



INVESTOR MEETING 2014

SANTA CLARA NOVEMBER 20





# INVESTOR MEETING 2014

Stacy Smith

Executive Vice President  
Chief Financial Officer



# Industry Definitions

**MOORE'S LAW:** The observation that, over the history of computing hardware, the number of transistors in a dense integrated circuit doubles approximately every two years.

**METCALFE'S LAW:** States that the value of a telecommunications network is proportional to the square of the number of connected users of the system ( $n^2$ ).

**SIMPSON'S PARADOX:** A paradox in probability and statistics, in which a trend that appears in different groups of data disappears when these groups are combined.

**JEVON'S PARADOX:** The proposition that as technology progresses, the increase in efficiency with which a resource is used tends to increase (rather than decrease) the rate of consumption of that resource.

**STACY'S SHROUD:** The art of using poetry to hide deep insight in plain sight. A more creative form than the Greenspan Garble.



*2014 Investor Meeting*

# **Haiku**

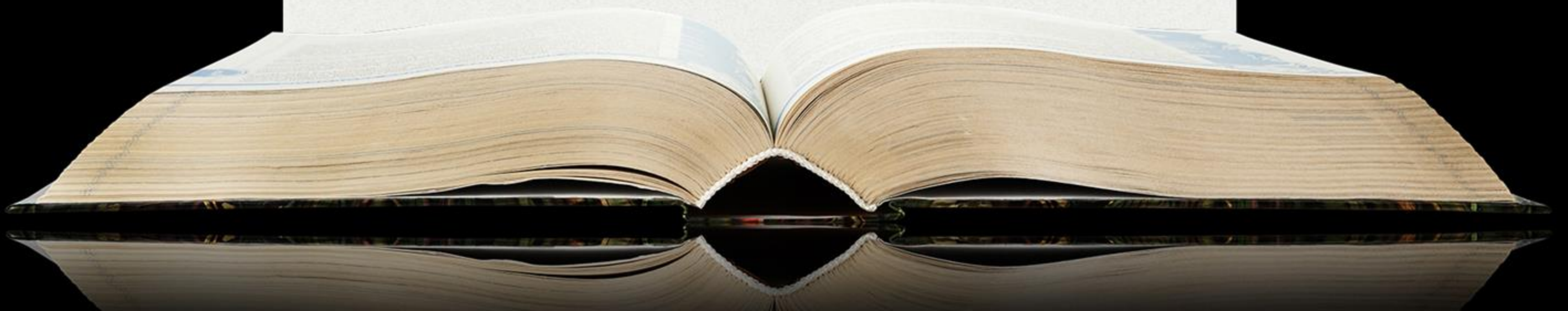
Cloud forms, data shines  
Transistor density sprouts  
Client growth blossoms





**STACY'S SHROUD:** *[stey-sees shroud]*

1. The number of haiku's double every  
Investor Meeting
2. The second haiku is the one that is  
likely to get you in trouble with the boss



*2014 Investor Meeting*  
**Haiku**

Big Drones, cool robots  
Intelligence on the edge  
BK Spawns Skynet



# Key Messages

Return to growth in 2014

IP and Manufacturing leadership are increasingly valuable advantages

Exquisitely positioned to benefit from cloud and big data

We are investing in our business and returning cash to shareholders

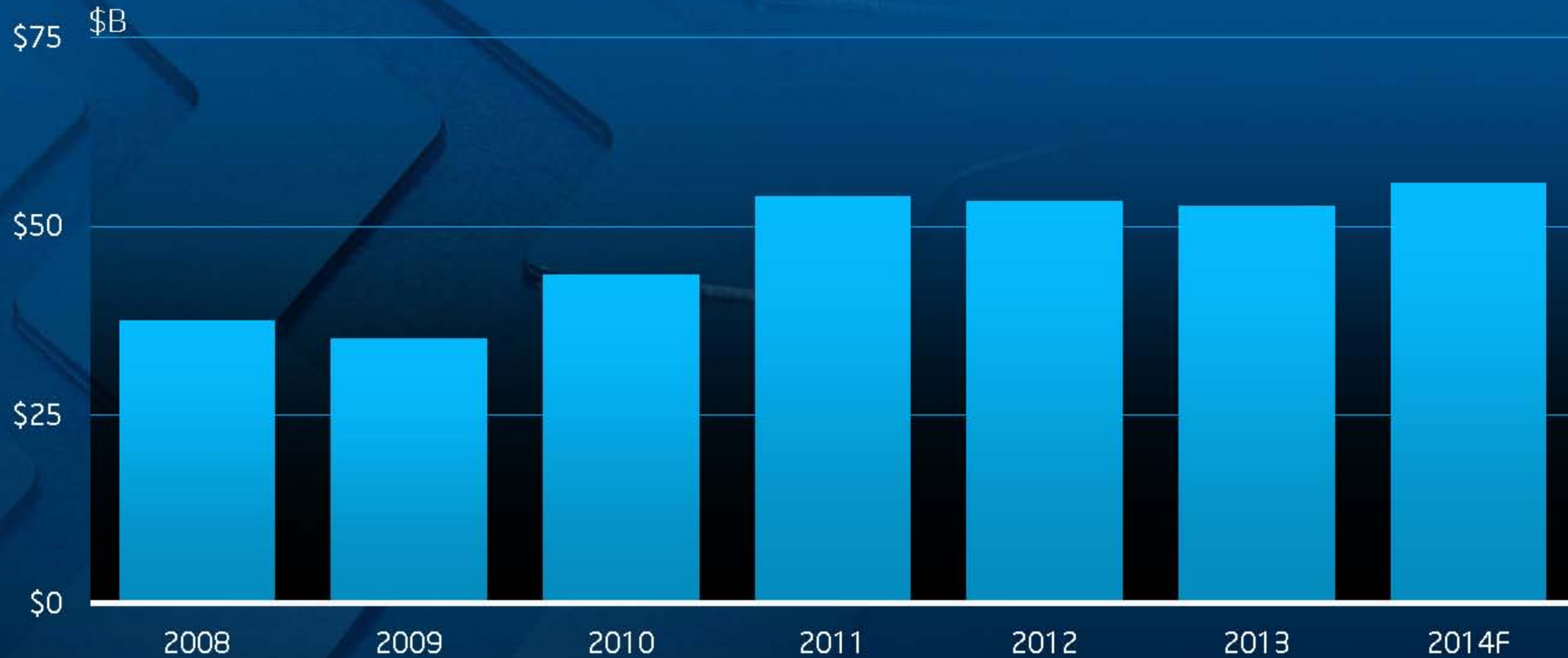


# 2014 Outlook: Financial Growth

Full Year Revenue at \$55.8B	Up 6% from 2013
Full Year Gross Margin at 63%	Up ~3 pts from 2013
YTD Operating Profit at \$10.9B	Up 25% from 2013
YTD EPS at \$1.58	Up 15% from 2013



# Intel Revenue



\*The 2014 forecast is based on Q1-Q3'14 actuals plus the midpoint of the Q4'14 forecast.  
Forecast range is based on current expectations and is subject to change without notice.  
Source: Intel

Our Competitive Advantage 1: IP

Key Segments of Our Business

Our Competitive Advantage 2: Manufacturing

Cash and Shareholder Return

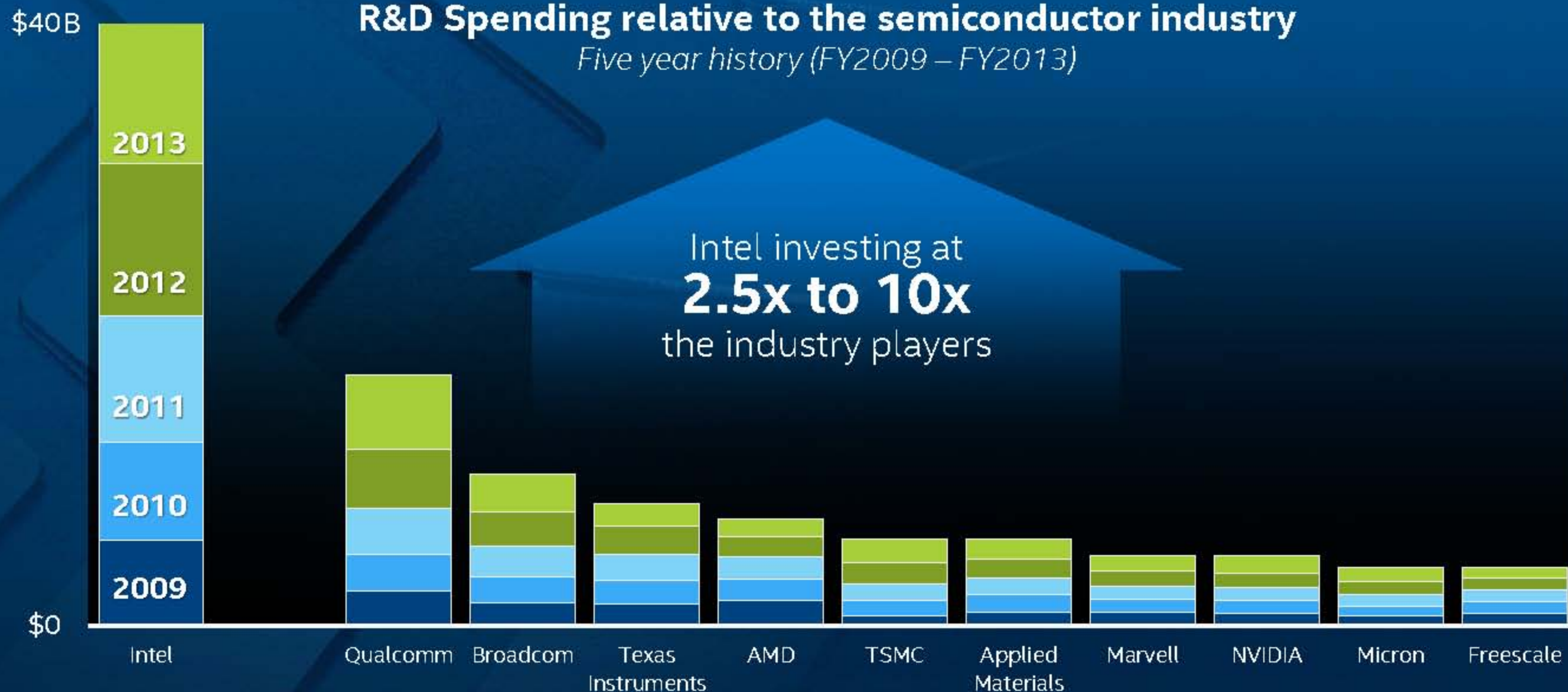


# R&D Scale

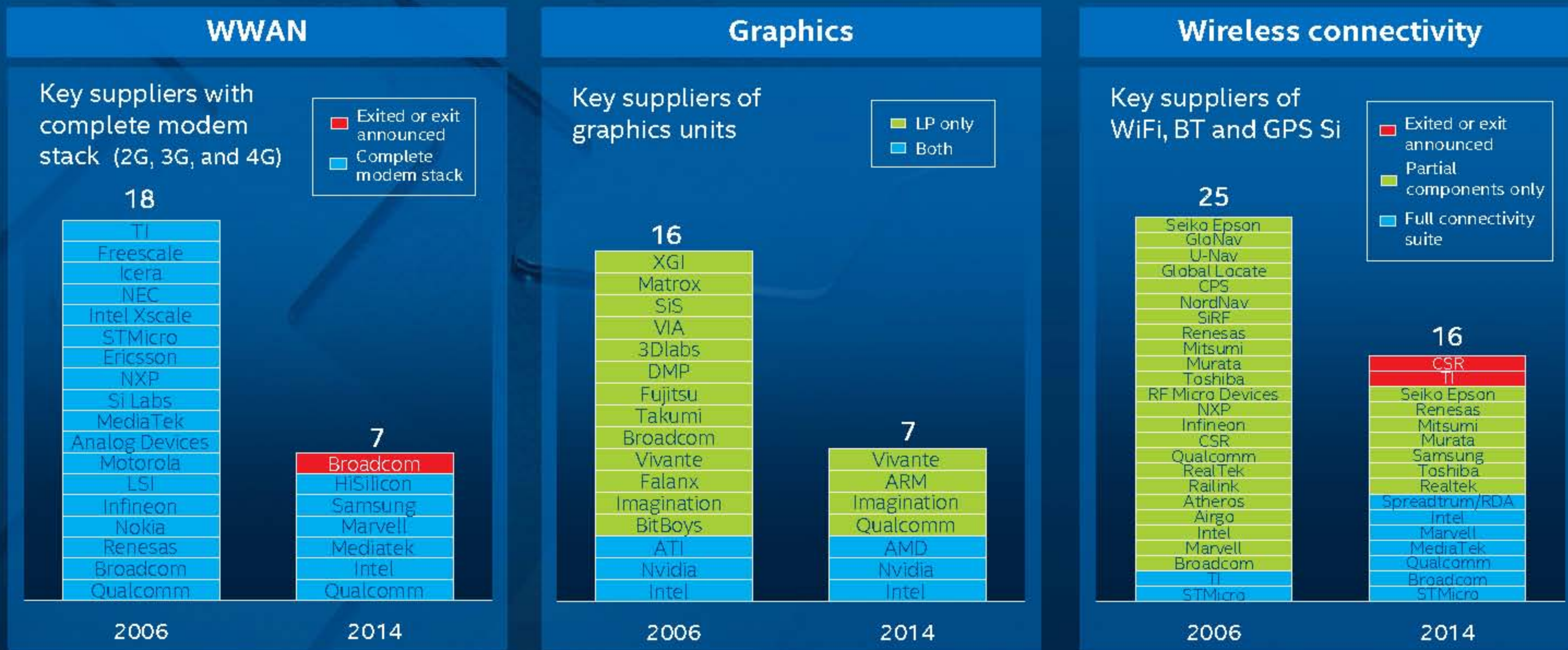
## R&D Spending relative to the semiconductor industry

*Five year history (FY2009 – FY2013)*

Intel investing at  
**2.5x to 10x**  
the industry players



# Number of suppliers declining across key IP blocks



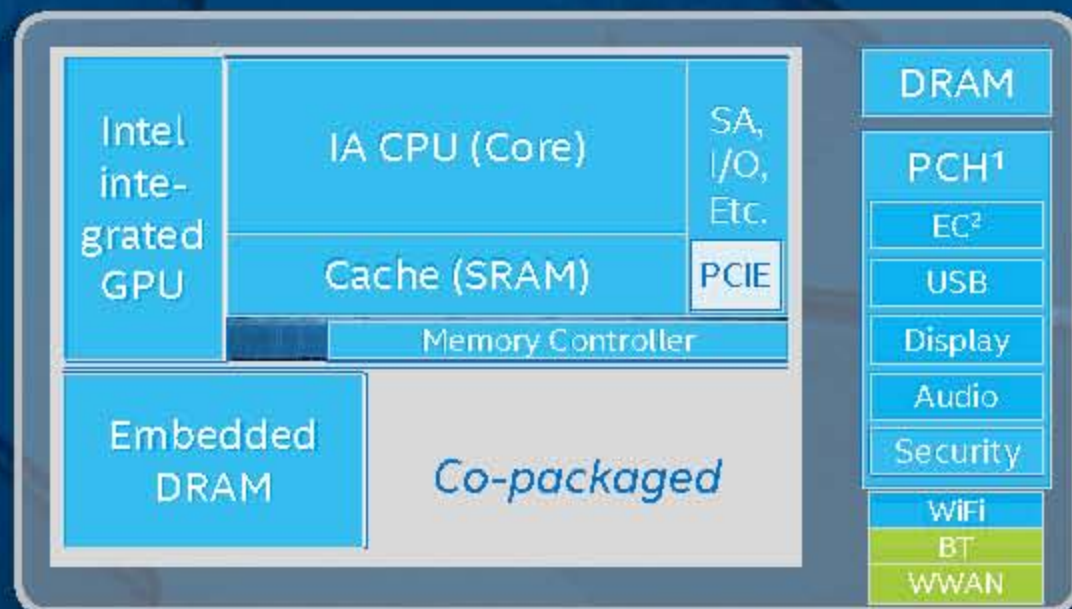
Note: Excludes vendors with low volumes and WWAN excludes LTE vendors with LTE data stack only (e.g., 'WWAN' excludes Spreadtrum, Nvidia, GCT, Altair and Sequans; 'Graphics' excludes VIA, Takumi, DMP and Broadcom)

