

Intel

# Q4 preview: multiple Q1 headwinds, but GM, foundry main focus

Reiterate Rating: NEUTRAL | PO: 50.00 USD | Price: 48.22 USD

## Expect modest Q4 beat but Q1 miss, tweaking estimates

Reiterate INTC Neutral ahead of Jan-25 Q4 earnings. We expect: 1) Q4 inline/modestly ahead: \$15.1bn sales, 46.5% GM, ~\$0.45 pf-EPS; 2) Q1 miss expected: we model \$13.5bn sales, -11% QoQ, well below consensus -6% QoQ on multiple headwinds incl. Mobileye outlook cut, PC seasonality (AI not important till 2025), weak industrial/auto, networking and muted enterprise. We tweak down Q1 and CY24 sales, but believe the GM trajectory could surprise to the upside as INTC benefits from its cost restructuring actions, leading to higher EPS. Overall we lower CY24E sales to \$58.5bn, +8.5% YoY vs. +9.7% prior and below cons \$61.3bn. However, we tweak CY24E pf-EPS by 3c to \$1.48, though still below \$1.82 cons. For CY25E we forecast \$2.01 pf-EPS, below \$2.53 cons. Maintain \$50 PO on 25x CY25E, in middle of consumer/compute peers trading 15x-40x.

## GM expansion most important fundamental EPS lever

While INTC has laid out a long-term 60% GM target, many things have to go right to get back to historical trends (CY14-17) as those were achieved in a growing PC and data center market when INTC had 95% CPU value share (vs. 71% now), and when it had much lower capex intensity (~17.5% vs. 30-35% now) and related lower depreciation burden (9-10% vs. 14-15% now). We estimate INTC exited Q4'23 at around 46-47% and will likely have a 60-70% incremental margin trend for the next 2 years as it executes on its 5 nodes in 4 years (5N4Y) roadmap. We model CY24/25/26E GM at 45.5%/46.8%/48.4%, about 200bps below cons. Expanding GM to >50% is critical for INTC to march towards the \$3+ in pf-EPS that bullish investors could be looking for, in our estimation.

## While foundry progress key stock lever

INTC's 25x NTM PE is nearly 2x its historical 13x multiple, implying investors are placing greater probability on INTC's ability to catch-up to TSMC in manufacturing. While we acknowledge the possibility of INTC's 18A progress and ability to sign up prominent foundry customers (such as NVDA, AVGO, etc.), we believe: 1) TSMC will remain dominant, esp when normalized for scale, manufacturing yields and proven reliability; and 2) INTC might not be able to achieve more than low single digit foundry share, as its fabless customers are too dependent on TSMC (and Samsung). Separately we still see the potential for ARM to make more inroads over time into data center and PC markets.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	5.25	1.84	0.95	1.48	2.01
GAAP EPS	4.86	2.23	(0.04)	0.66	1.14
EPS Change (YoY)	5.2%	-65.0%	-48.4%	55.8%	35.8%
Consensus EPS (Bloomberg)			0.95	1.81	2.53
DPS	1.39	1.46	0.74	0.50	0.50
Valuation (Dec)					
P/E	9.2x	26.2x	50.8x	32.6x	24.0x
GAAP P/E	9.9x	21.6x	NM	73.1x	42.3x
Dividend Yield	2.9%	3.0%	1.5%	1.0%	1.0%
EV / EBITDA*	5.3x	9.4x	14.8x	11.7x	9.6x
Free Cash Flow Yield*	5.5%	-4.6%	-6.7%	-3.0%	-3.0%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 7.

