Comments from Interim Co-CEOs Michelle Johnston Holthaus and Dave Zinsner

Intel's interim co-chief executive officers offer comments after the company released its fourth-quarter and full-year 2024 earnings.

The following are the prepared remarks provided on Intel's fourth-quarter and full-year 2024 earnings conference call held at 2 p.m. PST Jan. 30, 2025. These remarks include forward-looking statements that are based on the environment as seen by the company as of the time of the call and, as such, are subject to various risks and uncertainties. They also contain references to non-GAAP financial measures that the company believes provide useful information to investors. Refer to the company's earnings release for the fourth-quarter and full-year 2024, most recent annual report on Form 10-K and other filings with the SEC for more information on the risk factors that could cause actual results to differ materially from the company's expectations and additional information on non-GAAP financial measures, including reconciliations where appropriate to the corresponding GAAP financial measures.

Jan. 30, 2025 – Michelle Johnston Holthaus, interim co-chief executive officer of Intel and CEO of Intel Products (bio):

It's been roughly two months since Dave and I stepped into our roles as interim co-CEOs. From Day One, we have been working closely together alongside the board to drive better execution of our strategy. There are no quick fixes – and we are committed to improving our performance and rebuilding our credibility through persistent hard work that delivers tangible results.

As part of this, we are driving more focused investments across the business. We cannot be all things to all people, and we are prioritizing areas where we can drive differentiated value. We are also continuing to simplify our business and become a leaner, more efficient company. And, most of all, we are doing a better job of listening to our customers to ensure we meet their needs.

Q4 was a step in the right direction. We delivered revenue, gross margin and EPS (earnings per share) above our guide. Intel Products executed to drive revenue in the quarter, even as PC inventory continued to normalize. And Intel Foundry drove incremental operating efficiencies while achieving key grant-related milestones, which supported solid upside to gross margins.

As co-CEOs, you can expect us to be very straightforward and direct. We will only make commitments we are confident we can deliver. We firmly believe that what we say is not nearly as important as what we do. And everything we do must be in service of our customers. Innovating to solve their most pressing challenges is the surest path to creating shareholder value.

This is the mindset I have brought to my position as the CEO of Intel Products. This is a great business with great people, partners and IP (intellectual property) to design world-class products from edge to cloud. I take nothing for granted, but I firmly believe that the core x86 architecture and the ecosystems we have built and invested in over the decades create a solid foundation for success.

Our customers share this view, but they need us to improve our execution and hit our commitments. I am setting clear priorities and directions in each business to drive better outcomes.

I think about Intel Products in three buckets:

1. Client/edge
2. Traditional data center, and …
3. The AI data center

Let me spend a few moments on each:

In client, Intel CPUs power roughly 7 out of every 10 PCs. This is a strong position that gives us advantages in the market. That said, the market is becoming more competitive, especially as we see new entrants trying to participate in the AI PC category. Personally, I thrive on competition. It drives a healthy paranoia across everything we do – and we are using it as motivation to up our game even more.

The success of Intel® Core™ Ultra across Meteor Lake, Arrow Lake and Lunar Lake has established Intel as the market leader in AI PC CPUs – and we remain on track to ship more than 100 million cumulative systems by the end of 2025. We are innovating at scale unlike any of our competitors.

This was on display earlier this month at CES, where we launched the enterprise versions of our AI CPUs with compelling new features to Intel vPro®. This is a testament to the strong ecosystem we have built with IT departments around manageability, security, trust and brand. And we expect these investments to position us well as corporations begin their migration to Windows 11.

Alongside our investments in enterprise, our ecosystem reach also positions us well in the AI PC consumer markets. We are working with more than 200 ISVs (independent software vendors) across more than 400 features to optimize their software on our silicon. I'm excited about the new applications I'm seeing in the pipeline that will begin to proliferate over the coming months. Our goal is to innovate, partner and fortify our position as the preferred CPU of choice.

Looking ahead to the rest of the year, we will strengthen our client roadmap with the launch of Panther Lake, our lead product on Intel 18A, in the second half of 2025. As the first volume customer of Intel 18A, I see the progress that Intel Foundry is making on performance and yields. And I look forward to being in production in the second half as we demonstrate the benefits of our world-class design and process technology capabilities.

2026 is even more exciting from a client perspective as Panther Lake achieves meaningful volumes and we introduce our next-generation client family code-named Nova Lake. Both will provide strong performance across the entire PC stack with significantly better cost and margin for us, enhancing our competitive position and reinforcing our value proposition to our partners and customers.

Let me now turn to the traditional data center business.