Source: Company websites, press releases, literature search, and analyst reports

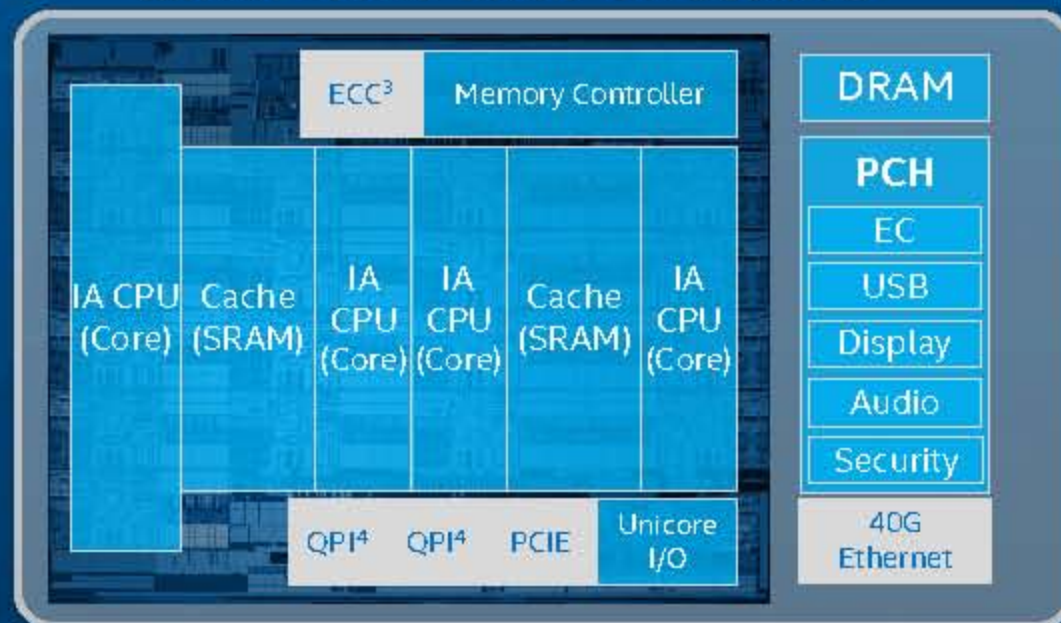


# Cross-platform IP sharing and innovation

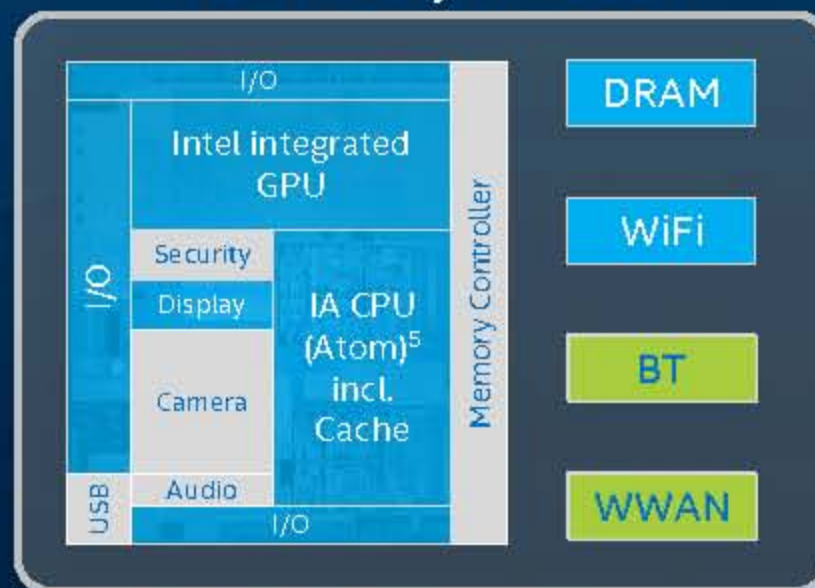
PC – Haswell GT3e



Server - Intel® Xeon® E5-2600 V3

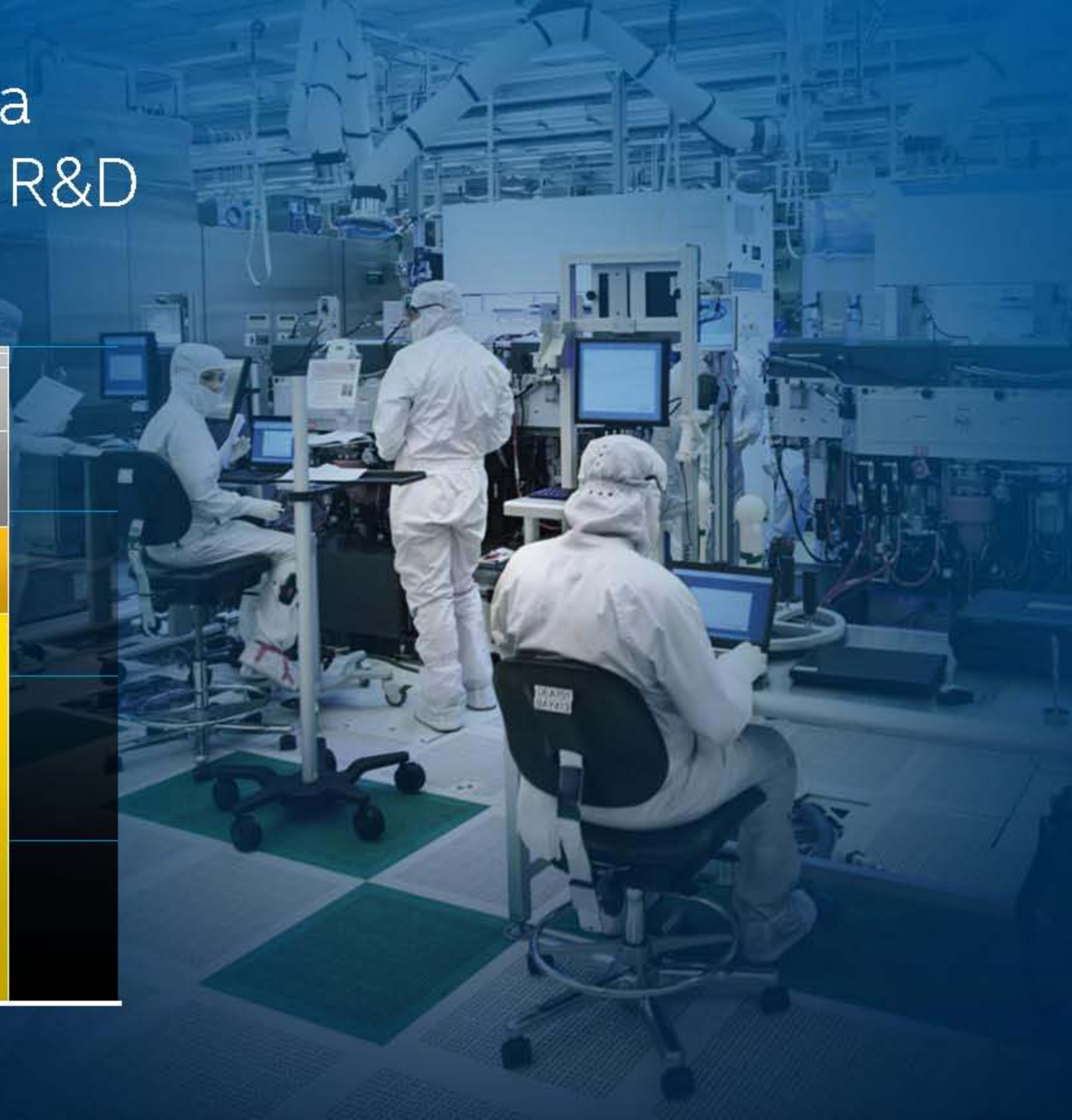
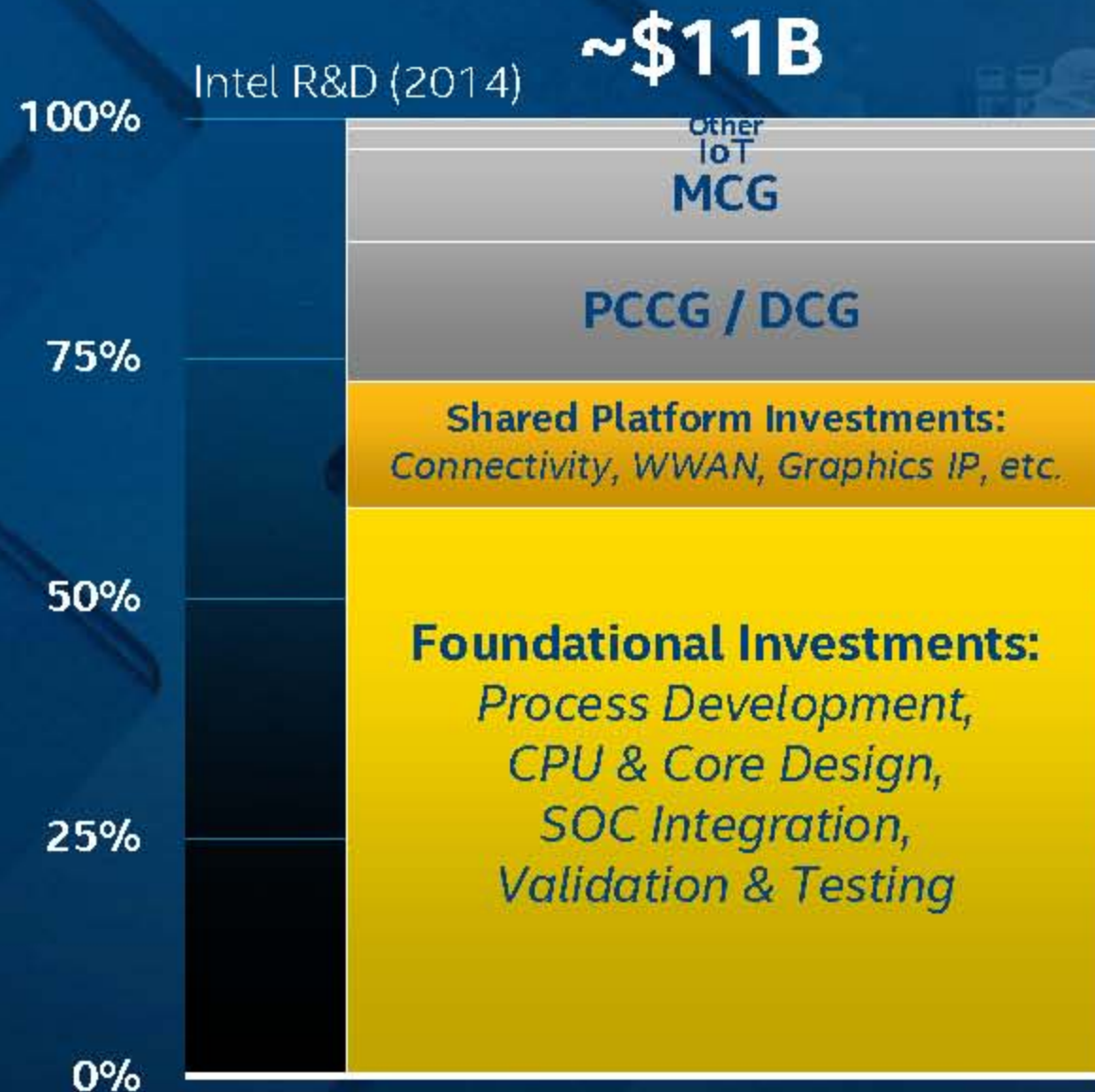


Mobile – Bay Trail SoC





# Shared costs are a large portion of Intel R&D





Our Competitive Advantage 1: IP

Key Segments of Our Business

Our Competitive Advantage 2: Manufacturing

Cash and Shareholder Return

## DATA CENTER GROUP



## PC CLIENT GROUP



## MOBILE AND COMMUNICATIONS GROUP



## IoT GROUP



**WIND RIVER**

## SOFTWARE AND SERVICES GROUP



## ALL OTHER

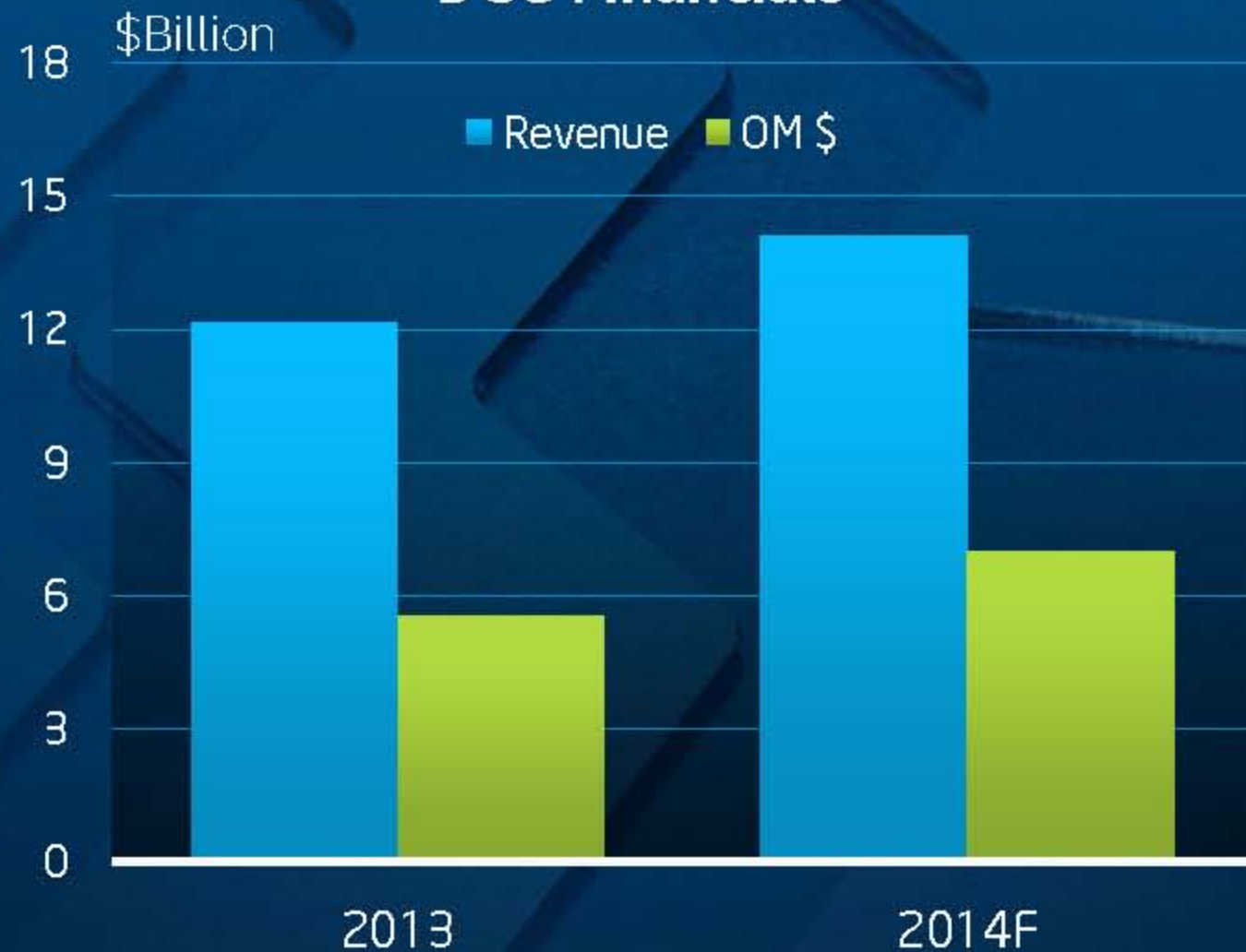




# Data Center Group

## 2013 vs. 2014 Forecast

### DCG Financials



### 2014 PERFORMANCE

**~\$14.1B of Revenue:**

Up ~16% YoY

**~\$7.0B Operating margin:**

Up ~26% YoY

~50% of revenue

Cloud + Big Data=  
**BIG DEAL**

**>20%**  
Growth YoY in  
non-enterprise  
market segment





# Data Center Expectations

DATA CENTER GROUP



YoY Revenue growth >15% in 2015

Operating Profit to grow faster than revenue

## DATA CENTER GROUP



## PC CLIENT GROUP



## MOBILE AND COMMUNICATIONS GROUP



## IoT GROUP



**WIND RIVER**

## SOFTWARE AND SERVICES GROUP



## ALL OTHER





# PC Client Group & Mobile and Communications Group

## 2013 vs. 2014 Forecast

### PCCG Financials



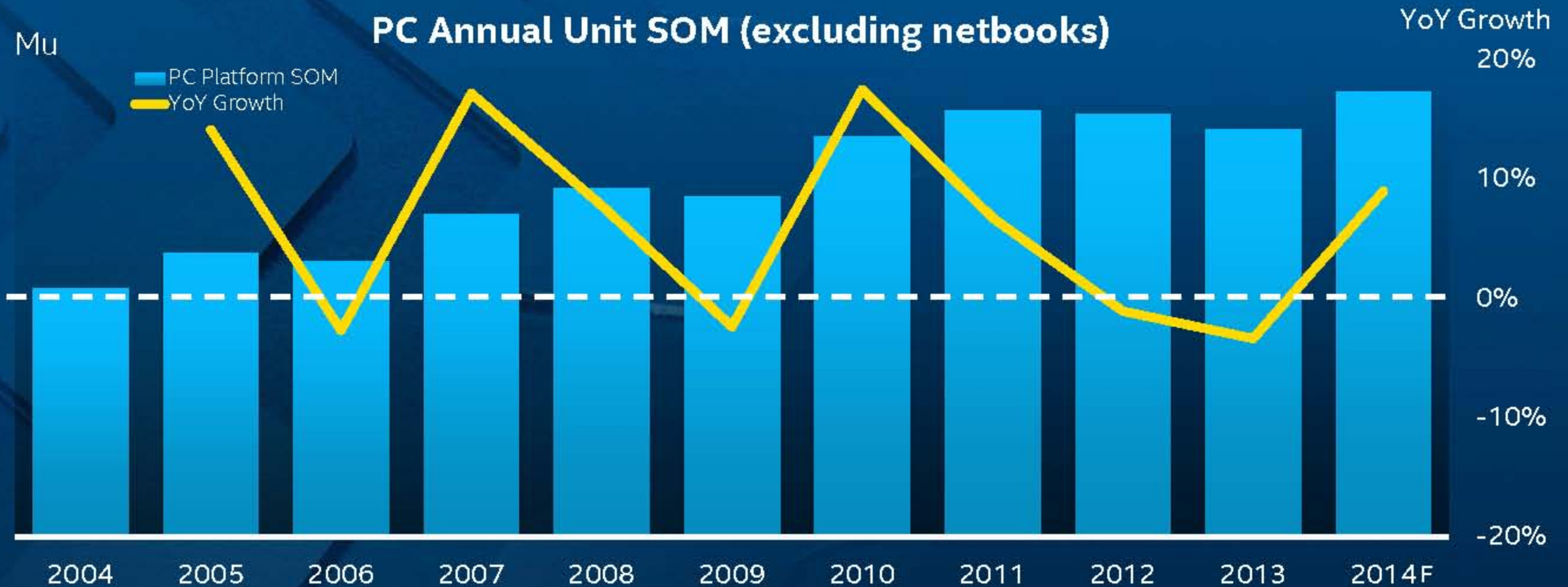
### MCG Financials



\*Forecast is based on current expectations and is subject to change without notice

