures, expectations regarding process performance, per-watt parity, and metrics and expectations regarding product and process leadership; investment plans, and impacts of investment plans; internal and external manufacturing plans; future production capacity and product supply; supply expectations; plans and goals related to Intel’s foundry business, including with respect to anticipated customers, future manufacturing capacity and service, technology and IP offerings; expected timing and impact of acquisitions, divestitures, and other significant transactions; expected completion and impacts of restructuring activities and cost-saving or efficiency initiatives; future social and environmental performance goals, measures, strategies and results; our anticipated growth, future market share, and trends in our businesses and operations; projected market trends; anticipated trends and impacts related to industry component, substrate, and foundry capacity utilization, shortages and constraints; expectations regarding government incentives; technology trends, such as AI; environmental and economic conditions; geopolitical tensions and conflicts and their potential impact on our business; tax- and accounting-related expectations; expectations regarding certain sanctioned parties; and other characterizations of future events or circumstances.
- Such statements involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied, including: the high level of competition and rapid technological change in our industry; the significant long-term and inherently risky investments we are making in R&D and manufacturing facilities that may not realize a favorable return; the complexities and uncertainties in developing and implementing new semiconductor products and manufacturing process technologies; our ability to time and scale our capital investments appropriately and successfully secure favorable alternative financing arrangements and government grants; implementing new business strategies and investing in new business and technologies; changes in demand for our products; macroeconomic conditions and geopolitical tensions and conflicts, including geopolitical and trade tensions between the US and China, the impacts of Russia’s war on Ukraine, tensions and conflict affecting Israel and the Middle East, and rising tensions between mainland China and Taiwan; the evolving market for products with AI capabilities; our complex global supply chain, including from disruptions, delays, trade tensions and conflicts, or shortages; product defects, errata and other product issues, particularly as we develop next-generation products and implement next-generation manufacturing process technologies; potential security vulnerabilities in our products; increasing and evolving cybersecurity threats and privacy risks; IP risks including related litigation and regulatory proceedings; the need to attract, retain, and motivate key talent; strategic transactions and investments; sales-related risks, including customer concentration and the use of distributors and other third parties; our significantly reduced return of capital in recent years; our debt obligations and our ability to access sources of capital; complex and evolving laws and regulations across many jurisdictions; fluctuations in currency exchange rates; changes in our effective tax rate; catastrophic events; environmental, health, safety, and product regulations; our initiatives and new legal requirements with respect to corporate responsibility matters; and other risks and uncertainties described in this presentation, our earnings release dated August 1st, 2024, our 2023 Annual Report on Form 10-K and our other filings with the SEC.
- Unless specifically indicated otherwise, the forward-looking statements in this presentation do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that have not been completed as of the date of this presentation. All information in this presentation reflects management’s views as of August 1st, 2024, unless an earlier date is specified. We do not undertake, and expressly disclaim any duty, to update such statements, whether as a result of new information, new developments, or otherwise, except to the extent that disclosure may be required by law.

