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Q3 Earnings

Oct 31st, 2024

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3rd 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, earnings per share attributable to Intel, and adjusted free cash flow, 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 October 31st, 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 October 31st, 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 October 31st, 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

Revenue Exceeded, Profitability Impacted by Charges

Made significant progress toward \$10B cost reduction plan

Recorded impairment charges of \$15.9B and restructuring charges of \$2.8B

Launch of 18A Will Complete 5N4Y

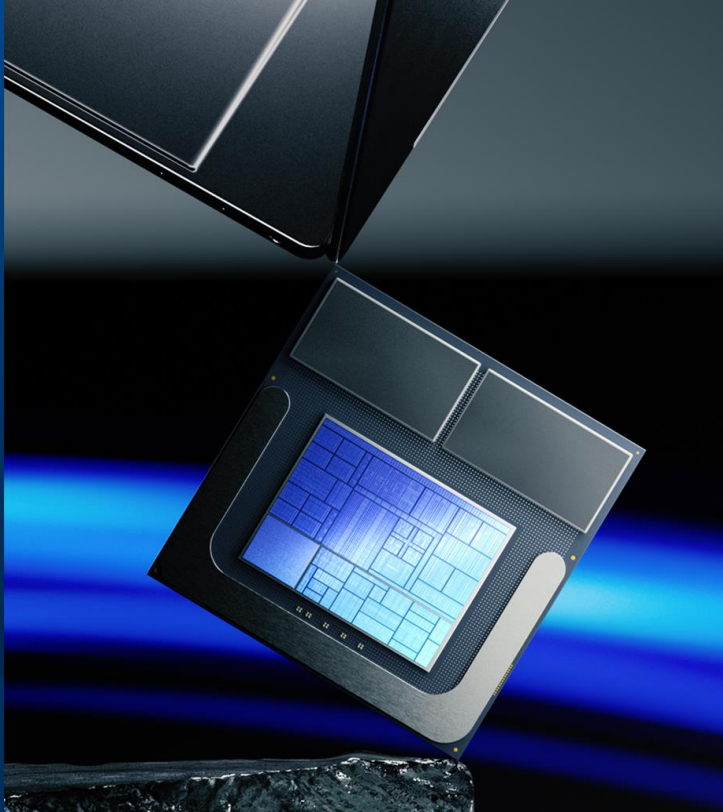
Intel 18A development progressing well with products launching in 2025