Source: Intel

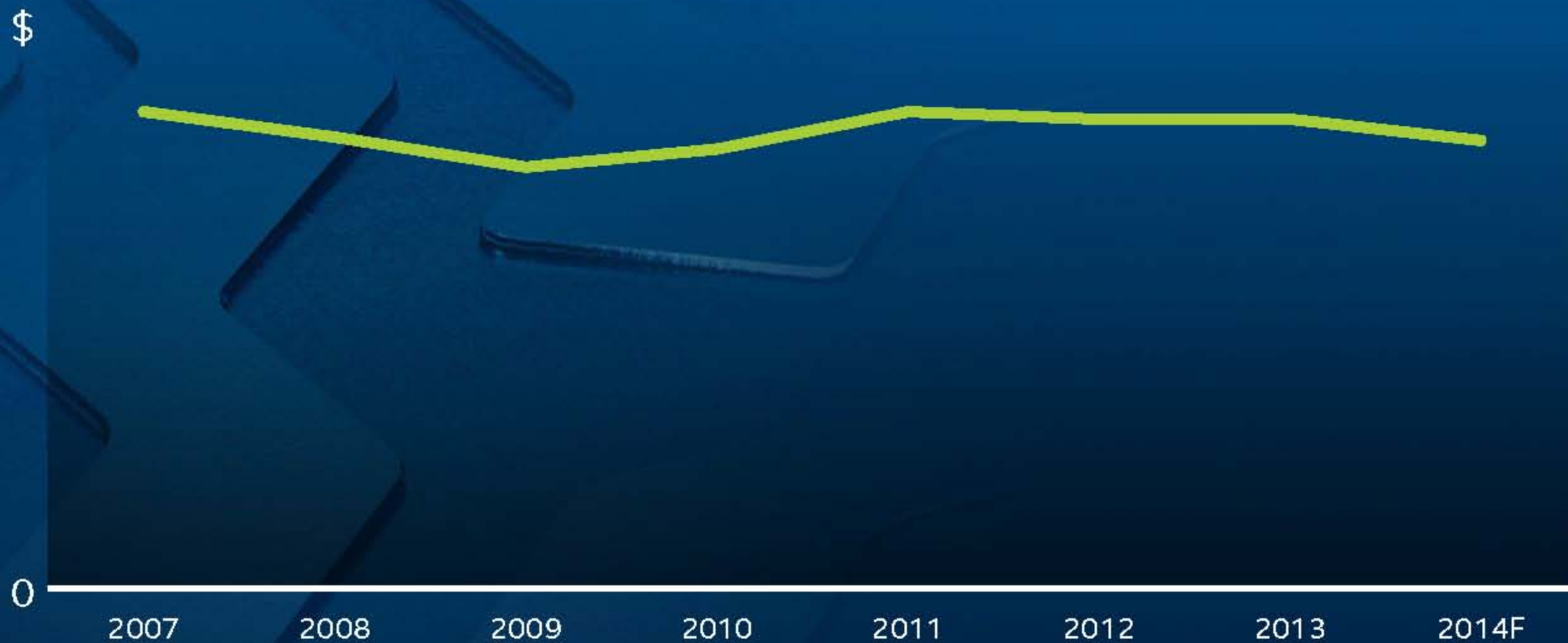
# PC Unit Trend: SOM



**Units are growing. PC up ~9%**

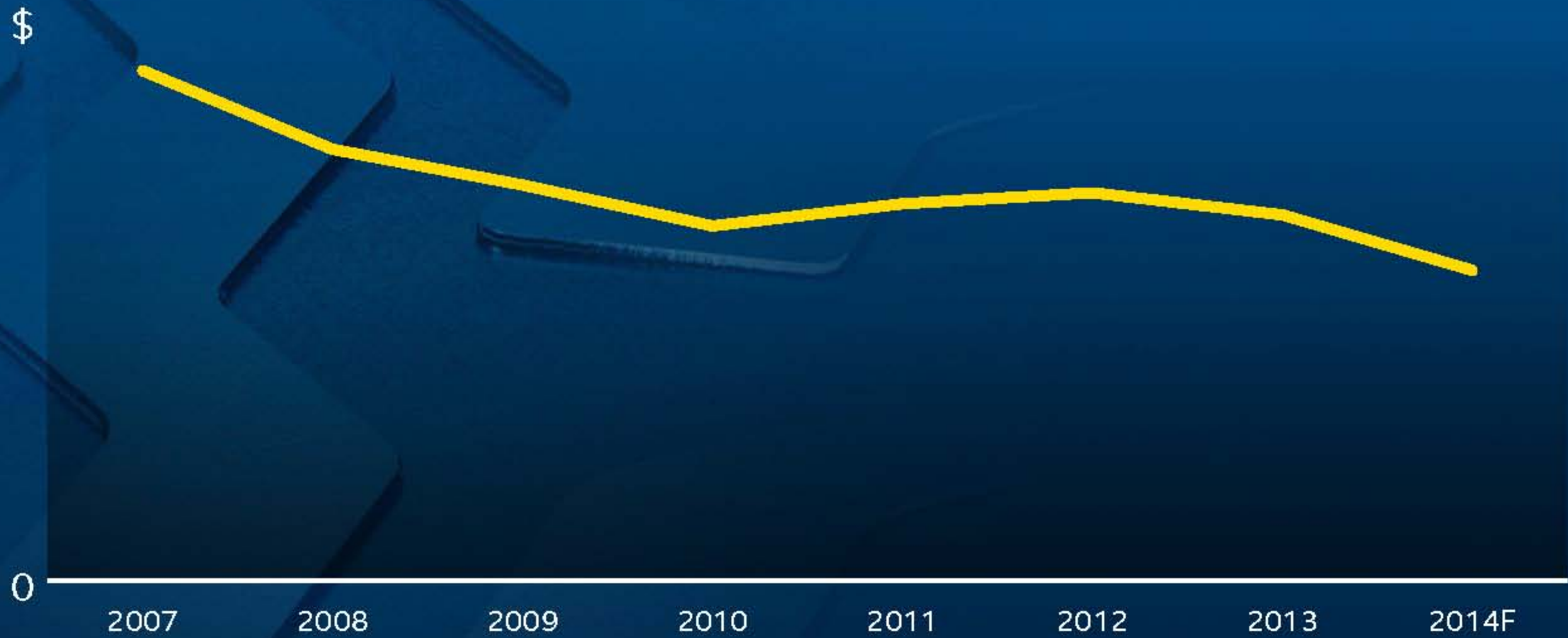


# PC Platform\* ASP



\*Platform includes both CPU and chipset and excludes netbook  
Forecast is based on current expectations and is subject to change without notice  
Source: Intel

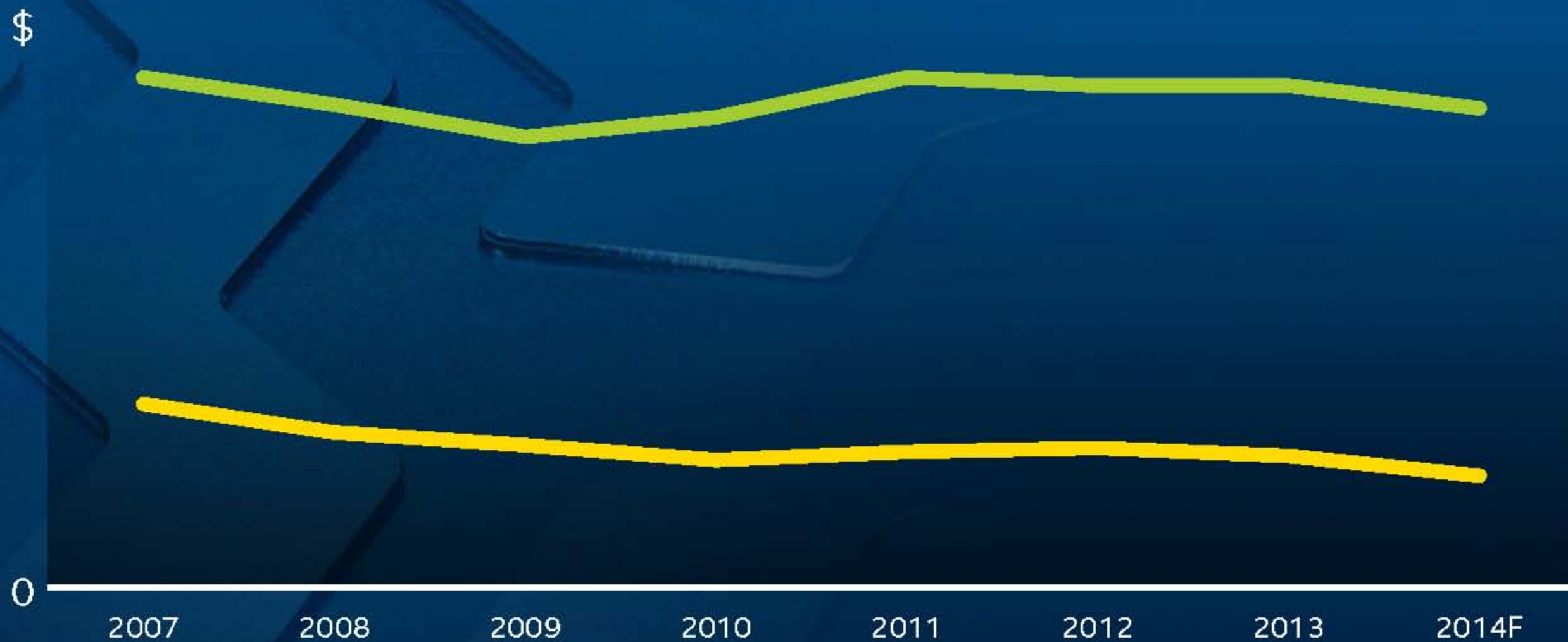
# PC Platform\* Cost



\*Platform includes both CPU and chipset and excludes netbook  
Forecast is based on current expectations and is subject to change without notice  
Source: Intel



# PC Platform\* ASP and Cost



\*Platform includes both CPU and chipset and excludes netbook  
Forecast is based on current expectations and is subject to change without notice  
Source: Intel