The team has made good progress toward strengthening our offerings and driving better, more predictable execution. This year is all about improving Intel® Xeon®'s competitive position as we fight harder to close the gap to the competition. The ramp of Granite Rapids has been a good first step. We are also making good progress on Clearwater Forest, our first Intel 18A server product that we plan to launch in the first half of next year.

All of this provides a strong foundation on which to build as we execute. The world's data center workloads still primarily run on Intel silicon, and we have a strong ecosystem especially within enterprise. We are going to leverage these strengths as we work to stabilize our market share in 2025.

One of the ways we'll do this is by reengaging the x86 ecosystem. We have seen a positive response from the x86 ecosystem advisory group we formed last fall – and we are encouraged by the enthusiasm for building both semi-custom and custom products. This is a big area of opportunity for the business, and we look forward to talking more about this as we have news to share.

Turning to the AI data center, I will start by saying that this is an attractive market for us over time – but I am not happy with where we are today. On the one hand, we have a leading position as the host CPU for AI servers, and we continue to see a significant opportunity for CPU-based inference on-prem and at the edge as AI-infused applications proliferate. On the other hand, we're not yet participating in the cloud-based AI data center market in a meaningful way. We have learned a lot as we have ramped Intel® Gaudi®, and we are applying those learnings going forward.

One of the immediate actions I have taken is to simplify our roadmap and concentrate our resources. Many of you heard me temper expectations on Falcon Shores last month. Based on industry feedback, we plan to leverage Falcon Shores as an internal test chip only without bringing it to market. This will support our efforts to develop a system-level solution at rack scale with Jaguar Shores to address the AI data center.

More broadly as I think about our AI opportunity, my focus is on the problems our customers are trying to solve, most notably the need to lower the cost and increase the efficiency of compute. AI is not a market in the traditional sense, it's an enabling application that needs to span across the compute continuum from the data center to the edge. As such, a one-size-fits-all approach will not work, and I can see clear opportunities to leverage our core assets in new ways to drive the most compelling total cost of ownership across the continuum.

Before I turn the call over to Dave, let me close by speaking as Intel Foundry's largest wafer customer. I have a pretty simple approach: When we are able to combine world-class products with world-class process technology, we win. As CEO of Intel Products, I will always make process technology decisions based on what is best for my customers. And Intel Foundry will need to earn my business every day, just as I need to earn the business of my customers.

Having said that, I am confident in the Intel Foundry team's ability to support my current and future product roadmap. And I'm excited to do more business with them as their process technology continues to advance. A stronger Intel Products, combined with a more competitive Intel Foundry, is a recipe for success for Intel overall.

Dave Zinsner, interim co-chief executive officer and chief financial officer of Intel (bio):

I'm going to address three topics today: first, an update on Intel Foundry; second, Q4 and full-year financials; and, third, our Q1 guidance.

Starting with Intel Foundry … I have had an opportunity to meet with a number of our partners and potential customers for Intel Foundry over the last couple months. I come away from those meetings encouraged by the opportunity we have in front of us, and I have received clear feedback on what our customers need from us to succeed.

This starts with our execution on Intel 18A. This has been an area of good progress. Like any new process, there have been puts and takes along the way, but overall we are confident that we are delivering a competitive process. We are excited by the launch of Panther Lake this year and the internal ramp of Intel 18A in the 2H that will support increased volumes and improved profitability in 2026.

From the perspective of external customers, Intel 18A is a very competitive offering that gives each of them a reason to engage with us. However, foundry wins are about more than just technology: Trust is also a significant factor. Customers must believe you can execute consistently and be willing to invest in IP to port a design to a new foundry. That's why past transitions in the industry have generally started with customers giving new foundry partners smaller volumes then gradually increasing as trust grows.

We have made good progress. But to accelerate this, I am asking the team to re-double their efforts on ease-of-porting, IP availability and best-known foundry methods. I am particularly pleased by the willingness of our suppliers and partners to engage with us, augmenting our expertise and hard work with theirs. Job No. 1 is earning the customer's trust.

The Intel 18A design wins to date provide good validation of the strategy, and we continue to have a healthy RFQ (request for quote) pipeline of potential customers. But we won't win every deal out of the gates. We will be selective and focus on areas where we are confident that we can be a meaningful contributor to the success of our customer, and we look forward to updating you as RFQs become wins. In addition, we continue to have good momentum in advanced packaging and in our collaborations with Tower Semiconductor and UMC. All three are critical to utilize our assets longer for higher rates of return.

This is a good segue into my other key areas of focus for Intel Foundry: improving our financials and making sure that we are deploying your capital appropriately. At roughly $18 billion in revenue, Intel Foundry today is larger than all but one external foundry. That is clearly not reflected on our P&L (profit and loss report) – with negative gross margins and a greater than $13 billion operating loss in 2024. We are going to systematically attack our costs and remain highly focused on our goal of delivering break-even operating income for Intel Foundry by the end of 2027, and we expect to demonstrate improvements this year.