Executive Summary



Q2 Rev In-Line, Profitability Below Expectations

Implementing >\$10B cost reduction plan for 2025

Driving sustainable operational & capital efficiencies with new model

5N4Y Nearing Completion

Intel 18A 1.0 PDK released

Lead Intel 18A Client and Data Center products powered-on

Defining & Driving the AI PC

>15Mu of Core Ultra shipped to date

Lunar Lake production release ahead of schedule

>\$10B Cost Reduction Plan

Non-GAAP R&D and MG&A

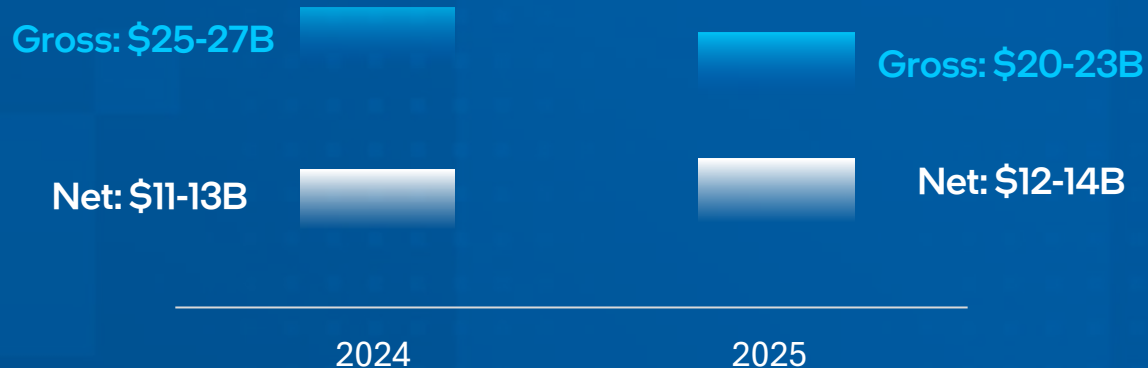
■ Prior Est ■ INTC Guide



- Responding to market conditions and driving efficiencies enabled by new operating model
- Sustaining investment needed to fund and execute our strategy

Capital Spending*

■ Gross ■ Net (non-GAAP)



- Aligning capital expansion with demand signals, consistent with Smart Capital
- Roughly half capital investment funded through offsets & partner contributions

*Gross capital spending is GAAP additions to property, plant and equipment. Net capital spending, a non-GAAP financial measure, is additions to property, plant, and equipment, net of proceeds from capital-related government incentives and partner contributions.

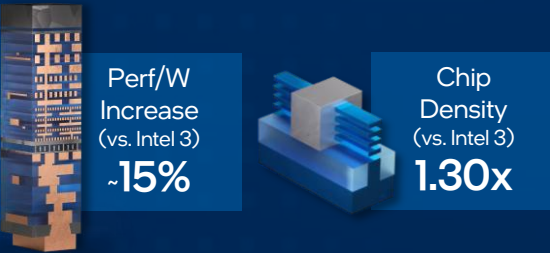
5N4Y Finish Line in Sight

Technology

intel
18A

Perf/W Increase (vs. Intel 3) **~15%**

Chip Density (vs. Intel 3) **1.30x**



Advanced Packaging

EMIB 2.5D



Shipping since 2017
HBM Integration
UCle™ Compatibility
>8x Reticle equivalent in '26

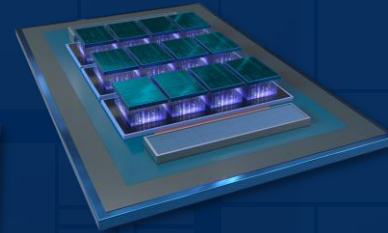
EMIB 3.5D



All the benefits of EMIB 2.5D with integration of Foveros and Foveros Direct in a single package

Intel Products

Clearwater Forest



Panther Lake



Ecosystem



1.0 PDK

Alliances



Unmatched AI PC Footprint



>15M Units of
Intel® Core® Ultra
shipped to date

acer ASUS®

DELL
Technologies



Lenovo



Microsoft

msi

SAMSUNG

230+ OEM/IHV
Partners / Designs



Lunar Lake delivers up to:

- +50% Graphics Perf
- 40% Lower Power
- 3x AI TOPs

Q2 Financial Highlights

\$12.8B

Revenue

Down 1% YoY

In line with updated May outlook

38.7%

¹ Gross Margin

(non-GAAP)

Down 1.1 ppt YoY

4.8 ppt below April outlook¹

\$0.02

EPS

(non-GAAP)

Down \$0.11 YoY

\$0.08 below April outlook¹

GAAP Gross Margin 35.4%, down 0.4 ppt YoY

GAAP EPS (\$0.38), down \$0.73 YoY

¹ Comparisons are based on the mid-point of April revenue outlook of \$13.0B



(\$B)

Revenue Op Income (non-GAAP) GM% (non-GAAP)



- Initiating significant cost reductions in response to market conditions
- AI PC ramping faster than expected, momentum to >40Mu shipped in '24
- Intel 18A PDK 1.0, Panther Lake & Clearwater Forest powered-on