# Segmented Costs to Compete Across Segments

## *Platform Costs\**

**Performance**



**Mainstream**



**Value**

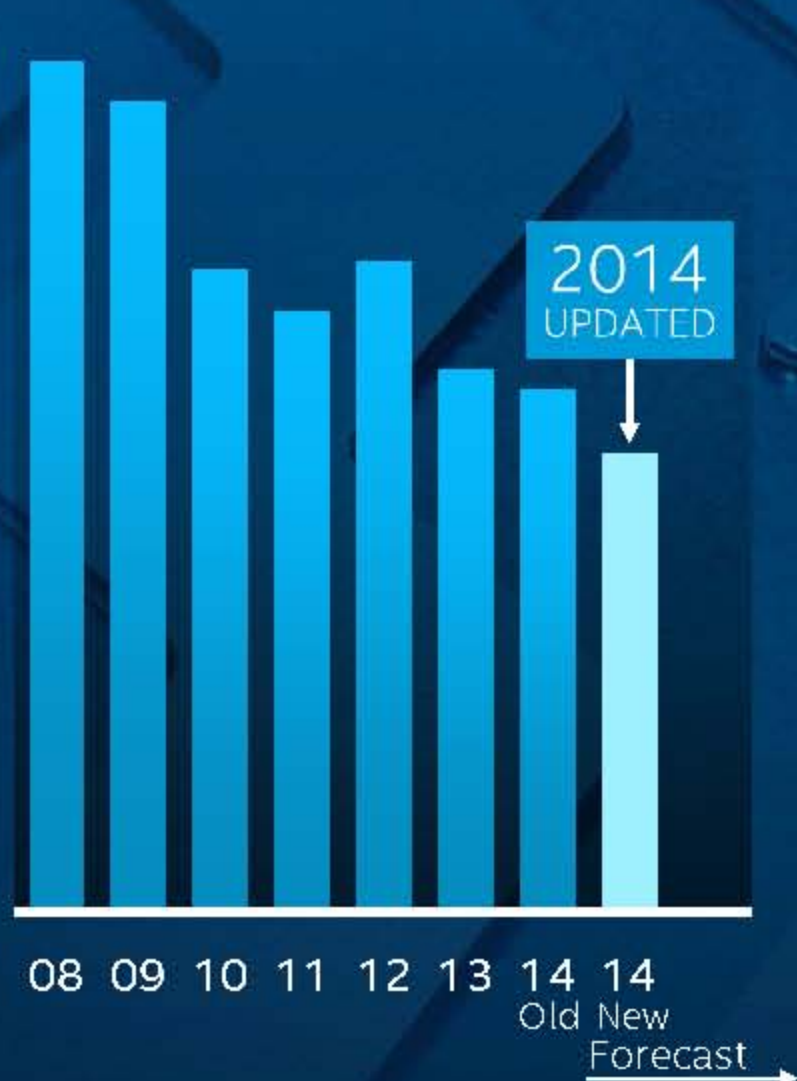




# Segmented Costs to Compete Across Segments

## *Platform Costs\**

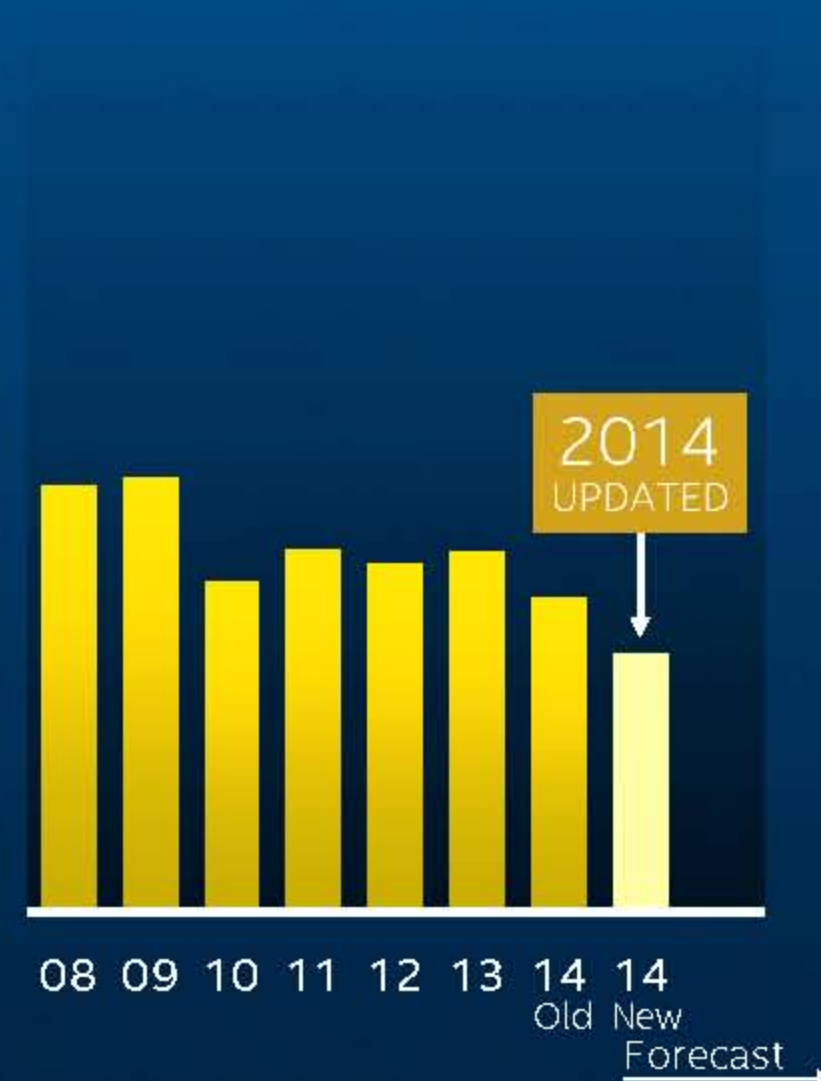
**Performance**



**Mainstream**



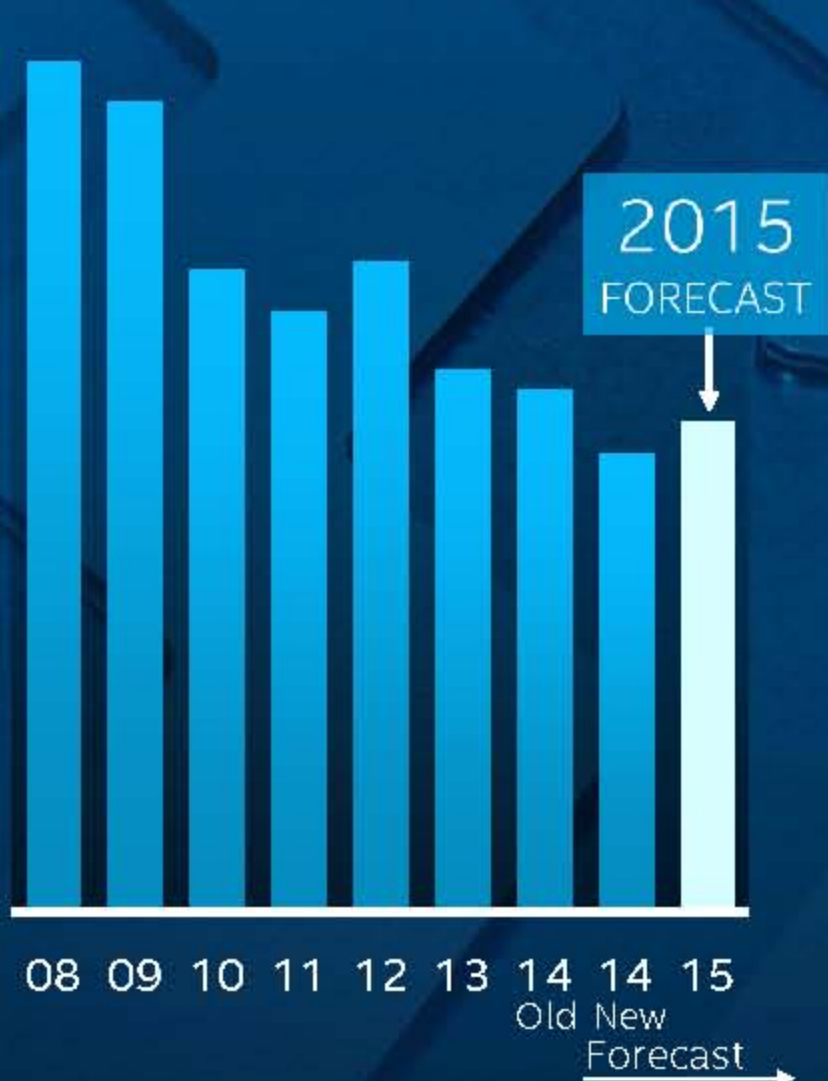
**Value**



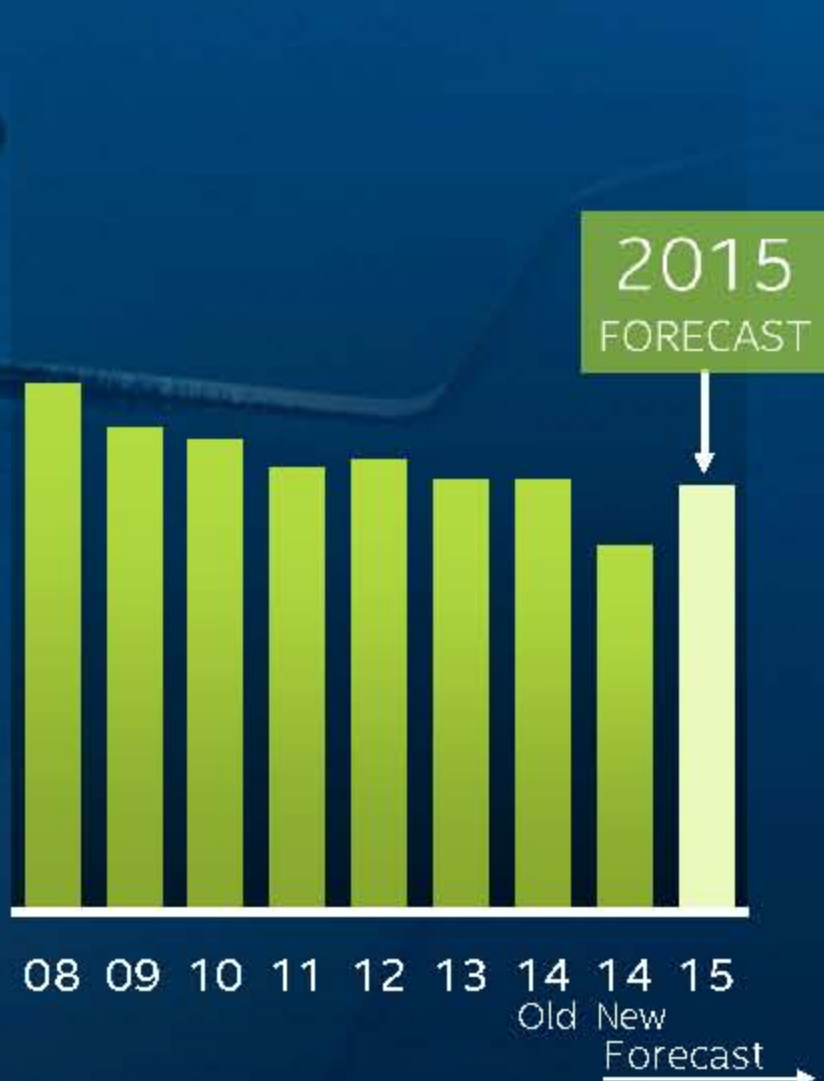
# Segmented Costs to Compete Across Segments

## *Platform Costs\**

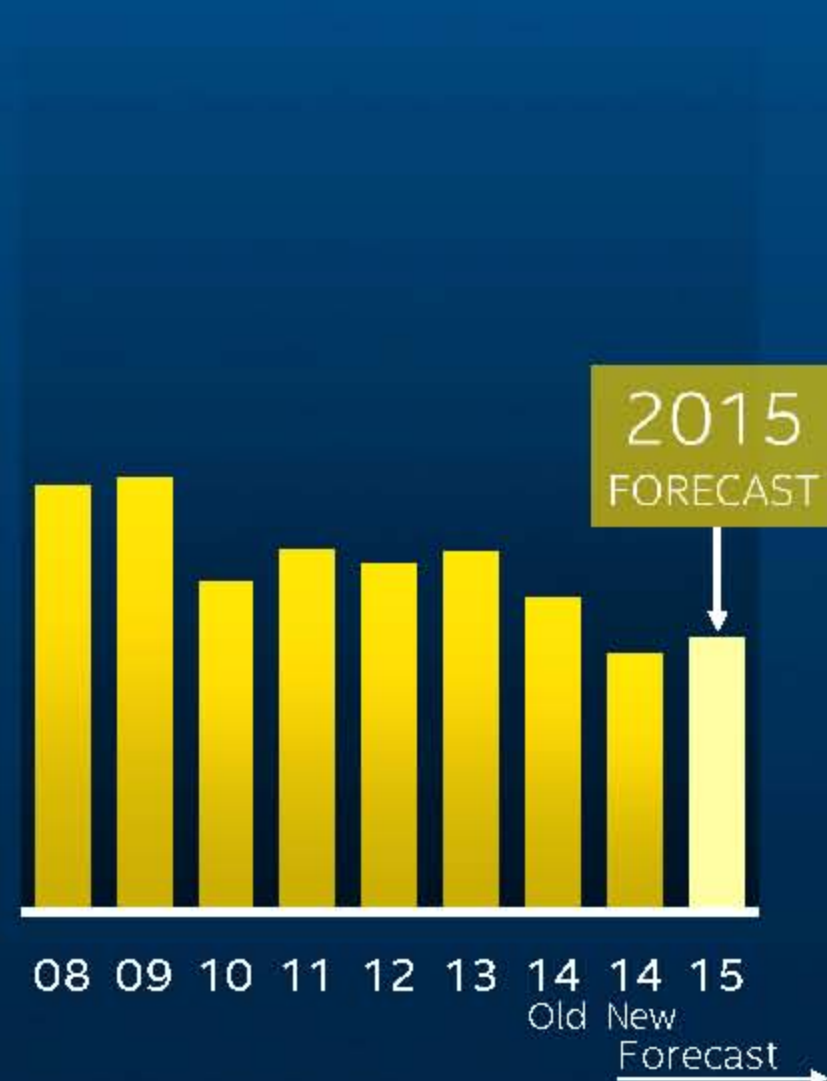
**Performance**



**Mainstream**

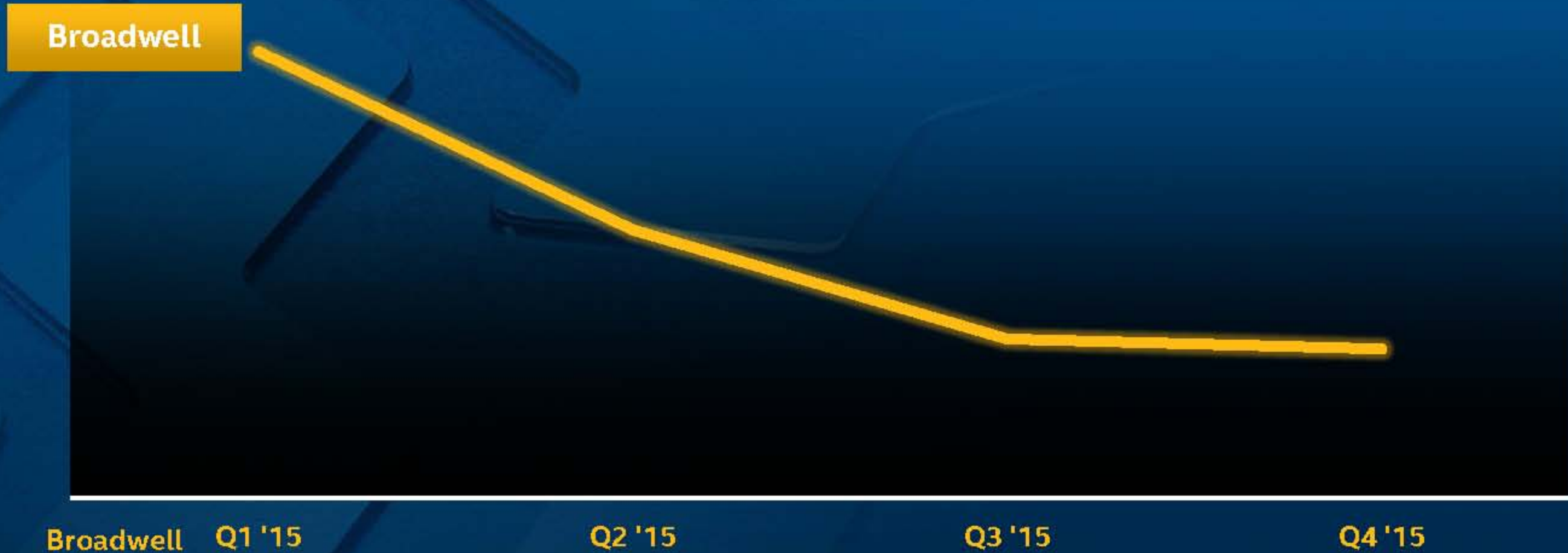


**Value**





# 2015 14nm Ramp: Broadwell Cost Curve



# 14nm vs. 22nm Cost Curve Comparison

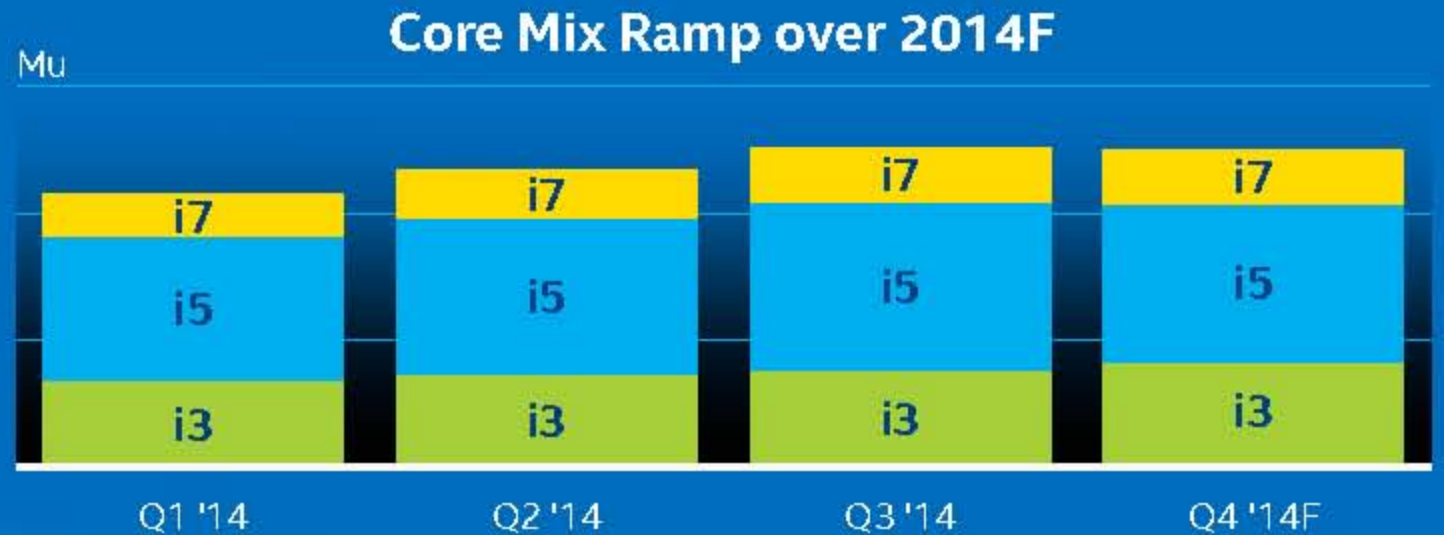


Timing adjusted for volume ramp + 1 quarter. Volume ramp defined as the first quarter shipments exceed 1Mu

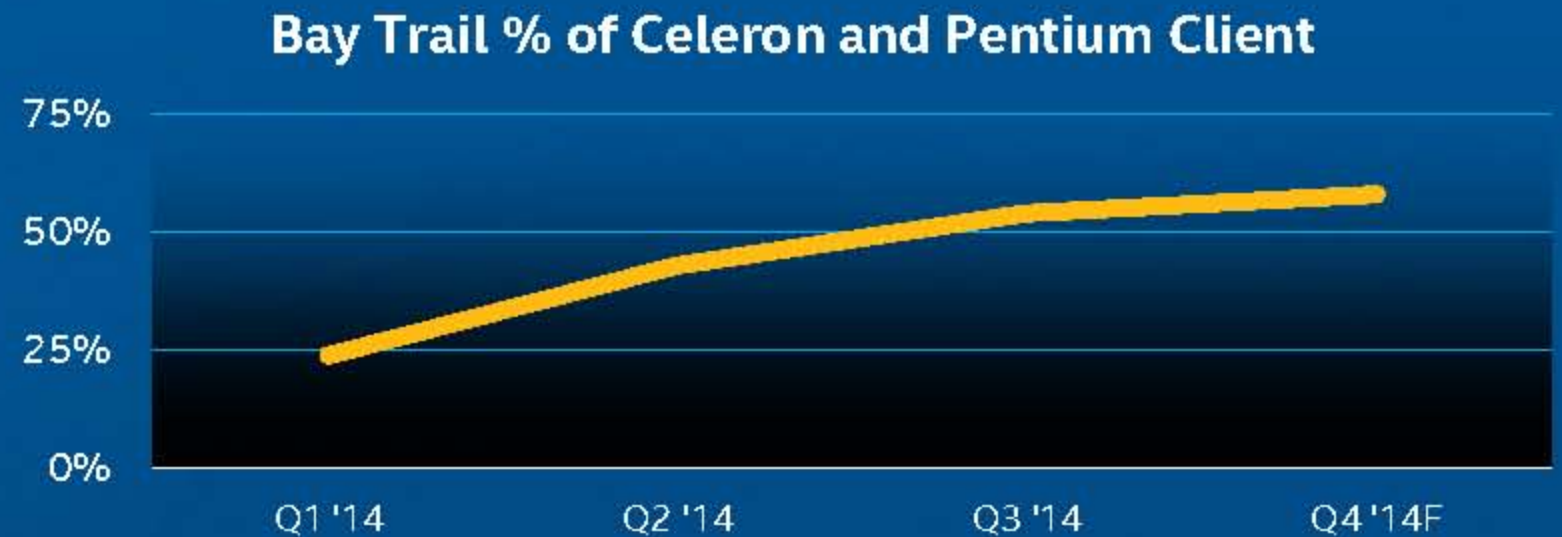


# PC Segmentation

## YoY Growth 5%



## YoY Growth 14%



# Extending the Cost Curve in Client

## *Lowest PC Client Platform Cost*



\*Platform includes both CPU and chipset.