23 January 2024

Equity

### Key Changes

(US\$)	Previous	Current
2023E Rev (m)	53,928.4	53,920.1
2024E Rev (m)	59,161.5	58,523.3
2025E Rev (m)	64,150.3	63,781.9
2024E EPS	1.45	1.48
2025E EPS	2.00	2.01

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### Stock Data

Price	48.22 USD
Price Objective	50.00 USD
Date Established	15-Dec-2023
Investment Opinion	B-2-8
52-Week Range	24.73 USD - 51.28 USD
Mrkt Val (mn) / Shares Out	203,296 USD / 4,216.0 (mn)
Free Float	100.0%
Average Daily Value (mn)	1967.02 USD
BofA Ticker / Exchange	INTC / NAS
Bloomberg / Reuters	INTC US / INTC.OQ
ROE (2023E)	3.6%
Net Dbt to Eqty (Dec-2022A)	29.9%
ESGMeter <sup>TM</sup>	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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Timestamp: 23 January 2024 03:30PM EST

# iQprofile<sup>SM</sup> Intel

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	15.7%	5.5%	1.4%	3.4%	4.0%
Return on Equity	24.3%	7.6%	3.6%	4.7%	5.7%
Operating Margin	32.3%	12.6%	7.8%	11.9%	15.1%
Free Cash Flow	11,258	(9,411)	(13,666)	(6,028)	(6,128)

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.4x	2.0x	2.5x	2.7x	2.2x
Asset Replacement Ratio	1.9x	2.2x	3.0x	2.7x	2.7x
Tax Rate	8.5%	NM	85.5%	11.4%	12.1%
Net Debt-to-Equity Ratio	34.9%	29.9%	34.6%	30.9%	31.2%
Interest Cover	50.1x	NA	NA	NA	NA

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	74,718	63,054	53,920	58,523	63,782
% Change	2.5%	-15.6%	-14.5%	8.5%	9.0%
Gross Profit	43,493	29,794	23,150	26,633	29,873
% Change	-0.3%	-31.5%	-22.3%	15.0%	12.2%
EBITDA	34,105	19,043	12,091	15,329	18,710
% Change	-7.2%	-44.2%	-36.5%	26.8%	22.1%
Net Interest & Other Income	(2,449)	1,019	(5,389)	(3,791)	(4,078)
<b>Net Income (Adjusted)</b>	<b>21,462</b>	<b>7,589</b>	<b>4,008</b>	<b>6,283</b>	<b>8,570</b>
<b>% Change</b>	<b>1.7%</b>	<b>-64.6%</b>	<b>-47.2%</b>	<b>56.8%</b>	<b>36.4%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	19,868	9,183	(175)	2,824	4,862
Depreciation & Amortization	9,953	11,128	7,907	8,350	9,100
Change in Working Capital	(3,290)	(4,484)	(2,766)	1,200	(276)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	3,460	(394)	5,175	4,511	4,798
Capital Expenditure	(18,733)	(24,844)	(23,807)	(22,912)	(24,612)
<b>Free Cash Flow</b>	<b>11,258</b>	<b>-9,411</b>	<b>-13,666</b>	<b>-6,028</b>	<b>-6,128</b>
<b>% Change</b>	<b>-46.7%</b>	<b>NM</b>	<b>-45.2%</b>	<b>55.9%</b>	<b>-1.7%</b>
Share / Issue Repurchase	(2,415)	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	2,474	5,509	7,024	7,500	7,500

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	4,827	11,144	6,908	11,359	14,899
Trade Receivables	9,457	4,133	3,032	3,160	3,435
Other Current Assets	43,434	35,130	33,931	33,049	33,584
Property, Plant & Equipment	63,245	80,860	109,252	137,814	152,814
Other Non-Current Assets	47,443	50,836	51,674	51,674	51,674
<b>Total Assets</b>	<b>168,406</b>	<b>182,103</b>	<b>204,797</b>	<b>237,055</b>	<b>256,405</b>
Short-Term Debt	4,591	4,367	2,288	2,288	2,288
Other Current Liabilities	22,871	27,788	26,788	27,232	27,767
Long-Term Debt	33,510	37,684	46,591	54,091	61,591
Other Non-Current Liabilities	12,043	8,978	7,946	7,946	7,946
<b>Total Liabilities</b>	<b>73,015</b>	<b>78,817</b>	<b>83,613</b>	<b>91,557</b>	<b>99,592</b>
<b>Total Equity</b>	<b>95,391</b>	<b>103,286</b>	<b>121,184</b>	<b>145,497</b>	<b>156,814</b>
<b>Total Equity &amp; Liabilities</b>	<b>168,406</b>	<b>182,103</b>	<b>204,797</b>	<b>237,055</b>	<b>256,405</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

## Company Sector

Semiconductors

## Company Description

Intel Corporation is one of the leading semiconductor companies worldwide, supplying advanced technology solutions for the computing industry. Intel's primary products include microprocessors, chipsets and motherboards.