Several new external Intel 18A and advanced packaging design wins

Driving the x86 Ecosystem Forward

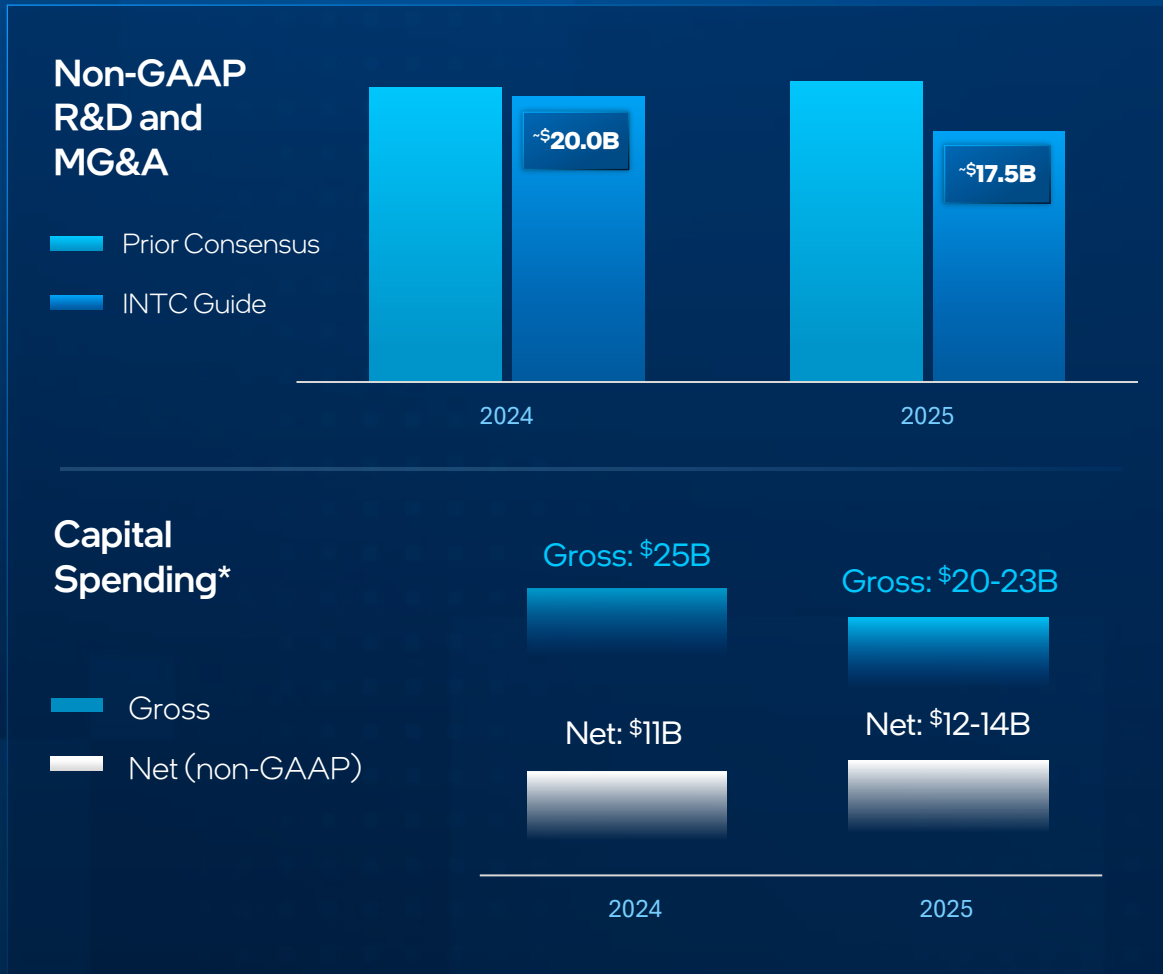
Established x86 Ecosystem Advisory Group with multiple industry leaders

Launched Core Ultra 200v with leading AI performance and battery life



>\$10B Cost Reduction Plan

Q3 Restructuring & Impairment Charges



Manufacturing Asset Impairment Charges

\$3.1B
GAAP + Non-GAAP Impairment

Restructuring Charges Aligned to Cost Reduction Plan

\$2.8B
GAAP Restructuring

Impairments for Goodwill (primarily MBLY) & Other Intangibles

\$2.9B
GAAP Impairment

Valuation Allowances for Deferred Tax Assets

\$9.9B
GAAP Impairment

Total Restructuring & Impairment Charges

\$18.5B

*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, net, and is subject to timing uncertainties related to capital offsets.

intel products

- Unlocking value of our core x86 franchise
- Continued leadership of AI PC category
- Xeon 6 improves DC CPU competitiveness



intel foundry

- Achieved Intel 18A product & process milestones
- External 18A & advanced packaging design wins
- \$3B US Gov't Secure Enclave partnership



Q3 Financial Highlights

\$13.3B

Revenue

Down 6% YoY

\$0.3B above Aug outlook¹

18.0%

Gross Margin³

Down 27.8 ppt YoY²

20 ppt below Aug outlook¹

\$(0.46)