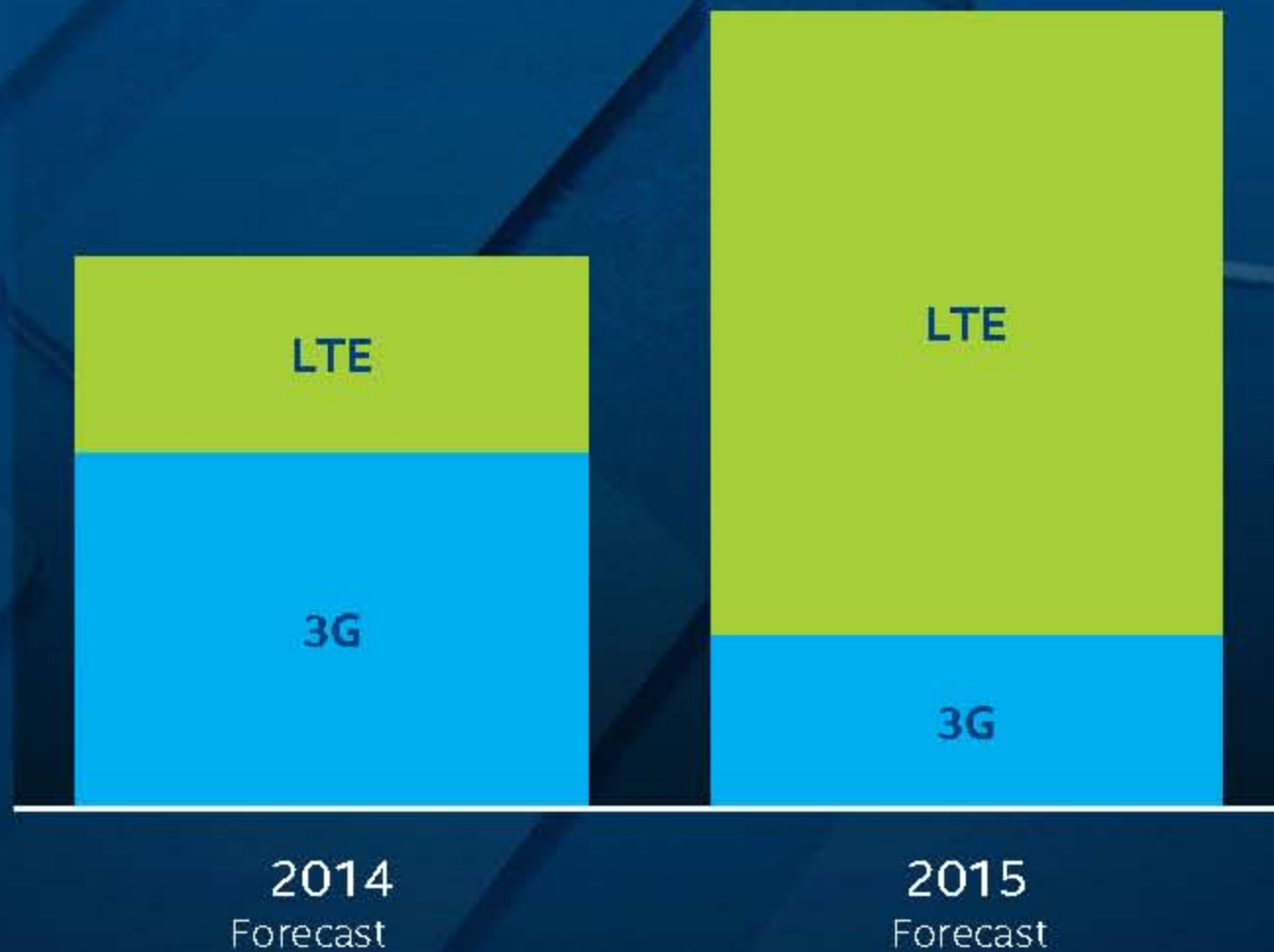
Forecast is based on current expectations and is subject to change without notice.

Source: Intel



# Multi-Comms

Revenue \$M



CUSTOMERS

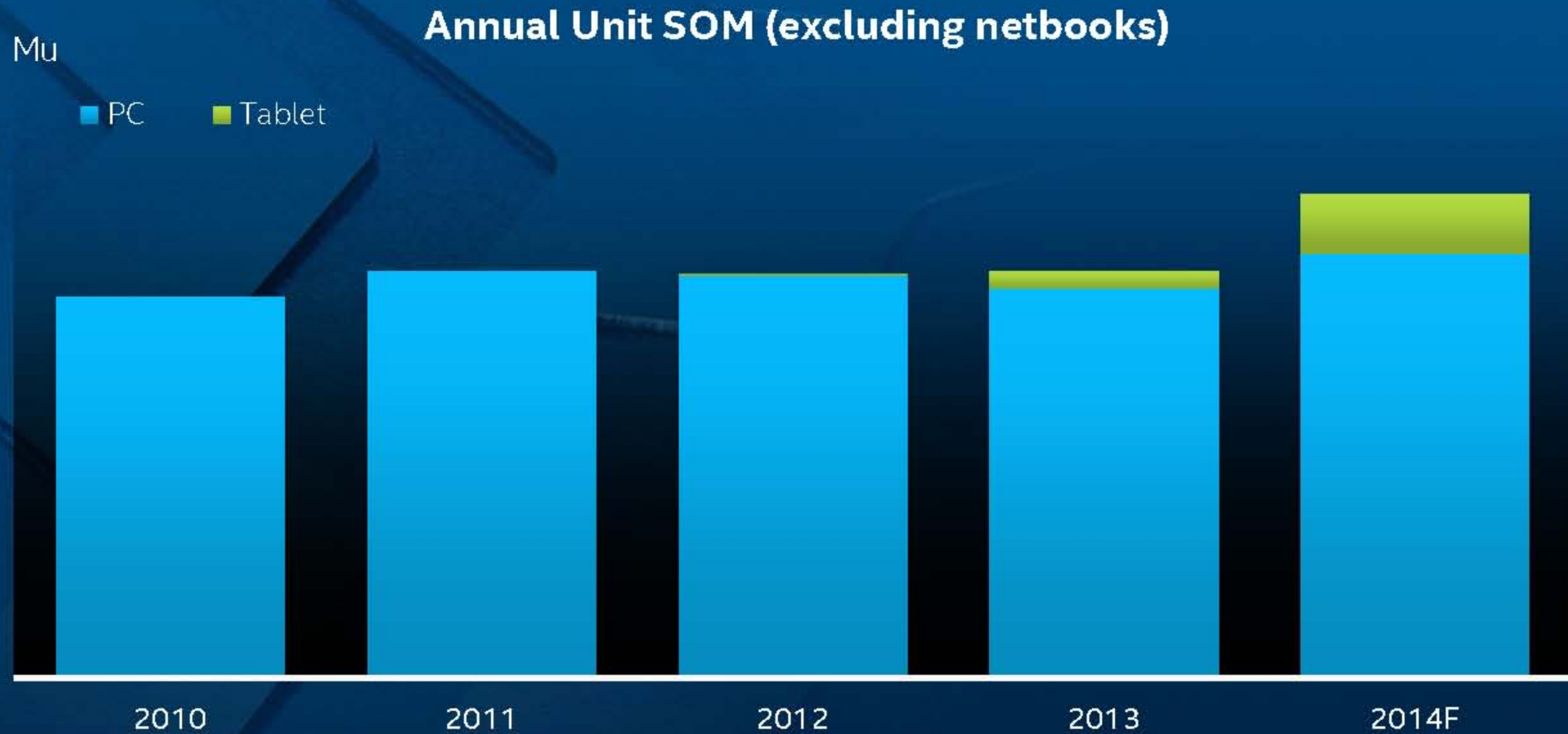


Other names and brands may be claimed as the property of others.

\*Forecast is based on current expectations and is subject to change without notice

Source: Intel

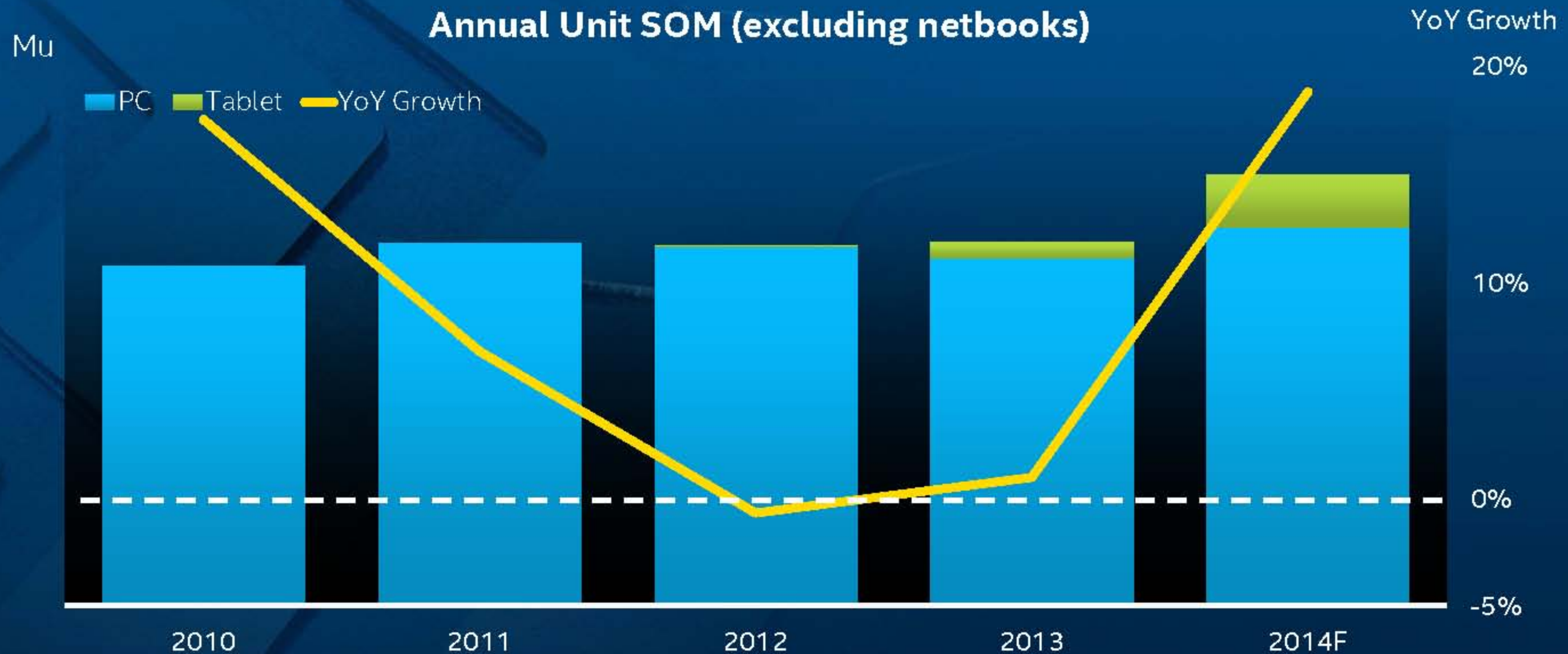
# PC and Tablet Unit Trend: SOM



\*Platform includes both CPU and chipset and excludes netbook.  
Forecast is based on current expectations and is subject to change without notice.  
Source: Intel



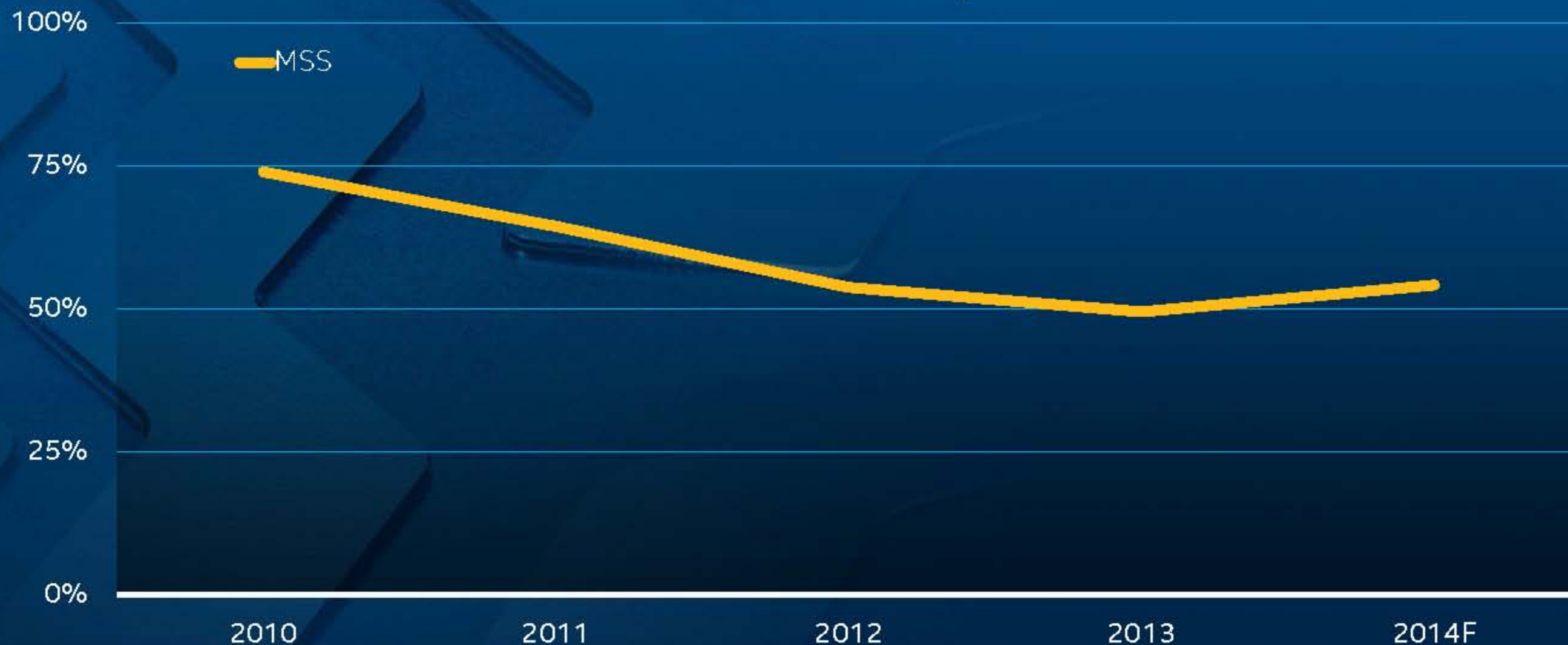
# PC and Tablet Unit Trend: SOM YoY Growth



\*Platform includes both CPU and chipset and excludes netbook.  
Forecast is based on current expectations and is subject to change without notice.  
Source: Intel

# PC and Tablet Unit Trend: MSS

Annual Unit MSS (excluding netbooks)



\*Platform includes both CPU and chipset and excludes netbook

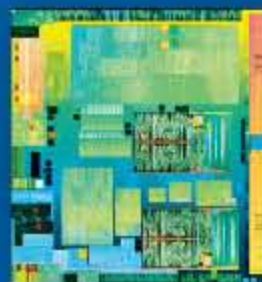
Forecast is based on current expectations and is subject to change without notice

Source: Intel



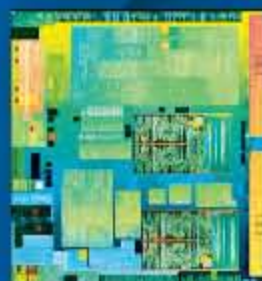
# 2014 Tablet Progress

Performance



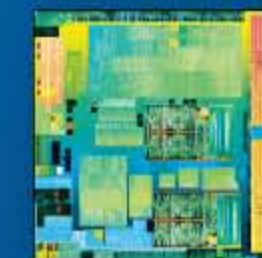
## Bay Trail

BOM Delta: >\$15



## Bay Trail Entry

Cost: ~90% of Bay Trail  
BOM Delta: ~\$8



## Clover Trail +

Cost: ~40% of Bay Trail  
BOM Delta: >\$15

On track to ship 40M

Designs – across Android,  
Windows and Chrome

Enabled the China  
Tech ecosystem

Entry

# 2015 Introducing New Products for Value and Entry

**2014**

**Bay Trail**



BOM Delta: >\$15

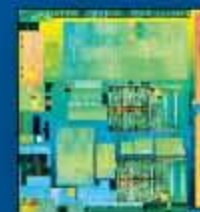
**2015**

**SoFIA LTE**



Cost: ~40% of Bay Trail  
BOM Delta: ~\$0

**SoFIA 3G**



Cost: ~25% of Bay Trail  
BOM Delta: ~\$0



# MCG R&D Breakout

## Unique vs. Shared Investment



\*The 2014 forecast is based on Q1-Q3'14 actuals plus the midpoint of the Q4'14 forecast.  
Forecast range is based on current expectations and is subject to change without notice.  
Source: Intel

# PCCG & MCG 2015 Expectations

## PC CLIENT GROUP



~ Flat Units and  
Revenue slightly down

COGS higher:  
10nm start-up costs and elevated  
Broadwell costs in 1H '15,  
better in 2H '15