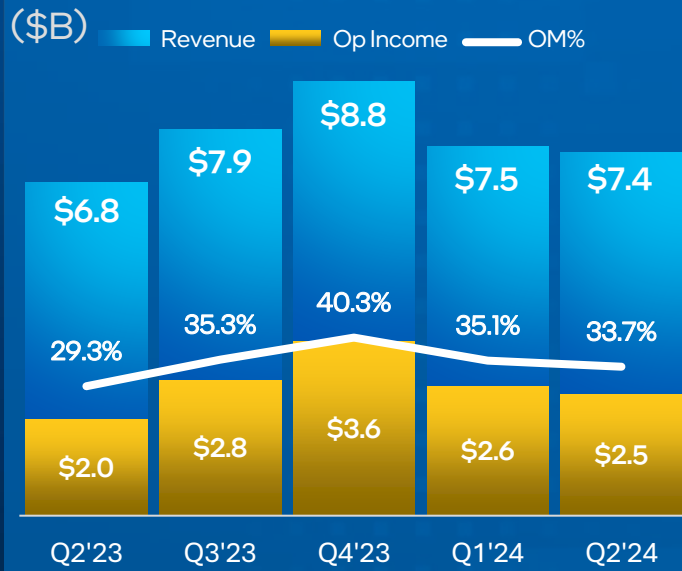


GAAP GM%: Q2'23 35.8%, Q3'23 42.5%, Q4'23 45.7%, Q1'24 41.0%, Q2'24 35.4%
GAAP Op Income: Q2'23 (\$1.0), Q3'23 \$0.0, Q4'23 \$2.6, Q1'24 (\$1.1), Q2'24 (\$2.0)



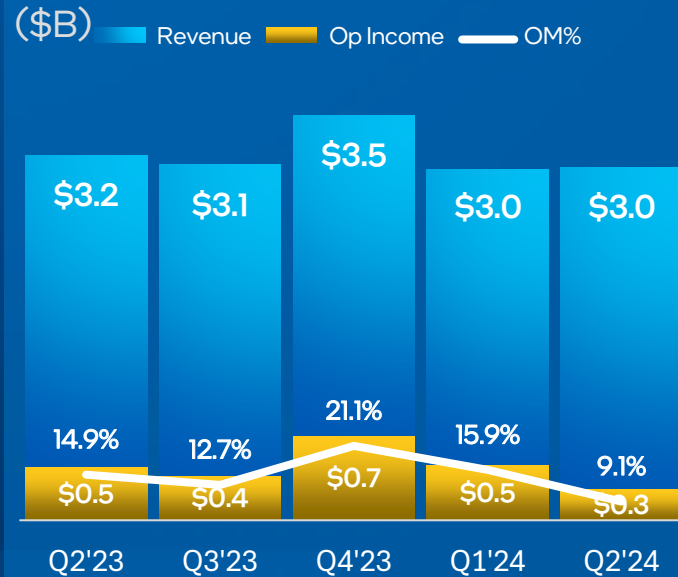
intel products

CCG



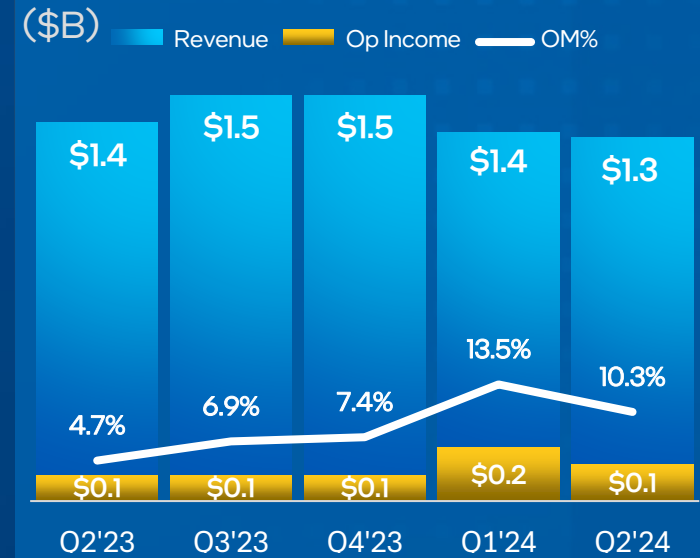
- AI PCs exceeding expectations on path to >40m units shipped in '24
- Lunar Lake delivered ahead of schedule with 60% better battery life

DCAI



- Sierra Forest in volume production and lead vehicle on Intel 3
- Granite Rapids and Gaudi 3 ramping in second half 2024

