

Things From Intel 10K That Make You Go HmMMM

Call us for more info on what the implications of this are on Intel Stock

- 1) Intel is constrained. Not by TSMC. But by IFS and mainly by Intel 7, a node from 2021. Normally constraints are good, it means you are running efficiently with lots of demand. But Intel is not growing. CCG (client)+DCAI (Datacenter) revenue is down. Intel is constrained by older technologies, not newer ones, during a time of non-growth...
- 2) Intel Margins are low (35%). Intel Margins were once the envy of all hardware and chip companies. GAAP operating margins are negative. Non-GAAP is lower than all memory companies, TSMC, NVIDIA, Broadcom, Qualcomm, AMD, etc, etc. This is a year after taking a one time write down of old assets and a change to their depreciation schedule that saves them billions per year right now
- 3) If Intel Foundry found a **magical external customer**, that instantly gave them **\$7B per year in revenue**, equivalent to all of Global foundries, **25 times** the external revenue they have today, at absolutely **no cost** at all to Intel..... IFS would **still lose money**. Let that sink in
- 4) Intel took write off charges in 2025 on 18A for what I call LCM. Lower of cost or Market. This is where you need cannot claim inventory as a WIP asset because the cost is higher than the value of the chip. Margins are below zero and/or Intel had to throw away a lot of 18A production. This is the technology bet its life on.
- 5) Intel's newest fabs 34 and 52 require that partner companies get 50% of the profit from them. Through two very different contracts, Apollo and Brookfield get half the profits IF the fabs are successful, and get payment from Intel if they do not hit milestones.

These are all quite scary and the stock was shaken. But in reality, it simplifies the challenges in my mind.

Intel manufacturing does not seem to have line of sight to being break even. If 18A and 14A ramp, the expenses are more headwinds, more losses. If they do not, the current margins are bad for another 4-5 years. Panther lake is widely recognized as a very good performance part.... First leadership product in 5+ years. What if Intel followed AMD, Nvidia, Apple, Broadcom, Qualcomm, etc and focused on where it can be successful?

Mark Webb, www.mkwventures.com