## MOBILE AND COMMUNICATIONS GROUP



Ramping LTE

SoFIA in value and entry

Operating margin  
improvement ~\$800M



## DATA CENTER GROUP



## PC CLIENT GROUP



## MOBILE AND COMMUNICATIONS GROUP



## IoT GROUP



**WIND RIVER**

## SOFTWARE AND SERVICES GROUP



## ALL OTHER

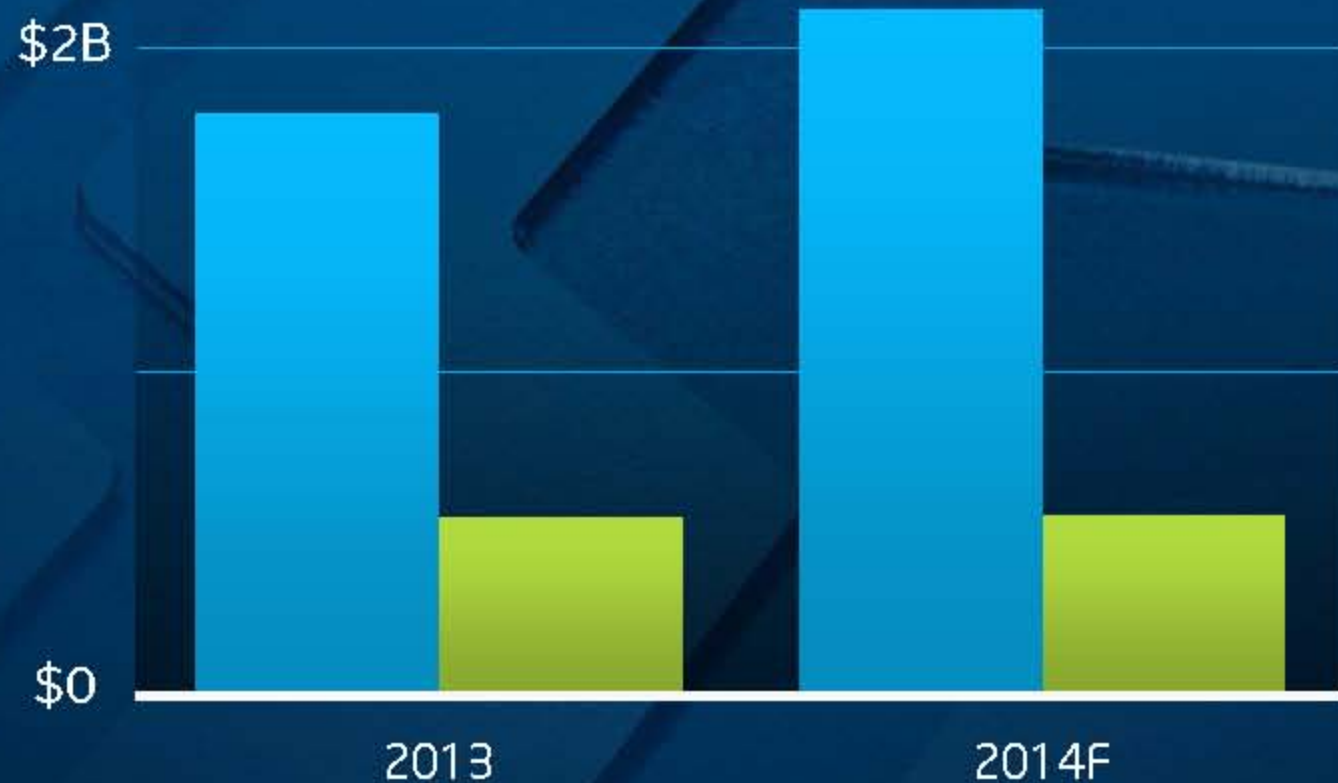


# Internet of Things Group

## 2013 vs. 2014 Forecast

### IOTG

■ Revenue ■ OM \$



### 2014 PERFORMANCE

**~\$2.1B of Revenue:**

Up ~18% YoY

**~\$0.6B Operating margin:**

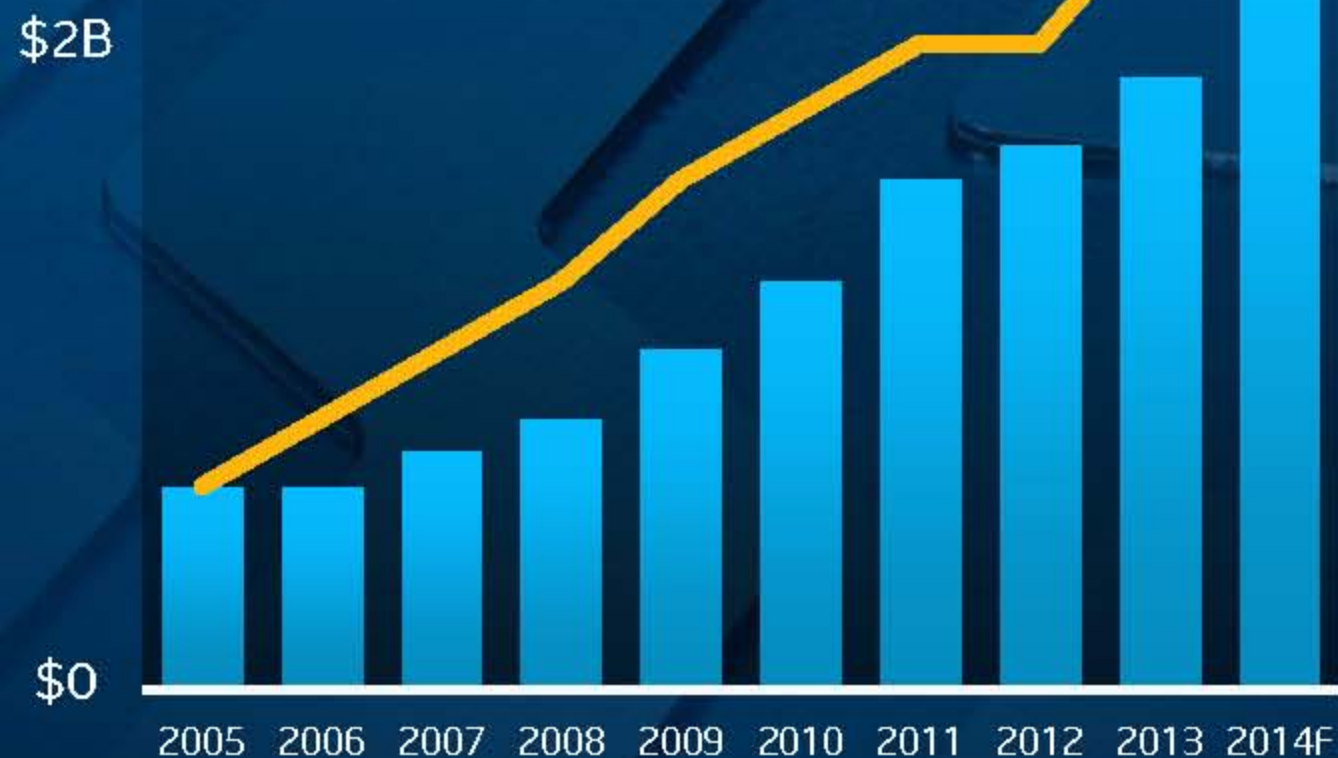
~26% of rev



# Internet of Things Group

## Revenue/Design Win Mapping

Revenue Design Win \$



## 2014 PERFORMANCE

**Design win momentum continues across all segments**

**2015: Expect uptick in growth**

# Software & Services operating segment 2013 vs. 2014 Forecast

## Software and Services Financials



## 2014 PERFORMANCE

**~\$2.3B of Revenue:**

Up ~3% YoY

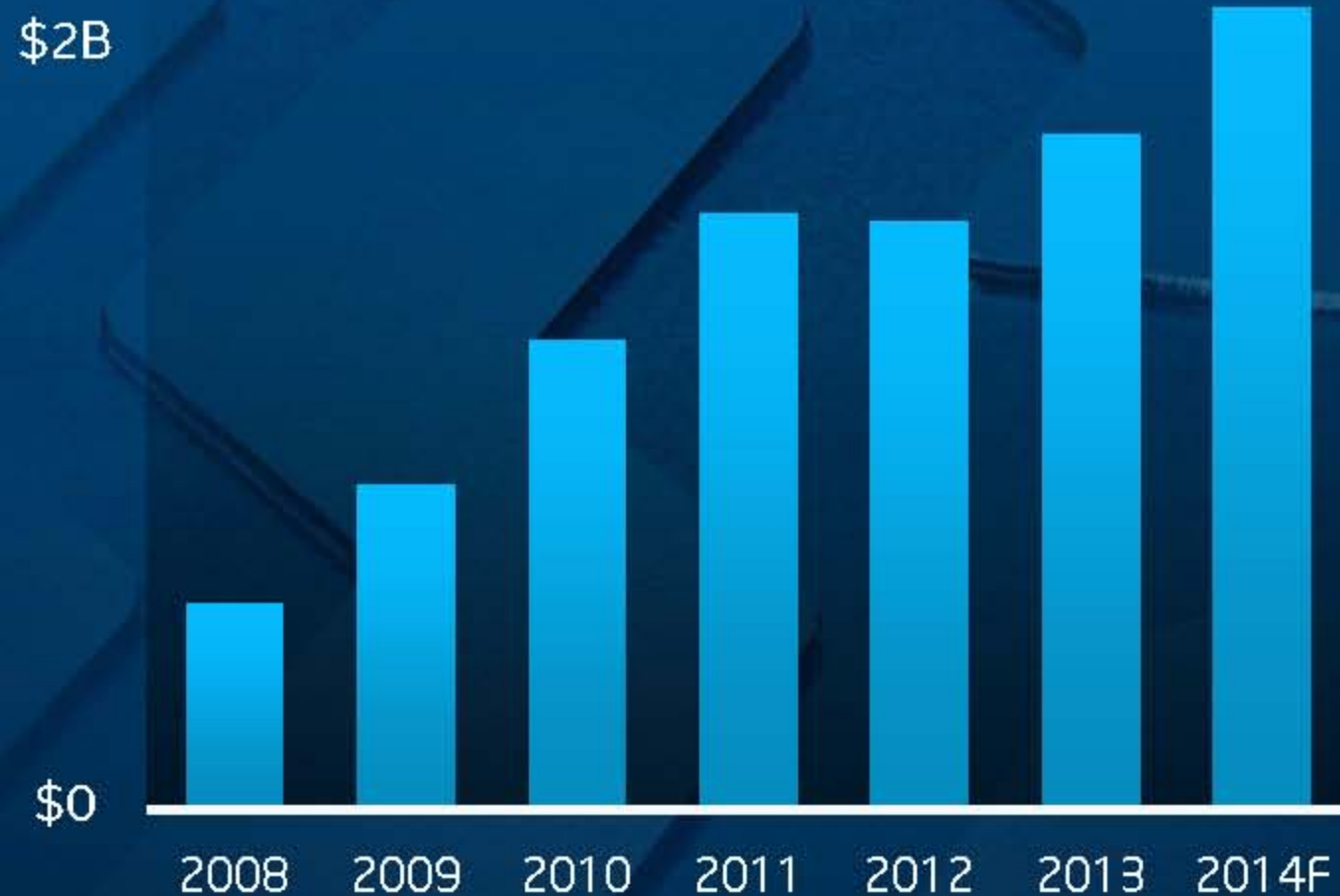
**~\$0.1B Operating margin:**

~5% of rev



# Non-Volatile Memory Solutions Group

Revenue \$



Operating Profit \$



Our Competitive Advantage 1: IP

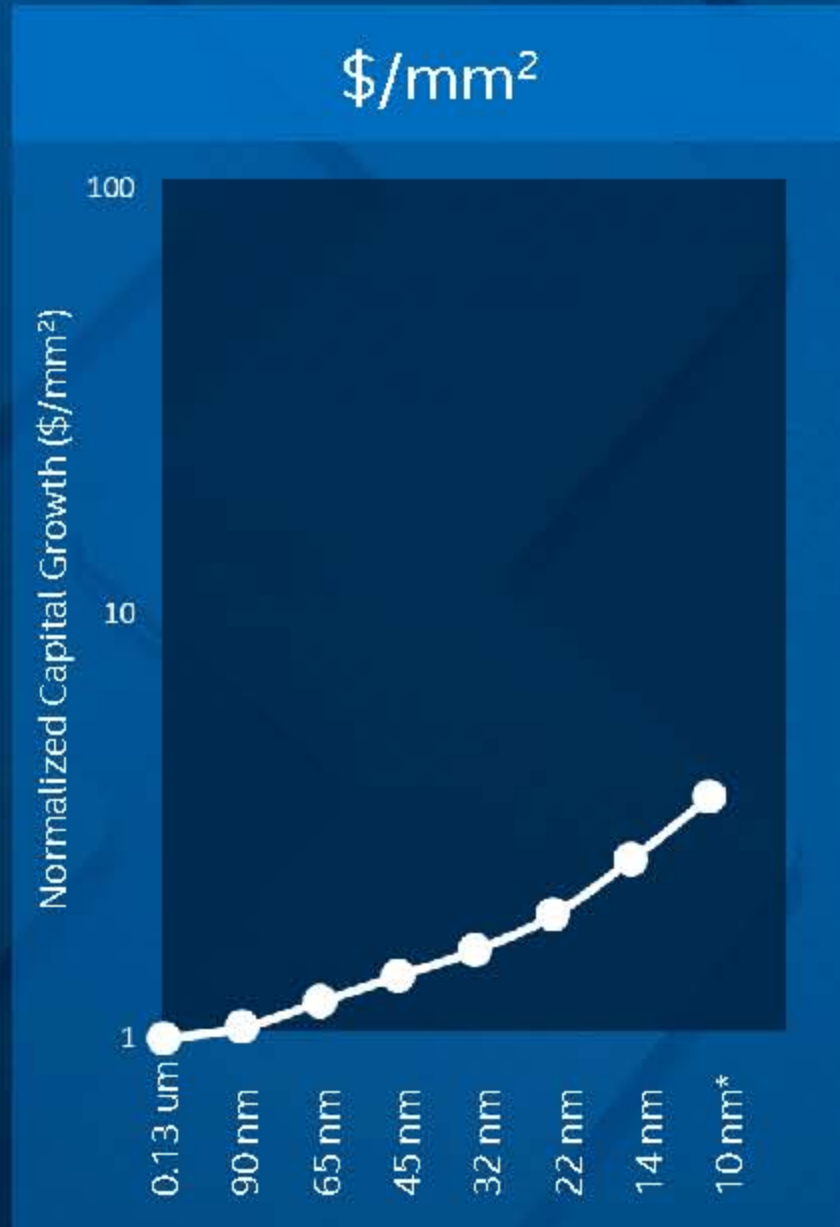