EPS⁴

Down \$0.87 YoY²

\$0.43 below Aug outlook¹

¹ Comparisons are based on the mid-point of revenue outlook

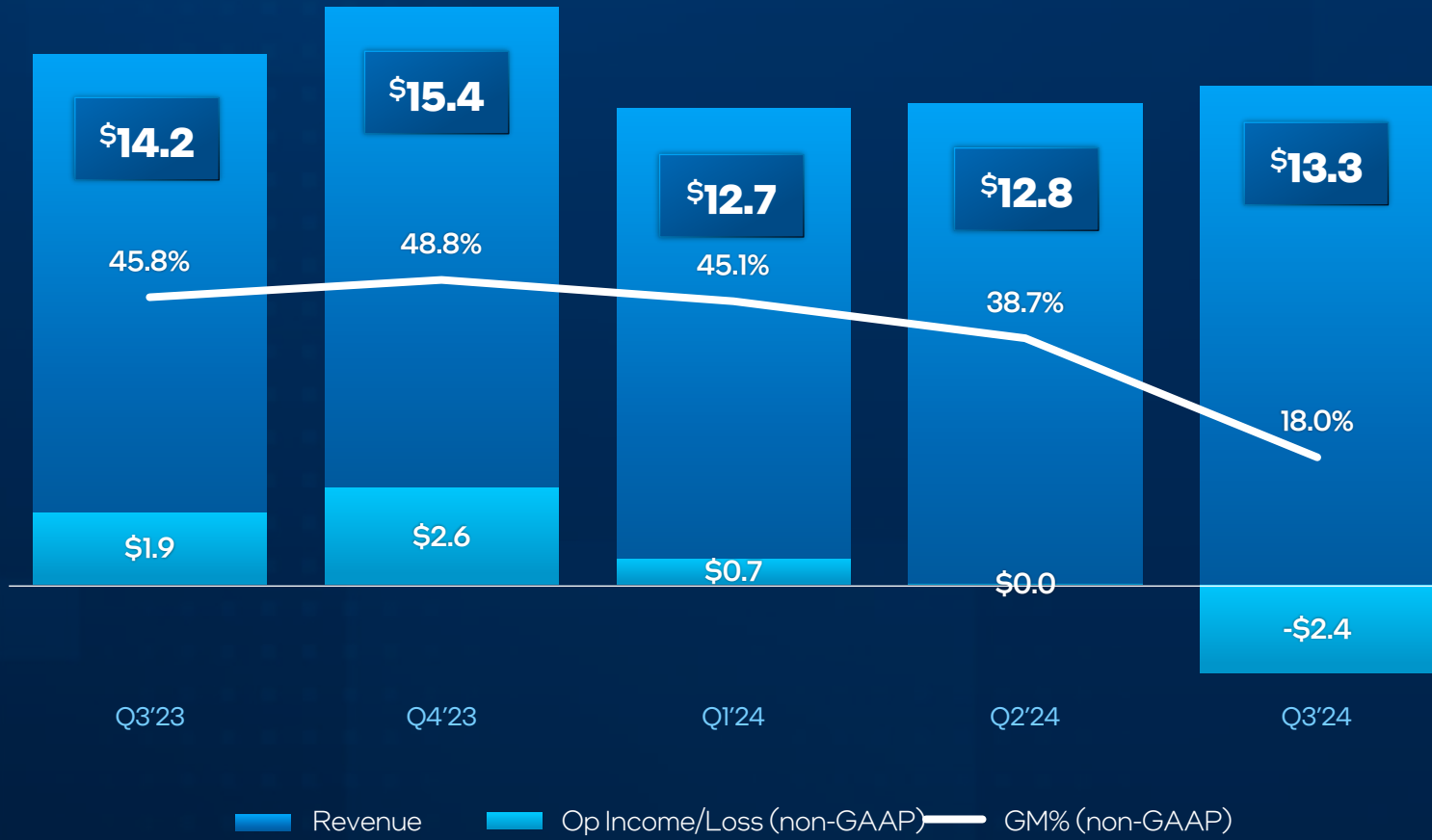
² \$3.0 billion in manufacturing asset impairment charges reduced Non-GAAP gross margin by ~23 ppt and EPS by ~\$0.61 per share

³ GAAP gross margin 15%, down 27.5ppt YoY. ~23ppt impacted by \$3.0 billion in manufacturing asset impairment charges

⁴ GAAP EPS (\$3.88), down 3.95ppt YoY. \$15.9 billion of impairment charges and \$2.8 billion of restructuring charges reduced GAAP EPS by \$3.89 per share



(\$B)