NEX

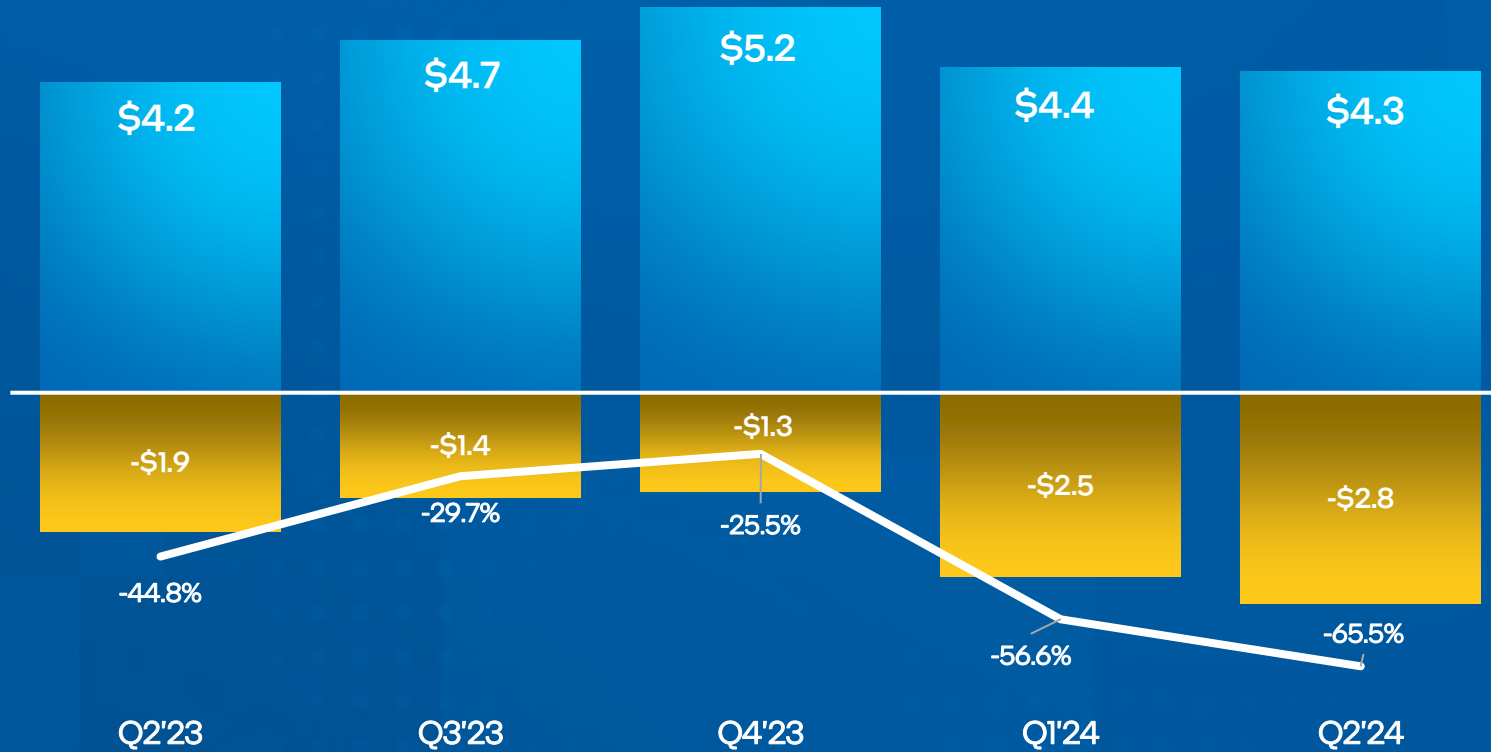


- Excluding Telco, 1H'24 NEX revenue and operating margin +10% YoY
- IPU gaining traction in AI datacenters

