Our Q2 results exceeded the high end of our guidance as we continue to execute on our strategic priorities, including building momentum with our foundry business and delivering on our product and process roadmaps. We are also well-positioned to capitalize on the significant growth across the AI continuum by championing an open ecosystem and silicon solutions that optimize performance, cost and security to democratize AI from cloud to enterprise, edge and client.

Pat Gelsinger, Intel CEO

Strong execution, including progress towards our $3 billion in cost savings in 2023, contributed to the upside in the quarter. We remain focused on operational efficiencies and our Smart Capital strategy to support sustainable growth and financial discipline as we improve our margins and cash generation and drive shareholder value.

David Zinsner, Intel CFO
Business Highlights

Process Leadership

Intel continues to execute to 5 nodes in 4 years

- Intel 7: In high-volume manufacturing
- Intel 4: Ramping Meteor Lake production wafer starts; expect to launch in 2H 2023
- Announced industry-first implementation of backside power using PowerVia in a test chip, resulting in notable performance and efficiency gains

Agreed to sell minority stake in IMS Nanofabrication to Bain Capital, valuing business at $4.3B and accelerating critical multi-beam mask writing capabilities key to furthering Moore’s Law

Released Tunnel Falls, a 12-quant, silicon-based quantum chip to advance quantum computing research

Execution Milestones

Recognized by MLCommons®, which published MLPerf™ Training performance benchmark data showing that 4th Gen Xeon and Habana Gaudi2 are two compelling, open alternatives in the AI market that compete on both performance and price

- Announced two new Intel Arc Pro graphics processing units, Intel Arc Pro A60 and Pro A60M, and shipped Intel Arc Pro A40-based systems

- Expanded Intel Flex Series GPU Software Packages include new support for Windows cloud gaming, AI inference and digital content creation

- Poised to ship one millionth unit of 4th Gen Intel® Xeon® Scalable processors in coming days

Customer and Partner Wins

Two new strategic defense industrial base customers, Boeing and Northrop Grumman, join phase two of the U.S. Dept. of Defense’s RAMP-C program, led by Intel on 18A

- Google Cloud announced the general availability of cloud instances of 4th Gen Intel® Xeon® Scalable processors

- ASUS agreed to term sheet to manufacture, sell and support 10th to 13th Gen NUC systems product line and develop future innovative NUC systems product designs following Intel exit

- Boston Consulting Group and Intel will collaborate to deliver enterprise-grade, secure generative AI leveraging Intel's Gaudi® and 4th Gen Xeon® offerings

- Dell Technologies, in collaboration with the United Kingdom Atomic Energy Authority (UKAEA) and the Cambridge Open Zettascale Lab, design prototype fusion power plant with Intel

- Ericsson will utilize 18A for future custom 5G SoC. It will also collaborate with Intel to accelerate industry-scale open RAN utilizing Xeon-based platforms

- Microsoft and Intel announced collaboration to drive development of AI on personal computing

- SAP and Intel announced collaboration to deliver powerful and secure instances for SAP, powered by 4th Gen Intel® Xeon® Scalable processors

Financial and Operational Achievements

- Increased scope for wafer fabrication site in Magdeburg, Germany

- Announced Poland as the site of new cutting-edge assembly and test facility

- Submitted first CHIPs Act application in the U.S.

Abbreviations:

Q2 (second-quarter); YoY (year-over-year); GAAP (general accepted accounting principles); EPS (earnings per share).

Q2’23 non-GAAP EPS attributable to Intel ($+0.13) is Q2’23 GAAP EPS attributable to Intel ($+0.35) after adjustment for acquisition-related adjustments ($+0.08), share-based compensation ($+0.22), restructuring and other charges ($+0.05), (gains) losses on equity investments, net ($+0.01), (gains) losses from divestiture ($-0.01), adjustments attributable to non-controlling interest ($0.00) and income tax effects ($-0.57).

Q3’23 Outlook non-GAAP EPS attributable to Intel ($+0.20) is Q3’23 Outlook GAAP EPS attributable to Intel ($+0.04) after adjustment for acquisition-related adjustments ($+0.10), share-based compensation ($+0.20), gains on equity investments, net ($+0.20), gains from divestiture ($+0.01), (gains) losses from acquisition-related adjustments ($+0.01), (gains) losses attributable to non-controlling interest ($+0.01) and income tax effects ($+0.09).

For a full explanation of these non-GAAP measures, see Intel’s Q2’23 earnings release at intc.com. Q3’23 Outlook non-GAAP gross margin percentage (43.1%) is Q3’23 Outlook GAAP gross margin percentage (43.0%) after adjustment for acquisition-related adjustments (1.5%) and share-based compensation (1.5%).

Gross margin and EPS outlooks are based on the mid-point of the revenue range. Our Q3’23 outlook and other statements about future plans, expectations, and opportunities, including with respect to future products and technologies, are forward-looking statements. They are based on current expectations as of July 27, 2023 but are subject to many risks and uncertainties that could cause actual results to differ materially from those anticipated. Important factors that could cause actual results to differ materially are set forth in Intel’s Q2’23 earnings release at intc.com, and our most recent reports on Forms 10-K and 10-Q, available at intc.com and sec.gov. Intel’s Q3’23 revenue outlook is presented on a GAAP basis. Graphic omits All Other revenue.