## Investment Rationale

We rate Intel Neutral. While we see possible headwinds to the x86 market, we see value in recovering PC business, growing traction in foundry business, and restructuring actions highlighting value in Intel's design operations.

## Stock Data

Average Daily Volume 40,792,560

## Quarterly Earnings Estimates

	2022	2023
Q1	0.87A	-0.04A
Q2	0.29A	0.13A
Q3	0.59A	0.41A
Q4	0.10A	0.44E

## Taiwan ODM Shipment Outlook

We highlight latest ODM Q1'24 outlooks suggest -10% QoQ for PC shipment. This is in-line with our -11% QoQ outlook for INTC CCG but modestly below -8% consensus for CCG.

### Exhibit 1: Taiwan ODM PC Outlook vs. Intel CCG Outlook

We model Intel CCG down -11% QoQ in Q1'24, in-line with Taiwan ODM's -10% QoQ

	1Q23	2Q23	3Q23	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	2022	2023E	2024E	2025E
Quanta	10,760	12,599	13,145	10,453	9,432	10,708	13,080	14,940	57,691	46,957	48,161	50,319
Compal	7,600	8,700	9,300	8,300	7,387	7,904	9,327	10,539	39,300	33,900	35,157	37,012
Wistron	3,900	4,600	5,200	5,200	4,420	4,774	5,251	5,619	21,200	18,900	20,063	20,637
Inventec	-	-	-	-	-	-	-	-	-	-	-	-
Pegatron	1,849	2,218	2,590	1,593	1,668	1,828	2,265	2,740	8,611	8,250	8,500	9,126
<b>Total</b>	<b>24,109</b>	<b>28,117</b>	<b>30,235</b>	<b>25,546</b>	<b>22,907</b>	<b>25,214</b>	<b>29,923</b>	<b>33,838</b>	<b>126,802</b>	<b>108,008</b>	<b>111,881</b>	<b>117,094</b>
QoQ/YoY	-10.5%	16.6%	7.5%	-15.5%	-10.3%	10.1%	18.7%	13.1%	-25.5%	-14.8%	3.6%	4.7%
INTC CCG	<b>5,767</b>	<b>6,780</b>	<b>7,867</b>	<b>8,407</b>	<b>7,480</b>	<b>7,539</b>	<b>8,089</b>	<b>8,219</b>	<b>31,773</b>	<b>28,821</b>	<b>31,327</b>	<b>33,014</b>
QoQ/YoY	-13.2%	17.6%	16.0%	6.9%	-11.0%	0.8%	7.3%	1.6%	-22.7%	-9.3%	8.7%	5.4%

Source: BofA Global Research estimates, company data

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## Business Unit P&L Analysis

When INTC reports Q1'24 earnings in April, we expect mgmt to re-segment its business units (again) into: Design (design parts of CCG, DCAI, NEX), Manufacturing (IFS, and manufacturing parts of CCG, DCAI, NEX), and Others (spinoff candidates of Automotive and PSG). On a sum-of-the-parts (SOTP) basis, we see the overall company as worth ~\$213bn, or \$50/share.

### Design (non-manufacturing) \$3+ EPS run-rate

We see an undervaluation of INTC's key assets today on a sum-of-the-parts (SOTP) basis that could potentially reverse with the upcoming (catalyst) separation of design (traditional compute), manufacturing, and other (Auto/PSG) P&Ls in April 2024.