Key Segments of Our Business

Our Competitive Advantage 2: Manufacturing

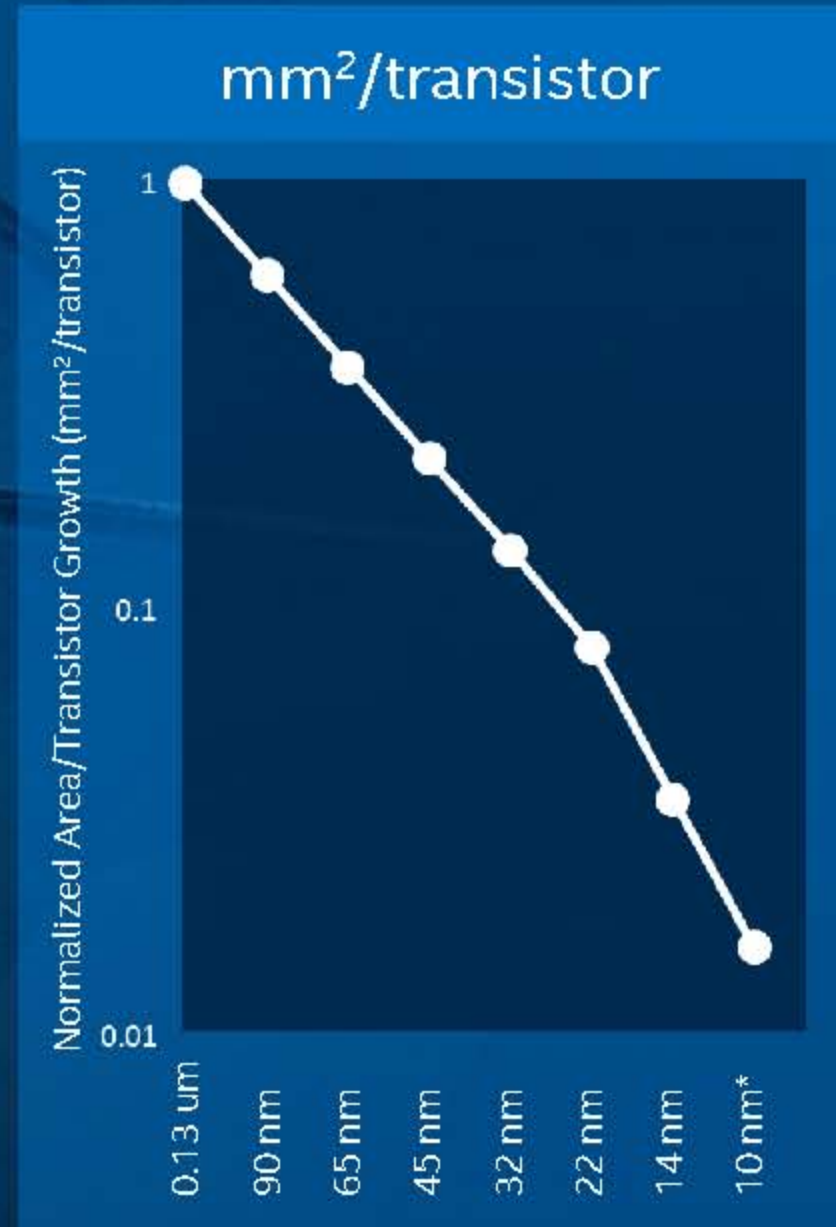
Cash and Shareholder Return



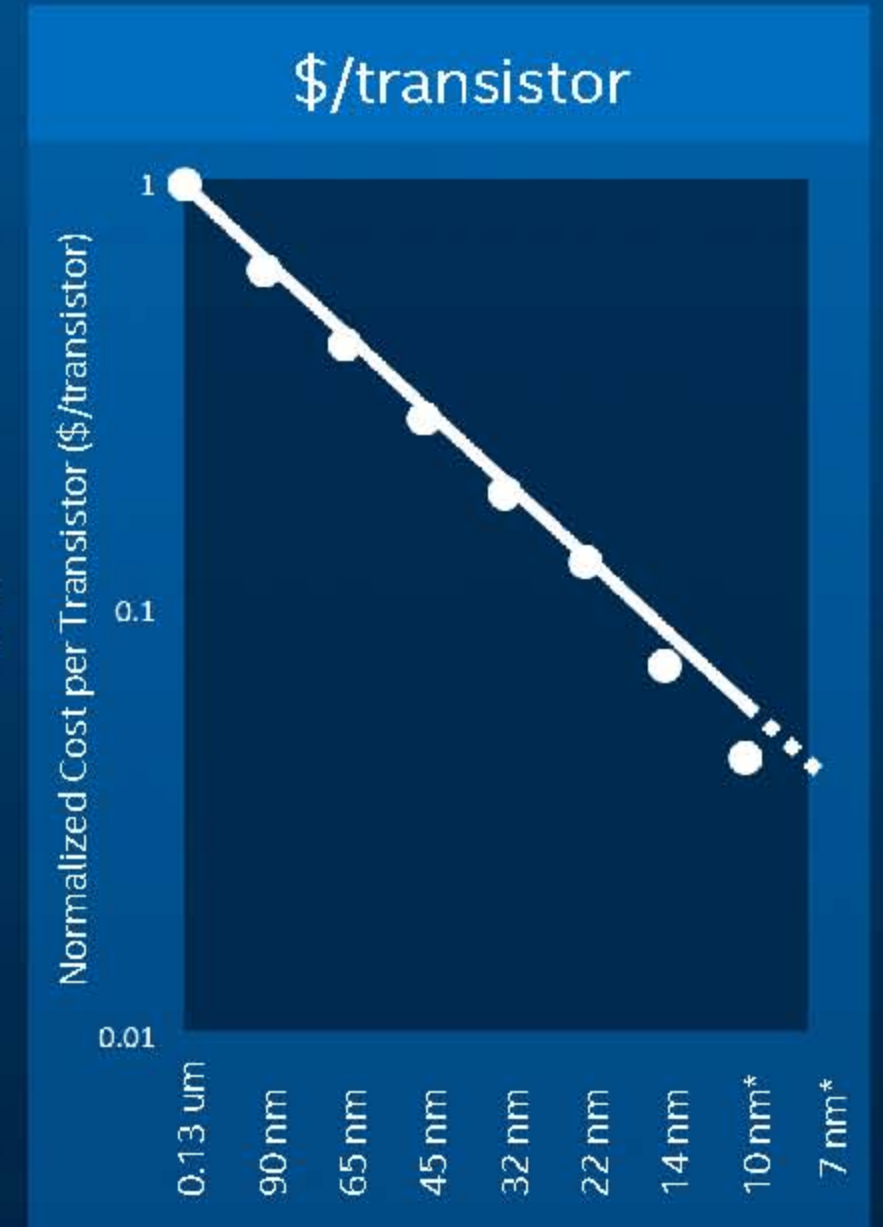
# Cost Reduction On Track



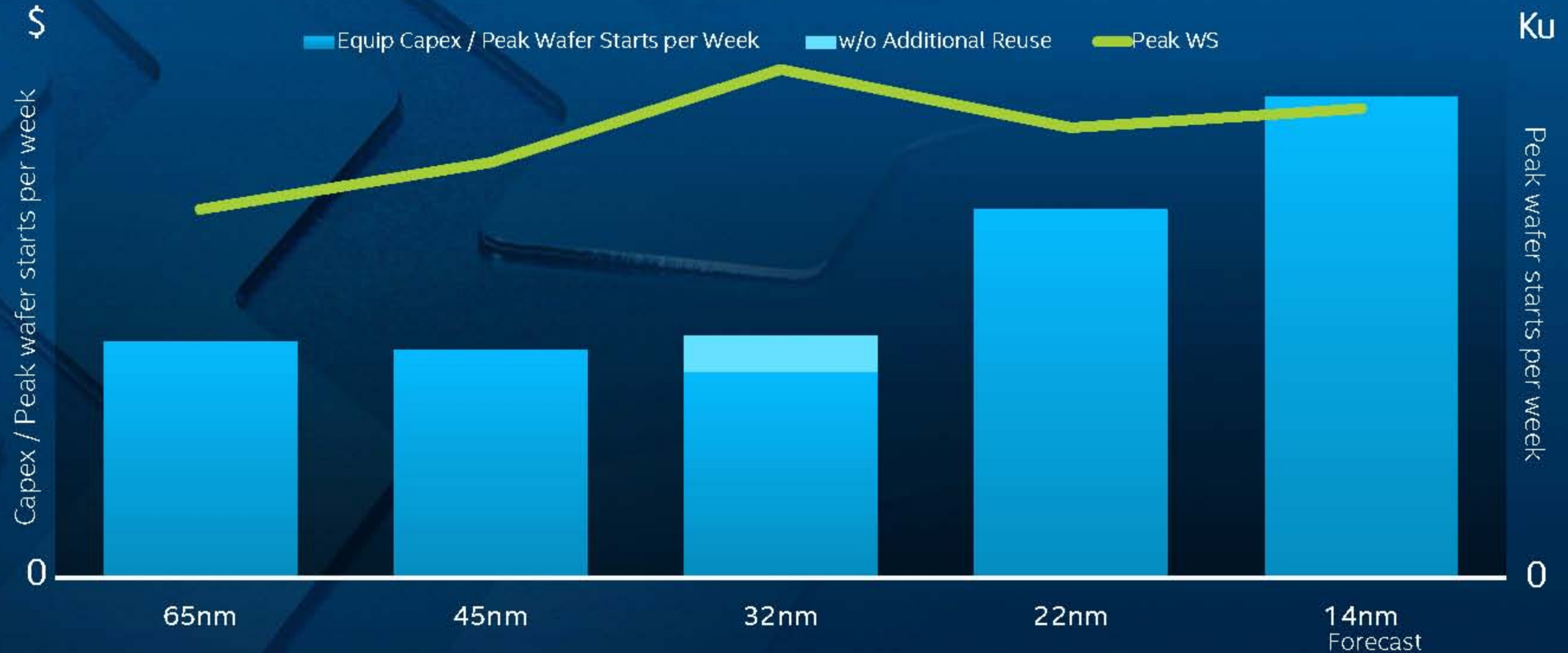
$\times$



$=$



# Capex by Peak Wafer Start By Generation

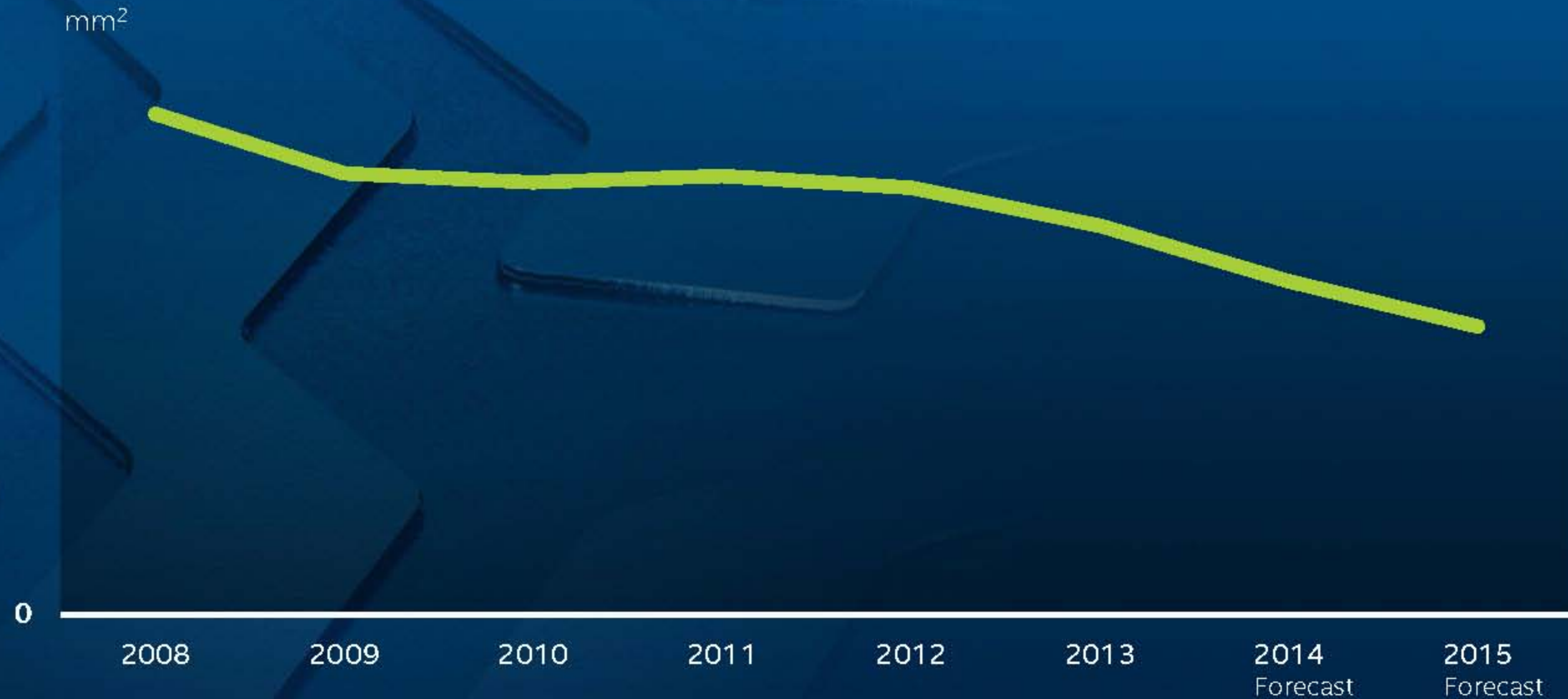


\*Forecast is based on current expectations and is subject to change without notice

Source: Intel



# Weighted Average Die Size *Platform\**



Forecast is based on current expectations and is subject to change without notice

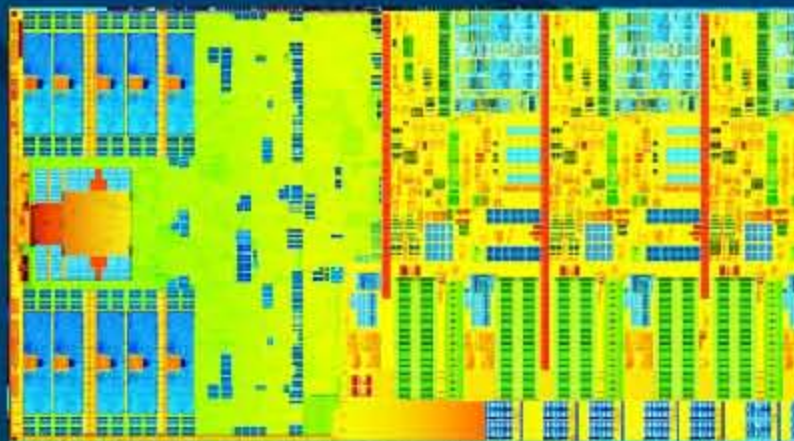
Sources: Intel

\*Platform includes CPU and chipset

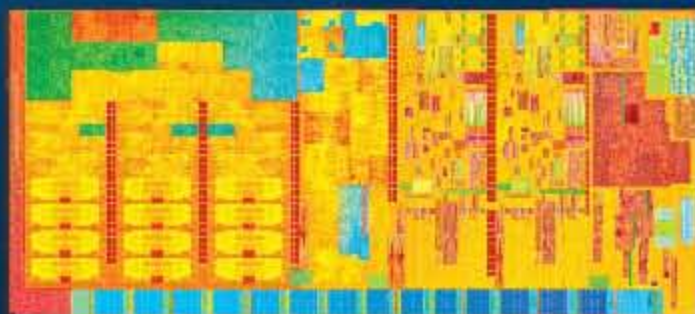
# The Broadwell Advantage

**HASWELL 2 X 2 (22nm)**

**960M  
Transistors**



**1.3B  
Transistors**



**37%  
Smaller**

**BROADWELL 2 X 2 (14nm)**

**14nm Delivers Cost AND  
Performance Benefits:**

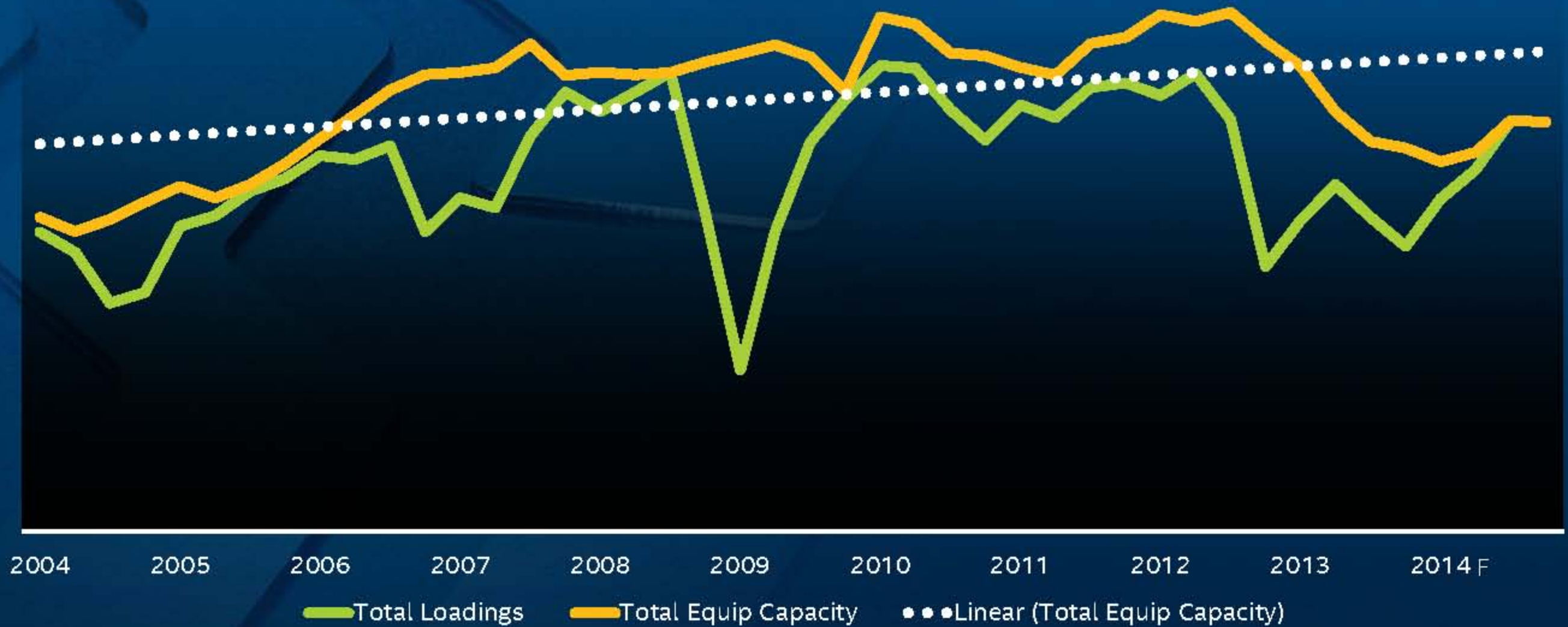
**SUB 5 WATT** enables  
fanless designs

**Up to 40%** higher 3D  
graphics performance<sup>1</sup>

<sup>1</sup> Intel® Core™ M-5Y70 processor compared to Intel® Core™ i5-4302Y processor



