Intel released its new reporting structure today. Intel Manufacturing and Intel Product Groups are broken out. The breakout assumes that Business units pay market price (TSMC price) rather than Intel cost.

There are tons of details and specifics in the report out that reflect on the issues. High level takeaways:

1) Intel Manufacturing Costs are much higher than TSMC Price. Intel Costs are 2x the costs of TSMC. There is a reason why everyone uses TSMC and why everyone struggles to compete with leading edge foundries.

2) Intel Product group has reasonable margins. The pull down in margins was due to using Intel manufacturing. Intel Manufacturing loses 5-7B per year

3) Intel HAD to break out the groups. Otherwise no business unit would ever buy from Intel manufacturing since the costs are so much higher. Reminder: Intel BUs were told they could choose Internal or external for Fabs instead of being forced to use Intel.

4) The numbers are pretty large. Intel Manufacturing loses 5-7B per year. That is the difference between Intel Cost and TSMC PRICE. Manufacturing Gross Margins are negative (TSMC Gross margins are 50%+)

5) Intel is starting to clarify that the "turn-around" is not really a 2024, 2025 or even 2026 solution. Pat stated that 18A ramps in 2026 (As we documented). 14A is a 2028 solution. Foundry sales ramp in 2027+. Foundry plans to be profitable by 2030. We can discuss this more with specific numbers

We gave the possible scenarios in a blog post last month (see link). These are still valid and perhaps more optimistic than we thought last month. Some specifics on what can be done:

1) Intel is not an efficient manufacturing company. Fabs are too small, they run too complex processes, they spend too much on engineering samples. This can be helped by doubling the volume with sales to external companies and bringing TSMC wafers home. This is why Intel is doing foundry. Need 2x the volume ASAP.

2) Intel will have leading edge processes again. It's one thing to be inefficient operationally with a leading tech (like in the 2000-2012 time). Being inefficient with n-2 technology is a death sentence.

3) Intel has now clarified the problem for all the public to see. Intel Manufacturing is too expensive. Old technologies have negative margins, New technologies have negative margins. This will eliminate the "business units are too demanding" excuse. Note: I am very well aware of the problems between Intel Fabs and Intel BUs. I also understand why BUs like TSMC. We can discuss this in detail and how Intel can fix this.

4) More volume, more efficient fabs, clear acceptance of the problem. The road is still extremely difficult but this is a start. Intel presented this as an opportunity "we can earn billions more per year if we just match other foundries"

5) How this impacts the foundry business development will be interesting.

Future blogs have the numbers and quantitative impact of the improvements the CFO mentioned. by group and by technology impacts. We also have breakout of Fab capacity.

Call for more information

Links:

Intel breakout: https://www.intc.com/filings-reports/all-sec-filings/content/0000050863-24-000068/0000050863-24-000068.pdf

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