Overall, we believe INTC could be worth ~\$213bn by CY25E at ~\$2 pf-EPS, or \$50/share. This is comprised of ~\$160bn in its Design-only business (INTC to start reporting separate P&L starting 2024), ~\$16bn in PSG FPGA business (to spinoff in 2024), ~\$22bn in Mobileye/Automotive (INTC has 88% stake in the publicly listed company), and ~\$16bn in Manufacturing/Foundry business (9x EV/EBITDA).

Importantly, we note the design-only business to generate ~\$2.70 in EPS vs. just ~\$2 for the total company in CY25E, and \$3+ EPS in CY26E (not in table below). On next page, we present our detailed estimates of each INTC business unit's potential P&L.

### Exhibit 4: INTC Sum-of-the-Parts (SOTP) Analysis

INTC could be worth ~\$212bn on a SOTP basis, or \$50/share

	Value (\$mn)	CY25E EPS	CY25E EBITDA	Multiple	Metric	Ownership
<b>Combined Company</b>	<b>213,209</b>	<b>\$2.01</b>	<b>15,564</b>	-	-	-
<b>Design Only</b>	159,994	\$2.69	9,016	14.0x	P/E	-
<b>PSG Only</b>	15,714	\$0.18	777	20.5x	P/E	-
<b>Automotive Only</b>	21,722	\$0.19	767	-	Mkt Cap	88%
<b>Manufact. &amp; Other</b>	15,778	(\$1.05)	5,261	9.0x	EV/EBITDA	-

Source: BofA Global Research estimates

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### Potential P&L of each business unit

While we anticipate combined company pf-EPS of \$2.01 in CY25E, we expect INTC's design-only business arm to generate \$2.69, its PSG business to contribute \$0.18, automotive/Mobileye \$0.19, and manufacturing/foundry business (\$1.05).

Furthermore by CY26E (not in table below), we expect design (fabless) only part of the business to generate \$3+ in EPS.