- Significant steps taken to right-size company
- Profitability impacted by impairment charges
- Continued progress on both products and process technology

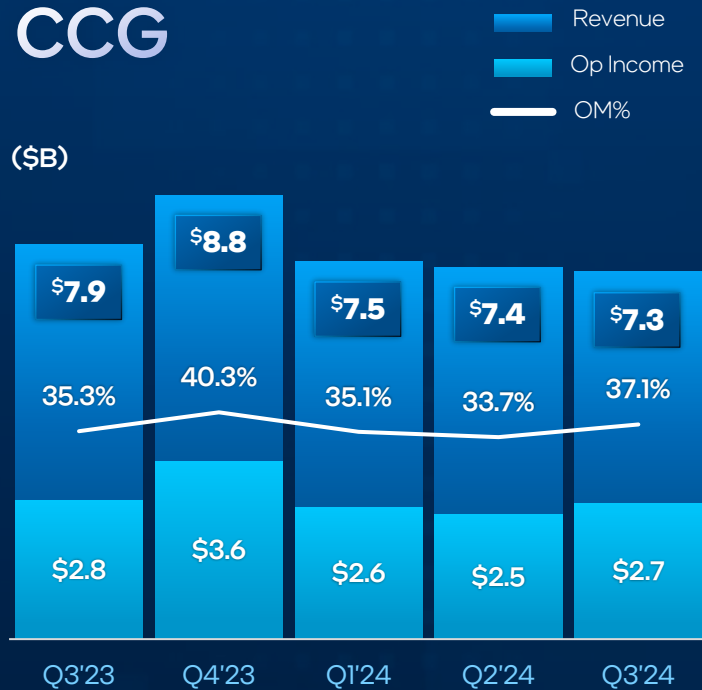


GAAP GM%: Q3'23 42.5%, Q4'23 45.7%, Q1'24 41.0%, Q2'24 35.4%, Q3'24 15.0%
GAAP Op Income: Q3'23 \$0.0, Q4'23 \$2.6, Q1'24 (\$1.1), Q2'24 (\$2.0), Q3'24 (\$9.1)
Manufacturing asset impairment charges reduced Q3'24 GAAP and Non-GAAP GM% by ~23 ppt and Op Income by \$3.1B