intel foundry

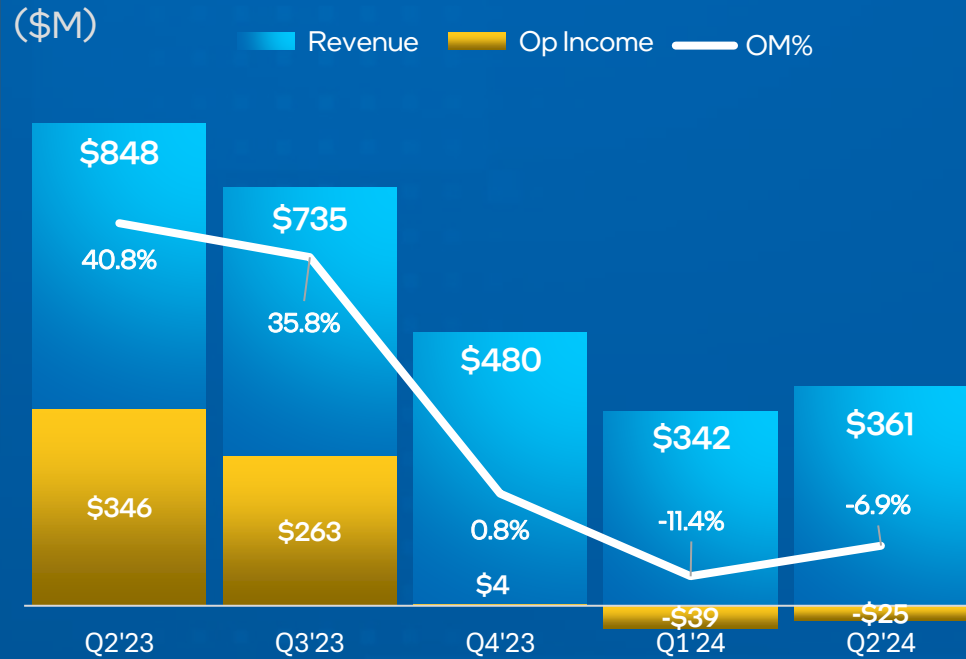
(\$B)

Revenue Op Income OM%

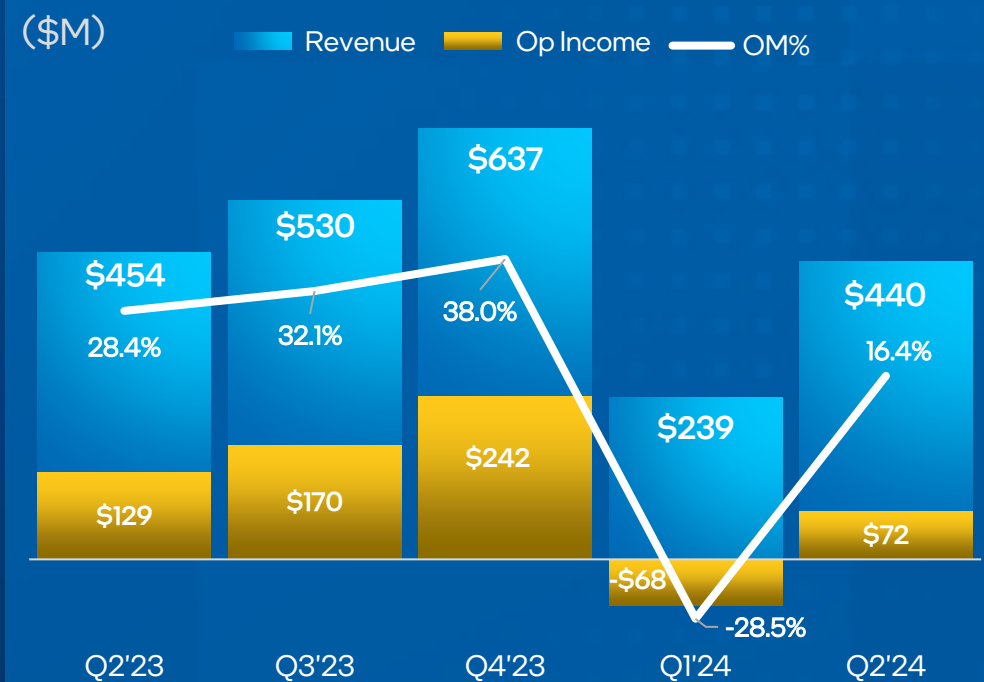


- Released Intel 18A PDK 1.0; ramping volume production in 1H'25
- Intel 14A & Intel 10A development underway utilizing High NA EUV
- Building sustainable supply chain in the U.S. and around the world