#### Exhibit 5: INTC potential P&L of each business unit

We expect INTC's design-only business arm to generate \$2.69 of EPS in CY25

Intel	Combined Company		Design Only		PSG Only		Auto Only		Manuf. & Other	
	2024E Dec-24	2025E Dec-25	2024E Dec-24	2025E Dec-25	2024E Dec-24	2025E Dec-25	2024E Dec-24	2025E Dec-25	2024E Dec-24	2025E Dec-25
<b>P&amp;L Model (\$mn)</b>										
<b>Revenue</b>	<b>\$58,523</b>	<b>\$63,782</b>	<b>\$52,588</b>	<b>\$55,990</b>	<b>\$1,860</b>	<b>\$2,138</b>	<b>\$1,895</b>	<b>\$3,004</b>	<b>\$32,527</b>	<b>\$34,121</b>
YoY	8.5%	9.0%	9.9%	6.5%	-20.7%	15.0%	-8.8%	58.5%	6.0%	4.9%
CCG	\$31,327	\$33,014	\$31,327	\$33,014					\$18,078	\$18,557
DCAI (excl. PSG)	\$15,208	\$16,337	\$15,208	\$16,337					\$8,776	\$9,183
PSG	\$1,860	\$2,138	\$0	\$0	\$1,860	\$2,138				
NEX	\$6,054	\$6,639	\$6,054	\$6,639					\$3,493	\$3,732
Automotive	\$1,895	\$3,004	\$0	\$0			\$1,895	\$3,004		
IFS	\$1,436	\$1,905	\$0	\$0					\$1,436	\$1,905
All Other	\$744	\$744	\$0	\$0					\$744	\$744
Gross profit (GAAP)	24,752	27,930	25,657	28,154	1,204	1,411	1,182	1,878	(3,292)	(3,514)
GAAP Gross Margin (%)	42.3%	43.8%	48.8%	50.3%	64.8%	66.0%	62.4%	62.5%	-10.1%	-10.3%
<b>Gross profit (Non-GAAP)</b>	<b>26,633</b>	<b>29,873</b>	<b>26,299</b>	<b>28,672</b>	<b>1,297</b>	<b>1,518</b>	<b>1,277</b>	<b>2,029</b>	<b>(2,240)</b>	<b>(2,346)</b>
Non-GAAP Gross Margin (%)	45.5%	46.8%	50.0%	51.2%	69.8%	71.0%	67.4%	67.5%	-6.9%	-6.9%
GAAP Opex	22,339	23,175	21,571	21,938	692	742	1,013	1,261	(938)	(766)
GAAP Opex (%)	38.2%	36.3%	41.0%	39.2%	37.2%	34.7%	53.5%	42.0%	-2.9%	-2.2%
<b>Non-GAAP Opex</b>	<b>19,654</b>	<b>20,264</b>	<b>15,613</b>	<b>15,608</b>	<b>599</b>	<b>635</b>	<b>919</b>	<b>1,111</b>	<b>2,523</b>	<b>2,909</b>
Non-GAAP Opex (%)	33.6%	31.8%	29.7%	27.9%	32.2%	29.7%	48.5%	37.0%	7.8%	8.5%
GAAP Operating Income	2,412	4,756	4,085	6,216	512	670	169	617	(2,354)	(2,748)
GAAP Operating Margin (%)	4.1%	7.5%	7.8%	11.1%	27.5%	31.3%	8.9%	20.5%	-7.2%	-8.1%
<b>Non-GAAP Operating income</b>	<b>6,979</b>	<b>9,609</b>	<b>10,686</b>	<b>13,064</b>	<b>698</b>	<b>883</b>	<b>359</b>	<b>918</b>	<b>(4,763)</b>	<b>(5,256)</b>
Non-GAAP Operating Margin (%)	11.9%	15.1%	20.3%	23.3%	37.5%	41.3%	18.9%	30.5%	-14.6%	-15.4%
GAAP net financial income	388	388	194	194					194	194
<b>Non-GAAP net financial income</b>	<b>244</b>	<b>244</b>	<b>122</b>	<b>122</b>					<b>122</b>	<b>122</b>
<b>Net income (GAAP)</b>	<b>\$2,436</b>	<b>\$4,474</b>	<b>\$3,722</b>	<b>\$5,576</b>	<b>\$445</b>	<b>\$582</b>	<b>\$147</b>	<b>\$537</b>	<b>(\$1,879)</b>	<b>(\$2,221)</b>
GAAP Net Income Margin (%)	4.2%	7.0%	7.1%	10.0%	23.9%	27.2%	7.8%	17.9%	-5.8%	-6.5%
<b>Net income (Non-GAAP)</b>	<b>\$6,283</b>	<b>\$8,570</b>	<b>\$9,400</b>	<b>\$11,469</b>	<b>\$607</b>	<b>\$768</b>	<b>\$312</b>	<b>\$798</b>	<b>(\$4,037)</b>	<b>(\$4,465)</b>
GAAP Diluted EPS	\$0.57	\$1.05	\$0.88	\$1.31	\$0.10	\$0.14	\$0.03	\$0.13	(\$0.44)	(\$0.52)
<b>Non-GAAP Diluted EPS</b>	<b>\$1.48</b>	<b>\$2.01</b>	<b>\$2.21</b>	<b>\$2.69</b>	<b>\$0.14</b>	<b>\$0.18</b>	<b>\$0.07</b>	<b>\$0.19</b>	<b>(\$0.95)</b>	<b>(\$1.05)</b>
YoY	430.9%	31.0%	25.9%	21.4%	-21.7%	26.0%	-48.5%	154.7%	-15.9%	10.1%
Fully diluted shares	4,247	4,267	4,247	4,267	4,247	4,267	4,247	4,267	4,247	4,267
<b>Capital Spending</b>	<b>\$22,912</b>	<b>\$24,612</b>	<b>\$2,191</b>	<b>\$1,784</b>	<b>\$46</b>	<b>\$62</b>	<b>\$19</b>	<b>\$25</b>	<b>\$20,721</b>	<b>\$22,828</b>
Capex Intensity (%)	39%	39%	4%	3%	2%	3%	1%	1%	64%	67%
Depreciation & Amortization (\$mn)	\$10,058	\$10,808	\$2,629	\$2,800	\$93	\$107	\$95	\$150	\$7,428	\$8,009
Depreciation & Amortization (%)	17%	17%	5%	5%	5%	5%	5%	5%	23%	23%
<b>EBITDA (\$mn)</b>	<b>\$12,470</b>	<b>\$15,564</b>	<b>\$6,715</b>	<b>\$9,016</b>	<b>\$605</b>	<b>\$777</b>	<b>\$264</b>	<b>\$767</b>	<b>\$5,074</b>	<b>\$5,261</b>