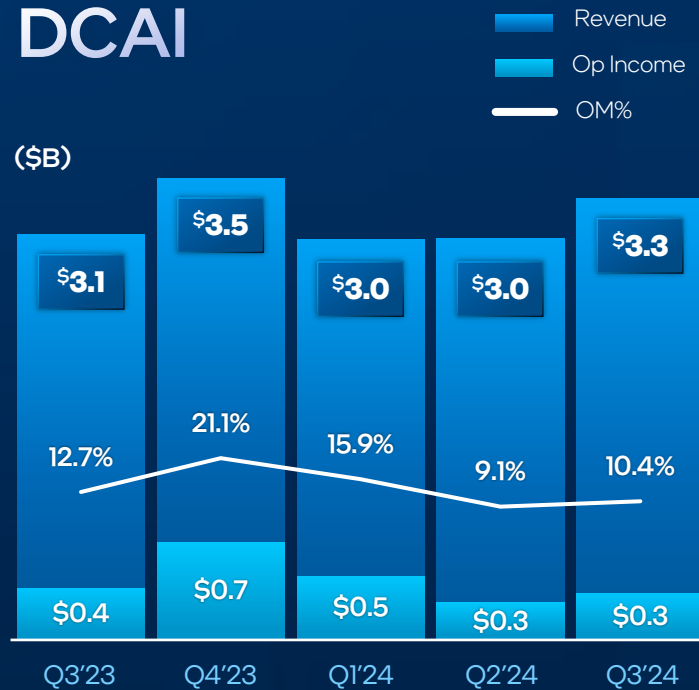
intel products

CCG



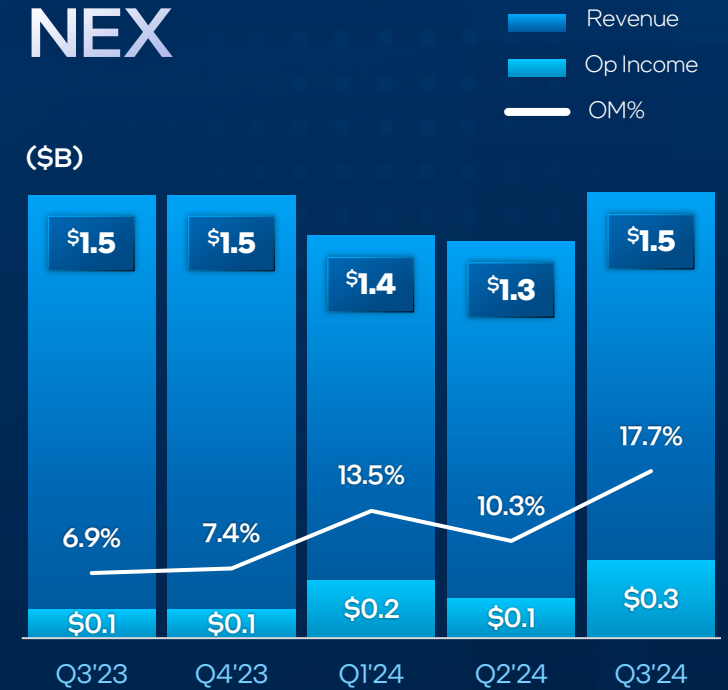
- Lunar Lake leading performance & battery life
- On track to ship 100M AI PCs 2024 + 2025
- Panther Lake launching in 2H'25 on Intel 18A

DCAI



- Xeon 6 increasingly competitive with launch of Granite Rapids on Intel 3
- Gaudi 3 launched & ramping in Q4