The financial benefits of shifting our wafer volumes from Intel 7 to Intel 18A, along with learning to run our fabs more efficiently and our process nodes longer, will be important drivers of improving our financials. Beyond 2027, we need to drive to cash flow from operations that support our capital spending needs and ultimately generate a great return on your capital.

I remain very optimistic on our opportunity at Intel Foundry. The pervasive growth of AI is driving accelerating and unprecedented demand for silicon and there continues to be an unmet need for greater choice and overall manufacturing capacity in the industry today. TSMC is a valued supplier to Intel Products and important partner to IMS, and they have established a very high standard for what it takes to be a world-class foundry. But the market overall needs multiple players, and, as we execute, Intel Foundry has a very important role to play globally and especially here in the U.S., where we continue to invest in leading-edge R&D and manufacturing capacity.

We were also pleased to sign with the U.S. Department of Commerce a definitive agreement awarding us up to $7.86 billion in grants. As you know, these grants are milestone-based, and we have already received $1.1 billion in Q4 and have received an additional $1.1 billion in January of Q1. In addition, we continue to make good progress building out our Secure Enclave in partnership with the Department of Defense. We look forward to continued engagement with the Trump administration as we advance this work and support their efforts to strengthen U.S. technology and manufacturing leadership.

Finally, as you will recall, we announced our intention to establish an independent subsidiary structure for Intel Foundry to provide clear governance and operational separation. This structure also enables us to seek additional funding options from both strategic and financial partners, which we are now actively beginning to explore.

Let me now turn to our consolidated financial results and Q1 guidance.

Fourth-quarter revenue was $14.3 billion, up 7% sequentially and at the high end of the range we provided in October as a result of solid growth in CCG (Client Computing Group), equipment sales at IMS and the edge business of NEX (Network and Edge Group).

Non-GAAP gross margin came in at 42.1%, 260 basis points ahead of guidance on higher revenue, better costs and the receipt of our first CHIPs grants, offset partially by inventory reserves related to Gaudi.

We delivered fourth-quarter earnings per share of 13 cents versus our guidance of 12 cents. Higher revenue, stronger gross margin and improved operating leverage was offset by lower interest and other income, which includes an accrual related to our second SCIP (Semiconductor Co-Investment Program) agreement of roughly $750 million reflecting an adjustment in our planned capacity ramp in Ireland. In Q2, we began the process of resizing our expense structure to support more modest long-term growth, including adjusting our capacity plans to more conservative levels, driving impairments in Q3 and this accrual in Q4.

Q4 operating cash flow was positive $3.2 billion, down approximately $900 million sequentially due to the cash outlays associated with our Q3 restructuring charges. We had gross CapEx (capital expenditures) of $6.3 billion with offsets of $1.6 billion in the quarter resulting in adjusted free cash flow of negative $1.5 billion. As I mentioned earlier, we also received a portion of the CHIPs grants this quarter.

For the full year, revenue was $53.1 billion, down 2.1% year over year. Modest year-over-year growth in Intel Products was more than offset by lower revenue at Mobileye and Altera as well as the forecasted decline in Foundry Services due to the end of life on traditional packaging revenue. Full-year gross margin was 36% and down 760 basis points due to Q3 impairments, lower revenue and inventory impacts.

Full-year EPS was minus-13 cents and down $1.18 on lower revenue, lower gross margin and higher period charges. We generated $8.3 billion in cash from operations, made $24 billion of gross capital investments and generated capital offsets of approximately $13.4 billion from SCIP partner contributions and government grants and incentives. As a result, adjusted free cash flow was minus-$2.2 billion and we ended the year with $22.1 billion of cash and short-term investments.

Moving to segment results for Q4 ... Intel Products revenue was $13 billion, up 7% sequentially. CCG revenue was up 9% quarter over quarter as the rate at which our customers digested inventory slowed meaningfully from Q3. While difficult to quantify, we suspect a portion of Q4 revenue upside was due to customers hedging against potential tariffs. DCAI (Data Center and AI Group) revenue was up slightly sequentially off a better-than-expected Q3 as demand for traditional servers remained stable. Revenue for NEX was up 7.5% sequentially and is now up more than 20% from Q2 lows as customers are returning to more normal buying patterns especially in our edge business.

Operating profit for Intel Products was $3.6 billion, 28% of revenue, and up $300 million quarter over quarter on higher revenue and reduced operating expenses.