Source: BofA Global Research estimates, Bloomberg

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# Estimate Changes

## Exhibit 2: INTC Estimate Changes

We raise CY25E EPS by 1c to \$2.01

	Non-GAAP Sales (\$mn)			EPS (Non-GAAP, ex-SBC)			Gross Margin (Non-GAAP)			Opex (Non-GAAP)		
	OLD	NEW	delta	OLD	NEW	delta	OLD	NEW	delta	OLD	NEW	delta
1Q23	\$11,715	\$11,715	\$0	(\$0.04)	(\$0.04)	\$0.00	38.4%	38.4%	0	\$4,788	\$4,788	\$0
2Q23	\$12,949	\$12,949	\$0	\$0.13	\$0.13	\$0.00	39.8%	39.8%	0	\$4,698	\$4,698	\$0
3Q23	\$14,158	\$14,158	\$0	\$0.41	\$0.41	\$0.00	45.8%	45.8%	0	\$4,559	\$4,559	\$0
4Q23E	\$15,106	\$15,098	(\$8)	\$0.44	\$0.44	(\$0.00)	46.5%	46.5%	0	\$4,921	\$4,921	\$0
<b>2023E</b>	<b>\$53,928</b>	<b>\$53,920</b>	<b>(\$8)</b>	<b>\$0.95</b>	<b>\$0.95</b>	<b>(\$0.00)</b>	<b>42.9%</b>	<b>42.9%</b>	<b>(0)</b>	<b>\$18,966</b>	<b>\$18,966</b>	<b>\$0</b>
YoY%	-14.5%	-14.5%	0%	-48.2%	-48.3%	0%						
1Q24E	\$13,833	\$13,496	(\$337)	\$0.29	\$0.26	(\$0.03)	44.3%	44.3%	0	\$4,779	\$4,793	\$14
2Q24E	\$14,307	\$14,134	(\$173)	\$0.32	\$0.32	(\$0.00)	44.5%	45.0%	51	\$4,867	\$4,874	\$7
3Q24E	\$15,233	\$15,159	(\$74)	\$0.41	\$0.44	\$0.03	44.7%	46.0%	132	\$4,863	\$4,866	\$3
4Q24E	\$15,788	\$15,735	(\$53)	\$0.43	\$0.46	\$0.03	45.3%	46.5%	124	\$5,117	\$5,120	\$2
<b>2024E</b>	<b>\$59,161</b>	<b>\$58,523</b>	<b>(\$638)</b>	<b>\$1.45</b>	<b>\$1.48</b>	<b>\$0.03</b>	<b>44.7%</b>	<b>45.5%</b>	<b>80</b>	<b>\$19,627</b>	<b>\$19,654</b>	<b>\$27</b>
YoY%	9.7%	8.5%	-1%	51.7%	55.2%	2%						
1Q25E	\$15,251	\$15,185	(\$66)	\$0.43	\$0.42	(\$0.01)	45.8%	45.7%	(11)	\$4,937	\$4,940	\$3
2Q25E	\$15,524	\$15,427	(\$97)	\$0.45	\$0.43	(\$0.02)	46.4%	46.1%	(33)	\$5,051	\$5,056	\$4
3Q25E	\$16,177	\$16,065	(\$111)	\$0.54	\$0.54	(\$0.00)	46.8%	47.0%	22	\$4,966	\$4,971	\$5
4Q25E	\$17,198	\$17,104	(\$94)	\$0.58	\$0.62	\$0.04	46.9%	48.4%	151	\$5,294	\$5,298	\$4
<b>2025E</b>	<b>\$64,150</b>	<b>\$63,782</b>	<b>(\$368)</b>	<b>\$2.00</b>	<b>\$2.01</b>	<b>\$0.01</b>	<b>46.5%</b>	<b>46.8%</b>	<b>35</b>	<b>\$20,248</b>	<b>\$20,264</b>	<b>\$16</b>
YoY%	8.4%	9.0%	-1%	38.2%	35.8%	0%						