- Continued strength in Agilex 5 & 7 pipeline and Agilex 3 is on track
- Working toward capitalizing the business on a path to IPO in coming years



- EyeQ 6 Lite system-on-chip production candidate delivered to customers
- Announced partnership for urban mobility service driven by Mobileye Drive

Outlook

Q3 2024 Outlook

\$12.5-13.5B

Revenue

Down \$1.2B YoY¹

38.0%

Gross Margin¹
(non-GAAP)

Down 7.8 ppt YoY

\$(0.03)

EPS¹
(non-GAAP)

Down \$0.44 YoY

¹ Revenue growth comparison, gross margin outlook and EPS attributable to Intel outlook based on the mid-point of the revenue range

Appendix

Reconciliation of Non-GAAP Actuals

(In Billions)	<u>Q2 2023</u>	<u>Q3 2023</u>	<u>Q4 2023</u>	<u>Q1 2024</u>	<u>Q2 2024</u>
GAAP gross margin percentage	35.8%	42.5%	45.7%	41.0%	35.4%
Acquisition-related adjustments	2.4%	2.1%	1.9%	1.8%	1.7%
Share-based compensation	1.6%	1.2%	1.1%	2.3%	1.5%
Non-GAAP gross margin percentage	<u>39.8%</u>	<u>45.8%</u>	<u>48.8%</u>	<u>45.1%</u>	<u>38.7%</u>
GAAP operating income (loss)	\$(1.0)	--	\$2.6	\$(1.1)	\$(2.0)
Acquisition-related adjustments	0.4	0.3	0.3	0.3	0.3
Share-based compensation	0.9	0.8	0.8	1.2	0.8
Restructuring and other charges	0.2	0.8	(1.1)	0.3	0.9
Non-GAAP operating income (loss)	<u>\$0.5</u>	<u>\$1.9</u>	<u>\$2.6</u>	<u>\$0.7</u>	<u>\$0.0</u>

Reconciliation of Non-GAAP Q3 Outlook

	Q3 2024 Outlook ¹ Approximately	Q3 2023 Actuals
GAAP gross margin percentage	34.5%	42.5%
Acquisition-related adjustments	1.7%	2.1%
Share-based compensation	1.8%	1.2%
Non-GAAP gross margin percentage	38.0%	45.8%
GAAP earnings (loss) per share attributable to Intel—diluted	\$(0.24)	\$0.07
Acquisition-related adjustments	0.06	0.08
Share-based compensation	0.23	0.18
Restructuring and other charges	0.06	0.19
(Gains) losses on equity investments, net	--	0.05
(Gains) losses from divestiture	(0.01)	(0.01)
Adjustments attributable to non-controlling interest	--	--
Income tax effects ²	(0.13)	(0.15)
Non-GAAP earnings per share attributable to Intel—diluted	\$(0.03)	\$0.41

1 Non-GAAP gross margin percentage and non-GAAP earnings (loss) per share attributable to Intel outlook based on the mid-point of the revenue range

2 Contemplates a fixed long-term projected non-GAAP tax rate

Reconciliation of Other Non-GAAP Forward-Looking Estimates

(In Billions)	Full-Year 2024 Approximately	Full-Year 2025 Approximately
GAAP R&D and MG&A	\$22.9	\$20.1
Acquisition-related adjustments	(0.2)	(0.1)
Share-based compensation	(2.7)	(2.5)
Non-GAAP R&D and MG&A	\$20.0	\$17.5
GAAP additions to property, plant and equipment (gross capital spending)	\$25.0 - \$27.0	\$20.0 - \$23.0
Proceeds from capital-related government incentives	(1.5 - 3.5)	(4.0 - 6.0)
Partner contributions	(12.5)	(4.0 - 5.0)
Non-GAAP net capital spending	\$11.0 - \$13.0	\$12.0 - \$14.0

Reconciliation of Non-GAAP Adjusted Free Cash Flow

(In Billions)	<u>Q2 2024</u>
GAAP net cash provided by (used for) operating activities	\$2.3
Net partner contributions and incentives received (cash expended) for property plant and equipment	5.9
Adjusted free cash flow	<u>\$8.2</u>