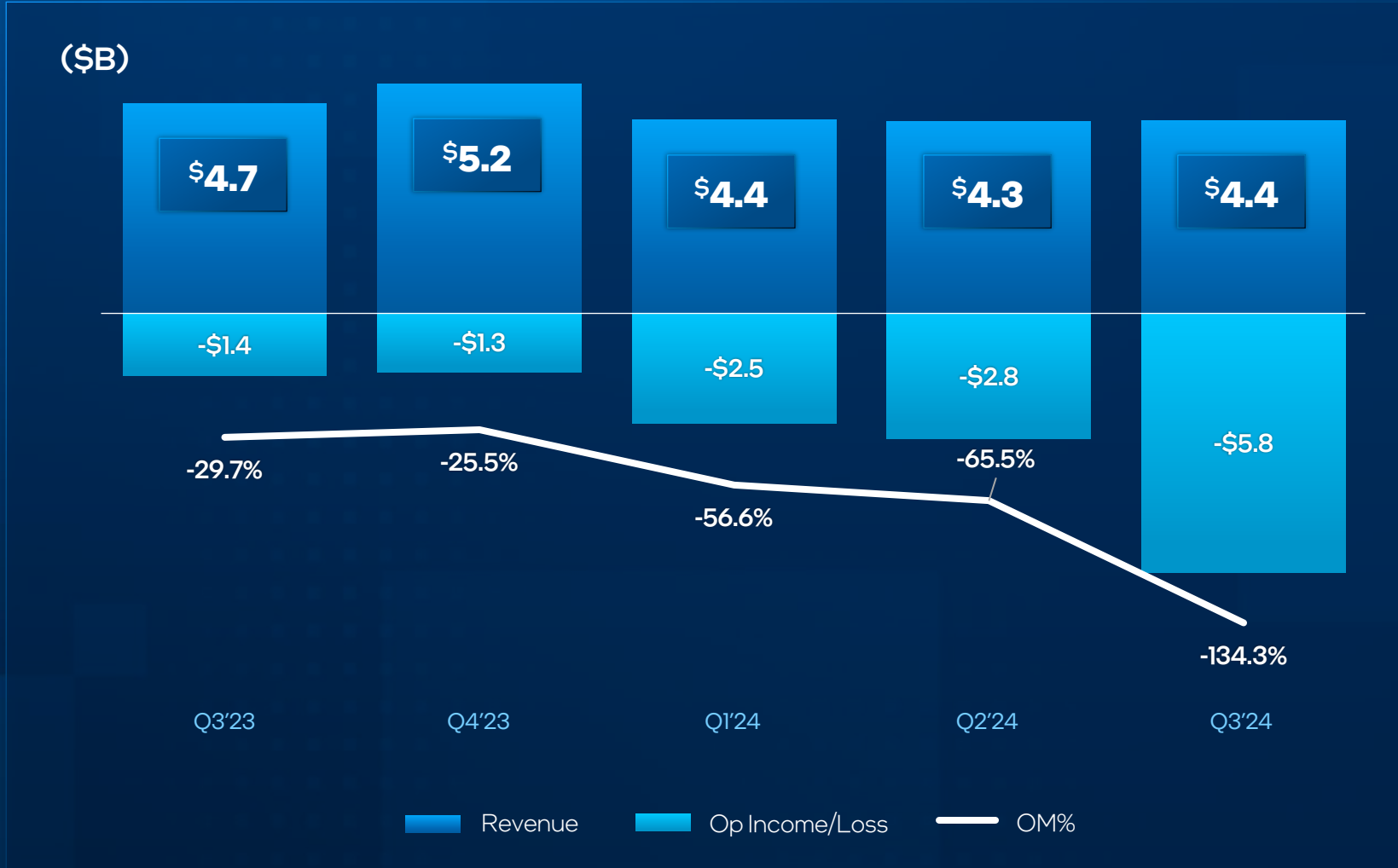
NEX



- Inventory environment improving
- Early stages of 5G recovery
- Well positioned for inferencing at the edge

The financials above are operating segment results as presented in Company's form 10-Qs and Form 8-K from April 2024. Refer to these documents for a reconciliation to our GAAP results.

intel foundry

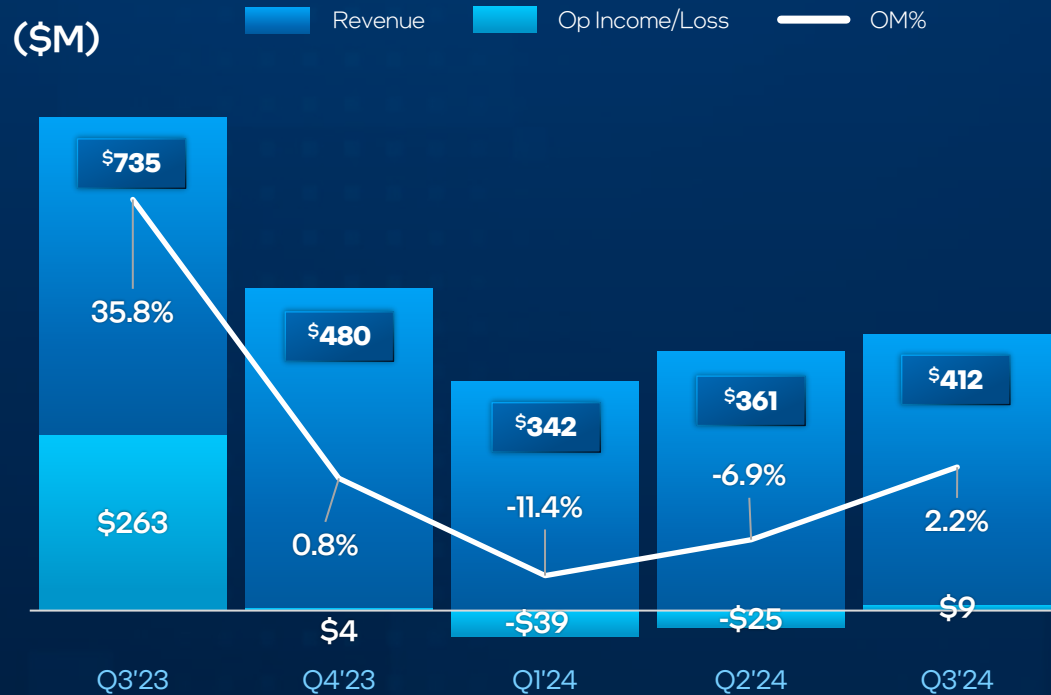


- \$3.1B impairment impacted loss
- Intel 18A technology progressing well
- Several Foundry Wins
- Awarded \$3B for secure enclave