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

### Glossary:

INTC: Intel  
 AMD: Advanced Micro Devices  
 NVDA: Nvidia  
 ARM: Arm Holdings  
 PC: Personal Computer  
 AI: Artificial Intelligence  
 CCG: Client Compute Group  
 DCAI: Data Center & AI  
 NEX: Networking and Edge  
 IFS: Intel Foundry Services  
 PSG: Programmable Solutions Group  
 MBLY: Mobileye  
 TSMC: Taiwan Semiconductor Manufacturing Company  
 AVGO: Broadcom



## Price objective basis & risk

### Intel (INTC)

Our \$50 price objective is based on 25x our 2025E pf-EPS ex-stock comp expense, in the middle of compute peers (15x-40x), which we view as appropriate given manufacturing uncertainties and risks of new foundry strategy.

Upside risks to our price objective are 1) clarity or breakthrough on yields for 7nm process technology, 2) new products allowing Intel to limit share loss, 3) improving product mix which can drive upside to gross margins, 4) manufacturing slip up at key foundry competitors.

Downside risks to our price objective are 1) weaker-than-expected trends in a mature PC market, which is largest revenue generator for Intel, 2) further delays in 7nm process technology and roadmap, 3) accelerated share loss to AMD, 4) more competition in profitable data center market.

## Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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### US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology Group Ltd.	MRVL	MRVL US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
<b>NEUTRAL</b>				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Allegro MicroSystems	ALGM	ALGM US	Blake Friedman
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	Coherent Corp	COHR	COHR US	Vivek Arya
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Blake Friedman

## US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya

## UNDERPERFORM

	Ambarella	AMBA	AMBA US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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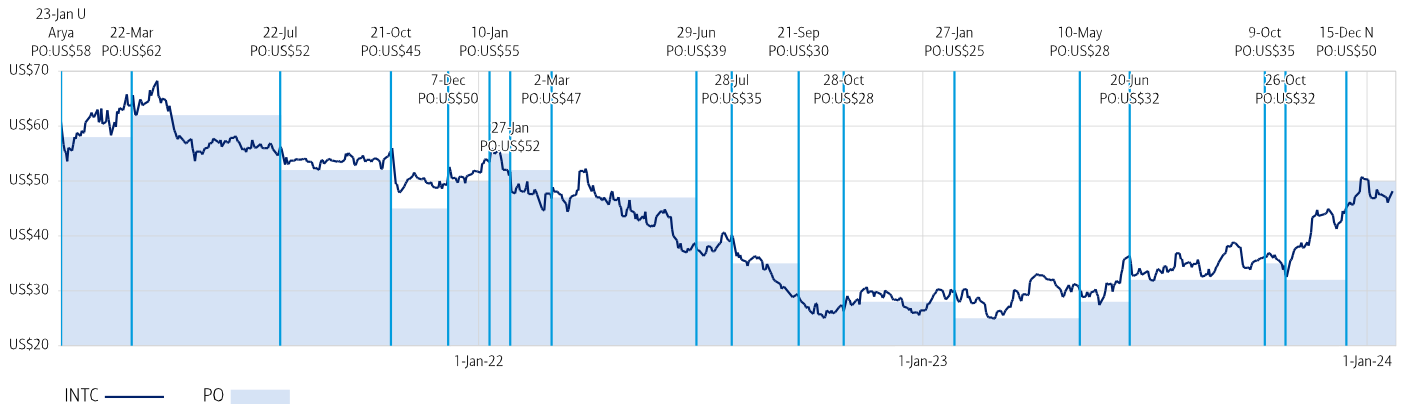
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## Important Disclosures

### Intel (INTC) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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