

TECH

Intel's CEO Search Ends Where It Began: With the CFO

Bob Swan named chief executive; Todd Underwood will serve as interim chief financial officer



Robert Swan, shown in November, has been Intel's chief financial officer since joining the chip maker in October 2016 from private-equity firm General Atlantic LLC. PHOTO: SAMYUKTA LAKSHMI/BLOOMBERG NEWS

By Jay Greene and Asa Fitch

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Intel Corp. [INTC -0.56%](#) ▼ ended a seven-month search for a new leader by removing the interim title from CEO Bob Swan, calling on the longtime tech executive to solve thorny manufacturing problems at a time when demand for its once-hot data-center chips is cooling.

Mr. Swan, who joined Intel in 2016 as chief financial officer, had been serving as interim CEO since June, when Brian Krzanich resigned after violating company policy by having a relationship with an employee.

Mr. Swan had stressed numerous times as the search stretched on that he wasn't interested in the chief executive post permanently. But he said his time as interim CEO gave him broader perspective on the job, Intel's customers and its employees. The role became more compelling.

“And maybe most importantly, the board asked,” Mr. Swan, 58 years old, said in an interview Thursday.

One of his chief challenges will be making sure Intel doesn’t again find itself in a position where it can’t deliver enough chips to customers.

Microsoft Corp. said Wednesday it lost out on Windows revenue last quarter because a chip shortage cut into PC sales.

Intel needs to be able to tell customers “unequivocally that we will not be in a position where we are responsible for constraining your growth,” Mr. Swan said.

Mr. Swan wasn’t offered the job until after Intel’s earnings announcement last week, a person familiar with the matter said. An outside candidate had been under consideration, but those talks fell through, this person said.

Intel said Todd Underwood, vice president of finance and director of corporate planning and reporting, will serve as interim CFO while the company conducts an internal and external search for a permanent replacement.

Faced with a thin bench of internal candidates for CEO, Intel had considered an outsider to lead the company for the first time in its 50-year history. That road would have been difficult, people familiar with the matter have said, given Intel’s integrated design, manufacturing and marketing operations.

Instead, the board settled on Mr. Swan as Intel’s seventh chief executive, opting for an in-house senior executive who already understands the complexity of the chip maker’s business even if he lacks the engineering pedigree of most former Intel leaders.

Intel shares fell than 1% to \$47.12.

Andrew Boyd, a portfolio manager at Tulsa-based Gibraltar Capital Management, whose overall equity portfolio is about 3.5% Intel shares, said the company was smart to hire from within and diversifying into data centers. “Our investment thesis with Intel was stronger than who the top dog was,” he said.

Intel had been considering at least two other internal candidates, people familiar with the matter have said. They were Venkata M. Renduchintala, Intel’s engineering chief who goes by Murthy,

and Navin Shenoy, who most recently served as executive vice president and general manager of the Intel's high-margin data-center business.

One critical challenge for Mr. Swan will be retaining top engineering executives who were in the running to be CEO. "They play an enormous role in how we function as a team," Mr. Swan said.

He believes Intel's evolution from a PC chip maker to one that develops the tech for data centers and connected devices will be a compelling reason for them to stay.

Mr. Swan was "the safe choice" considering Intel has performed well under his recent leadership, said Bernstein Research analyst Stacy Rasgon.

But the move may suggest Mr. Swan wasn't the board's first choice. "If you knew up front you were going to go internal, you wouldn't have taken seven months," Mr. Rasgon said.

The company made its decision, in part, because of how well Mr. Swan performed during the search, Chairman Andy Bryant said. Last week, Intel reported a 9% gain in revenue even as it cautioned it expects slowing demand for data-center chips to continue well into 2019.

Unlike several of his predecessors, Mr. Swan isn't a technologist. He served for nine years as finance chief for eBay Inc., leaving the online marketplace in 2015. Earlier, he spent time in the C-suite at the online grocer Webvan Inc., among the more prominent examples of the 2000-era dot-com bust, including a brief stint as CEO as it steered into bankruptcy.

Mr. Swan spent a year as a partner at General Atlantic LLC, an investment firm, before joining Intel just over two years ago. He isn't, though, the first Intel chief without an engineering background. Paul Otellini, CEO from 2005 to 2013, rose from Intel's sales and marketing ranks.

"My role as the CEO is not to be the world-class engineer but to unleash the world-class engineers," Mr. Swan said.

He takes the helm as Intel is working through production delays and chip shortages analysts say have helped rivals gain ground. Last year, the company acknowledged challenges ramping up production of chips with a next-generation architecture. Intel in July said systems running those densely packed processors—so-called 10-nanometer chips—would hit store shelves by the 2019 holiday season, later than expected.

In September, Mr. Swan wrote to customers and partners to tell them chip demand stemming from surprising strength in the personal-computer market "put pressure on our factory network." The company addressed the shortage by prioritizing its server and high-end PC businesses, which boosted profits. But analysts also said it helped rival Advanced Micro Devices Inc.

Last week, Intel reported earnings in which revenue from data centers came in shy of Wall Street had expected, and cautioned the slowdown would continue well into 2019.

At the top of Mr. Swan's agenda is improving execution. Intel's customers are counting on the new 10-nanometer chips to refresh their products. "We have to deliver on that," Mr. Swan said.

The strength of the PC business, as well as robust corporate tech spending, helped mask the financial fallout from Intel's manufacturing challenges. Since Mr. Krzanich left, the company's revenue jumped 19% in the third quarter, and another 9% in the fourth quarter.

But Intel expects that surge to slow as customers who built out data centers in the first nine months of 2018 using Intel chips digest those purchases. Intel expects total revenue growth of about 1% in the year ahead to \$71.5 billion, a much more conservative pace than the nearly 13% growth it posted in 2018.

Mr. Swan, who also will join the board, will receive a base salary of \$1.25 million and will be eligible for an annual incentive cash bonus with a target of \$3.4 million, the company said. He will also receive \$2.7 million in special compensation for his stint as interim CEO.

—*Tripp Mickle and Colin Kellaher contributed to this article.*

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