Manufacturing asset impairment charges reduced Q3'24 OM% by 71 ppt and increased Op Loss by \$3.1B

The financials above are operating segment results as presented in Company's form 10-Qs and Form 8-K from April 2024. Refer to these documents for a reconciliation to our GAAP results.



- Approaching \$5B pipeline for Agilex family
- Agilex revenue growing >3x in 2024
- Agilex 5 launching by end of year



- Leader in ADAS development & deployment
- Roadmap for range of AI-enhanced autonomous driving solutions
- Q3 free cash flow exceeded operating income

Outlook

Q4 2024 Outlook

\$13.3-14.3B

Revenue

Down \$1.6B YoY¹

39.5%

Gross Margin

Down 9.3 ppt YoY¹

\$0.12

EPS

Down \$0.42 YoY¹

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>Q3 2023</u>	<u>Q4 2023</u>	<u>Q1 2024</u>	<u>Q2 2024</u>	<u>Q3 2024</u>
GAAP gross margin percentage	42.5%	45.7%	41.0%	35.4%	15.0%
Acquisition-related adjustments	2.1%	1.9%	1.8%	1.7%	1.7%
Share-based compensation	1.2%	1.1%	2.3%	1.5%	1.3%
Non-GAAP gross margin percentage	<u>45.8%</u>	<u>48.8%</u>	<u>45.1%</u>	<u>38.7%</u>	<u>18.0%</u>
GAAP operating income (loss)	--	\$2.6	\$(1.1)	\$(2.0)	\$(9.1)
Acquisition-related adjustments	0.3	0.3	0.3	0.3	0.3
Share-based compensation	0.8	0.8	1.2	0.8	0.8
Restructuring and other charges	0.8	(1.1)	0.3	0.9	5.6
Non-GAAP operating income (loss)	<u>\$1.9</u>	<u>\$2.6</u>	<u>\$0.7</u>	<u>\$0.0</u>	<u>\$(2.4)</u>

Reconciliation of Non-GAAP Q4 Outlook

	Q4 2024 Outlook ¹ Approximately	Q4 2023 Actuals
GAAP gross margin percentage	36.5%	45.7%
Acquisition-related adjustments	1.6%	1.9%
Share-based compensation	1.4%	1.1%
Non-GAAP gross margin percentage	39.5%	48.8%
GAAP earnings (loss) per share attributable to Intel—diluted	\$(0.24)	\$0.63
Acquisition-related adjustments	0.06	0.08
Share-based compensation	0.17	0.18
Restructuring and other charges	0.08	(0.27)
(Gains) losses on equity investments, net	--	(0.02)
(Gains) losses from divestiture	(0.01)	(0.01)
Adjustments attributable to non-controlling interest	--	--
Income tax effects ²	(0.06)	(0.05)
Non-GAAP earnings per share attributable to Intel—diluted	\$0.12	\$0.54

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 additions to property, plant and equipment (gross capital spending)	\$25.0	\$20.0 - \$23.0
Proceeds from capital-related government incentives	(1.0)	(4.0 - 6.0)
Partner contributions, net	(13.0)	(4.0 - 5.0)
Non-GAAP net capital spending	\$11.0	\$12.0 - \$14.0
GAAP R&D and MG&A		\$20.0
Acquisition-related adjustments		(0.1)
Share-based compensation		(2.4)
Non-GAAP R&D and MG&A		\$17.5

Reconciliation of Non-GAAP Adjusted Free Cash Flow

(In Billions)	Q3 2024
GAAP net cash provided by (used for) operating activities	\$4.1
Net purchase of property, plant, and equipment	(6.8)
Adjusted free cash flow	\$(2.7)