Intel Foundry delivered revenue of $4.5 billion, up 3% sequentially, on increased EUV (extreme ultraviolet) wafer mix and higher equipment sales by IMS. EUV wafer revenue grew from 1% of total revenue in 2023 to greater than 5% in 2024.

Intel Foundry operating loss in Q4 of $2.3 billion improved meaningfully sequentially as Q3 was impacted by $3.1 billion of impairments. Excluding impairments, operating loss would have been roughly flat quarter on quarter.

Turning to All Other ... Mobileye reported revenue of $490 million, up 1% sequentially, with operating profit of $103 million, and earlier today guided for full-year 2025 increases to both revenue and operating income. Altera delivered revenue of $429 million, up 4% sequentially. Operating margin was 21% versus 2% in Q3 on better gross margins and operating leverage. For Q1, we expect Altera revenue to be down sequentially less than overall Intel consolidated. We continue to make good progress on the stake sale of Altera and see a path for an IPO in the coming years.

Now turning to guidance ... Q1 has historically been our seasonally weakest quarter of the year, down high single to low double digits percentage sequentially on average. In addition, we see added pressure coming from macro uncertainty especially around tariffs, balancing of PC inventory and increasing competition. These mitigating factors support a more-tempered revenue outlook as we come into the new year.

As a result, we are forecasting a revenue range of $11.7 billion to $12.7 billion in the first quarter of 2025, down between 11% to 18% sequentially. Within Intel Products, we expect revenue to decline across all three of our segments at roughly similar rates. We expect Intel Foundry revenue roughly flat to down modestly quarter over quarter helped by continued mix shift to EUV wafers, Intel 18A samples and advanced packaging.

At the midpoint of $12.2 billion, we expect gross margin of approximately 36%, with a tax rate of 12% and break-even EPS, all on a non-GAAP basis.

Let me take a few moments to provide some commentary that may be helpful for your full-year 2025 modeling. At the consolidated level we expect gross margin to improve from Q1. Intel Products gross margin was 51% in 2024 and is expected to decline this year due to product mix in both CCG and DCAI. Intel Foundry gross margin will improve on EUV mix shift and growth in advanced packaging despite expected depreciation growth in 2025 of roughly 10%.

We continue to target 2025 OpEx (operating expenses) of $17.5 billion with further reductions in 2026. We expect noncontrolled income, or NCI, to net to roughly zero in Q1 and be in a range $500 million to $700 million impact this year, on a GAAP basis. NCI is expected to grow in fiscal year 2026 to a range of $1.2 billion to $1.4 billion, on a GAAP basis, and increase further in future years as we increase wafer outs at our fabs where we have agreements with SCIP partners.

We anticipate that our 2025 gross capital investments will be approximately $20 billion and at the low end of our previous guide of $20 billion to $23 billion, reflecting further capacity adjustments to Ohio and Ireland as well as better utilization of what we call our construction-in-progress. Specifically, we invested ahead of demand over the past few years and these capital investments will enable us to meet expected demand at a lower level of spending as we drive to more efficiently deploy our capital. We expect 2025 net CapEx of $8 billion to $11 billion with roughly half of the offsets expected to come from government incentives and tax credits and half from partner contributions. De-levering in 2025 remains a top priority for us on lower CapEx, increased cash from operations and value unlock across our non-core assets.

Finally, I'll remind you that we will provide new segment reporting in conjunction with our Q1 earnings. We expect to make further changes to our segments, including moving the edge portion of NEX into CCG and our auto business from All Other into CCG. In addition, we expect to move the networking portion of NEX, which includes Xeon sales, into DCAI, and the IMS equipment business out of Intel Foundry into All Other.

I'll wrap up by saying that Q4 was a solid quarter to close out a challenging year. With that said, our profitability is below where it needs to be, and we must enhance our competitive position in the market. Michelle and I will continue taking actions to improve the operational and financial trajectory of the business. We will remain focused on building a stronger Intel Products business and becoming a more efficient Intel Foundry. And by driving continued progress in these areas, we are confident in our ability to unlock value for all our stakeholders.

It's worth mentioning that the board remains intensely focused on the search for a permanent CEO. The search is progressing, but we have nothing new to report and won't be able to add additional information on this topic today.

Closing – Dave Zinsner, interim co-chief executive officer and chief financial officer:

Thank you, as always, for joining the call. MJ and I appreciate the opportunity to discuss our progress and the actions we've taken. Q4 was a good step forward, but we know we have a lot of hard work ahead of us and we are looking forward to updating you as we go along.

We hope to see many of you in person at the investors conferences we will be attending in Q1, and I'd like to also highlight that the Intel Foundry team will be hosting the second annual Direct Connect user event on April 29 in San Jose, California. We hope many of you will join in person.