# Capacity & Loadings

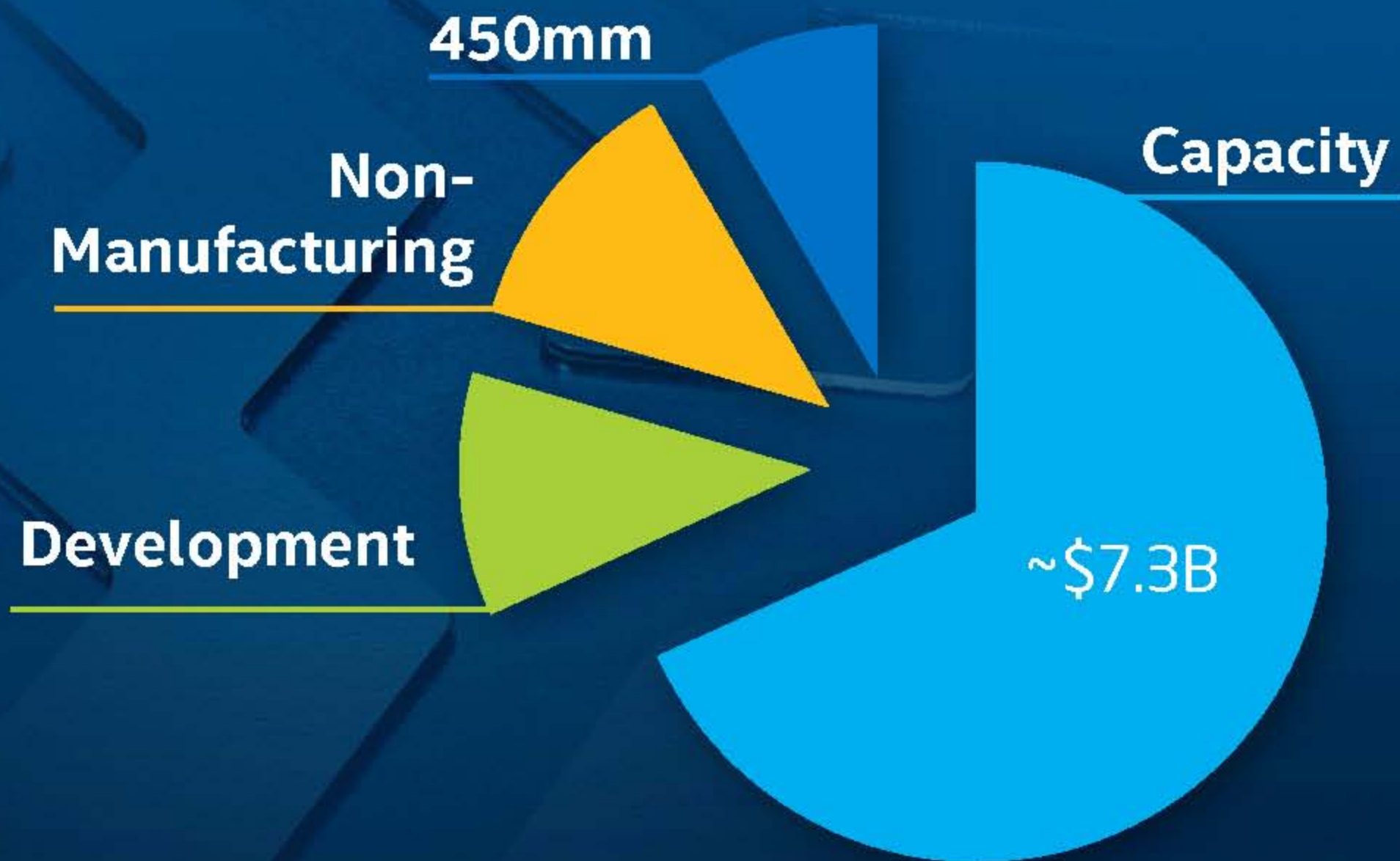


So hold on there Tex .....

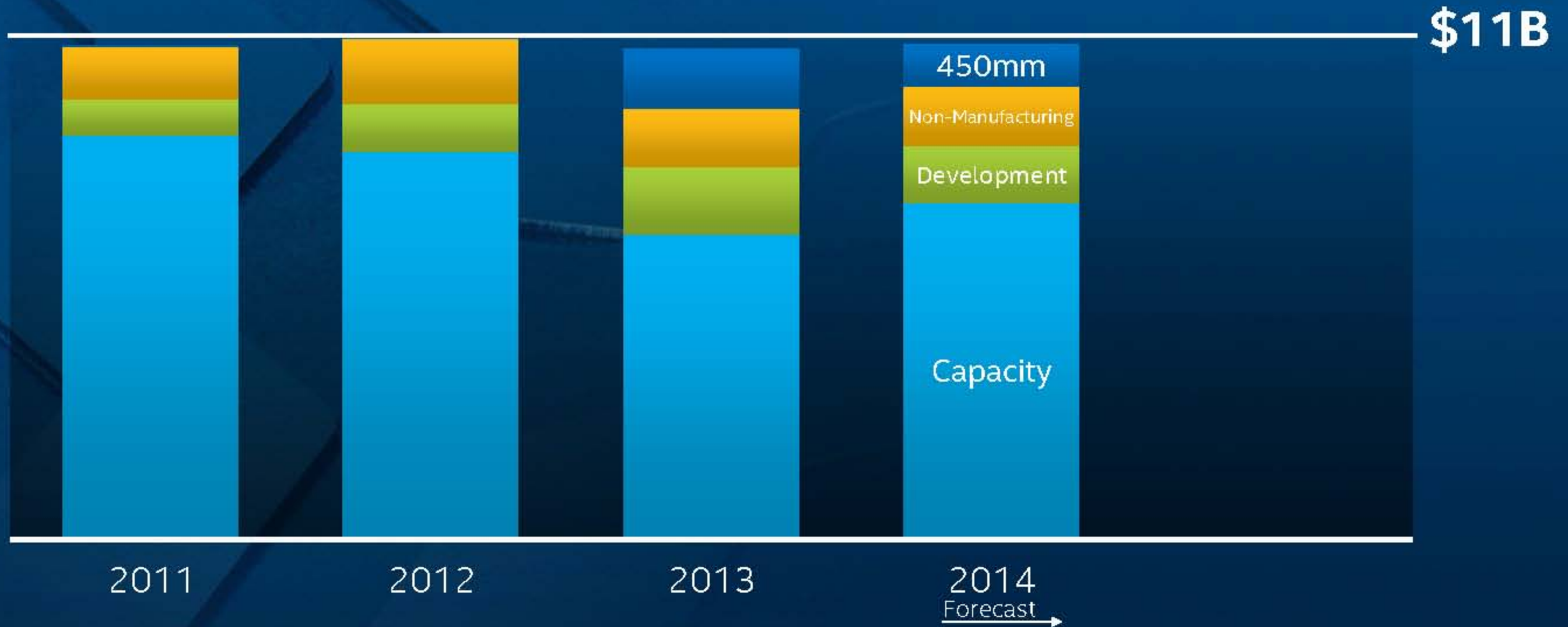
Can you tell me again why it takes \$11B of  
Capex to run your business?



# 2014 Capex Breakout



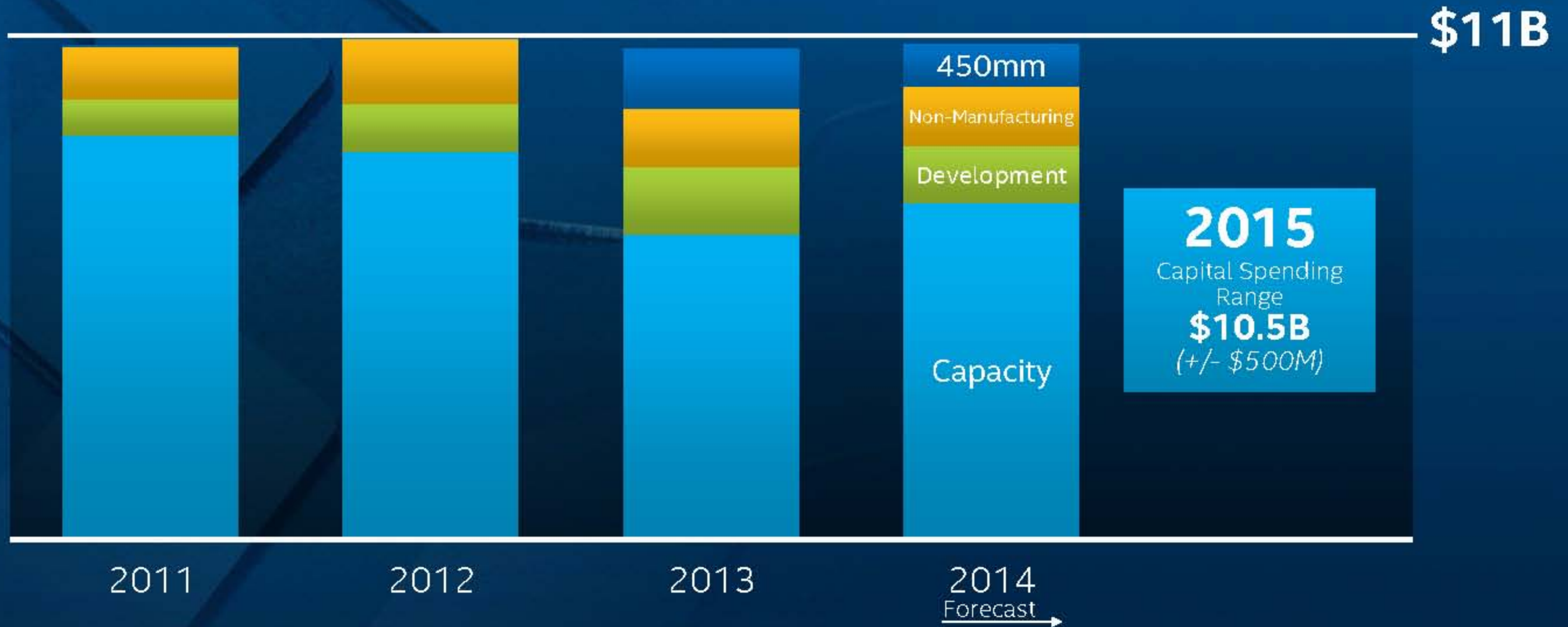
# Capital Trends: 2011 – 2014F



\*The 2014 forecast is based on Q1-Q3'14 actuals plus the midpoint of the Q4'14 forecast.  
Forecast range is based on current expectations and is subject to change without notice.  
Source: Intel



# Capital Trends: 2011 – 2015F



\*The 2014 forecast is based on Q1-Q3'14 actuals plus the midpoint of the Q4'14 forecast.  
Forecast range is based on current expectations and is subject to change without notice.  
Source: Intel

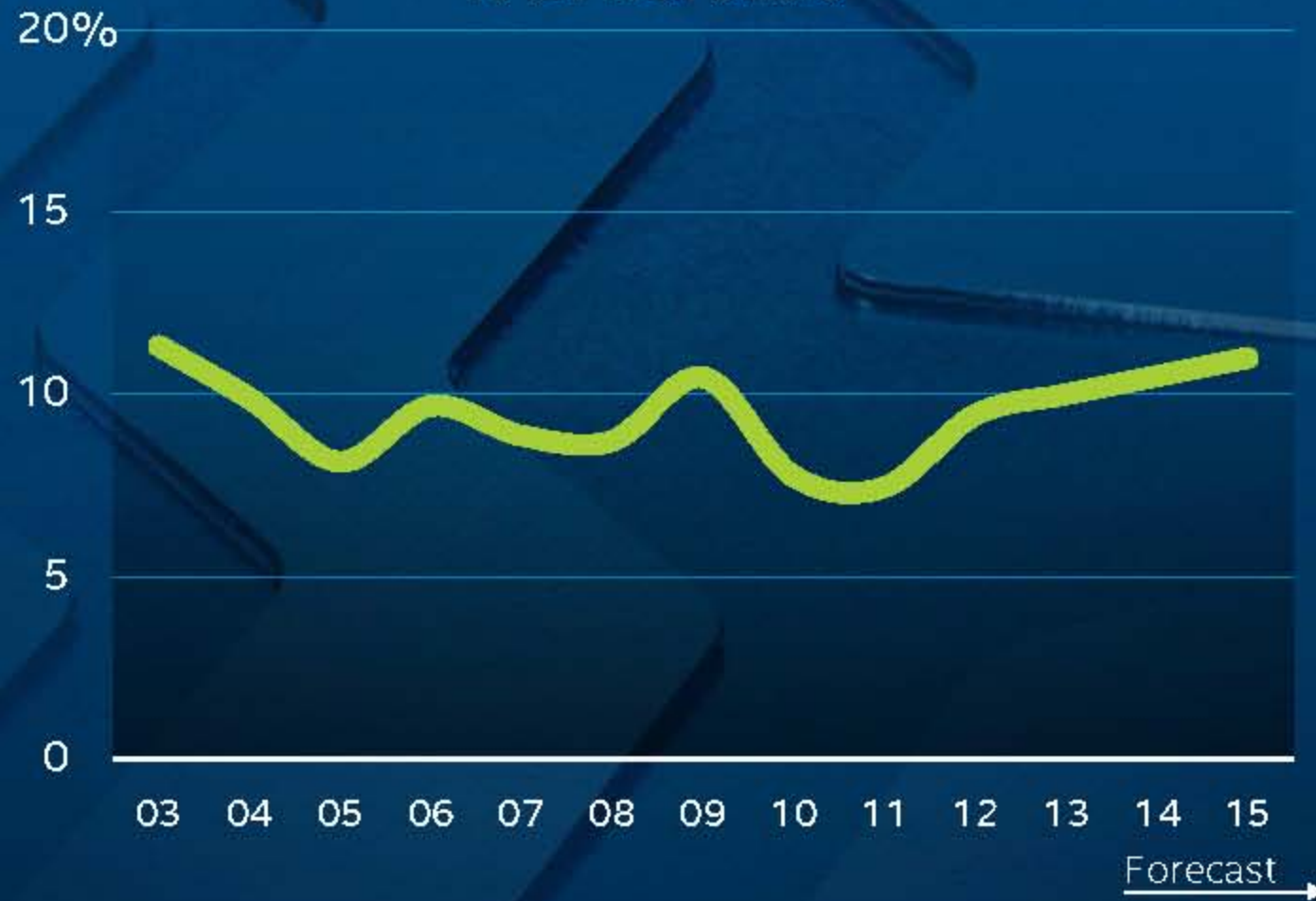
So hold on there Tex (part 2)...

Even at \$7B - \$8B of CapEx,  
won't the increase in depreciation lower your  
Gross Margins?

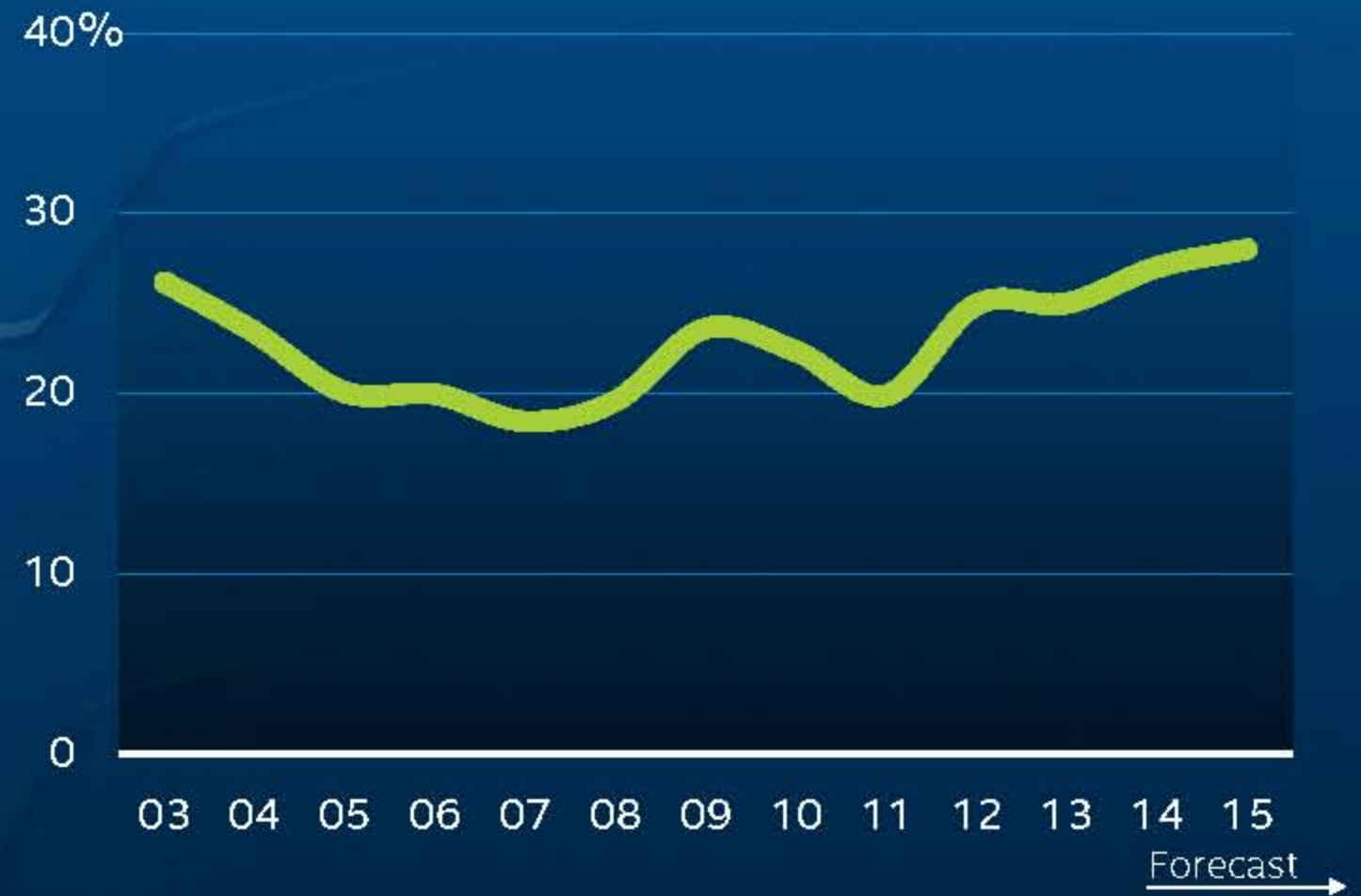


# Depreciation Trends

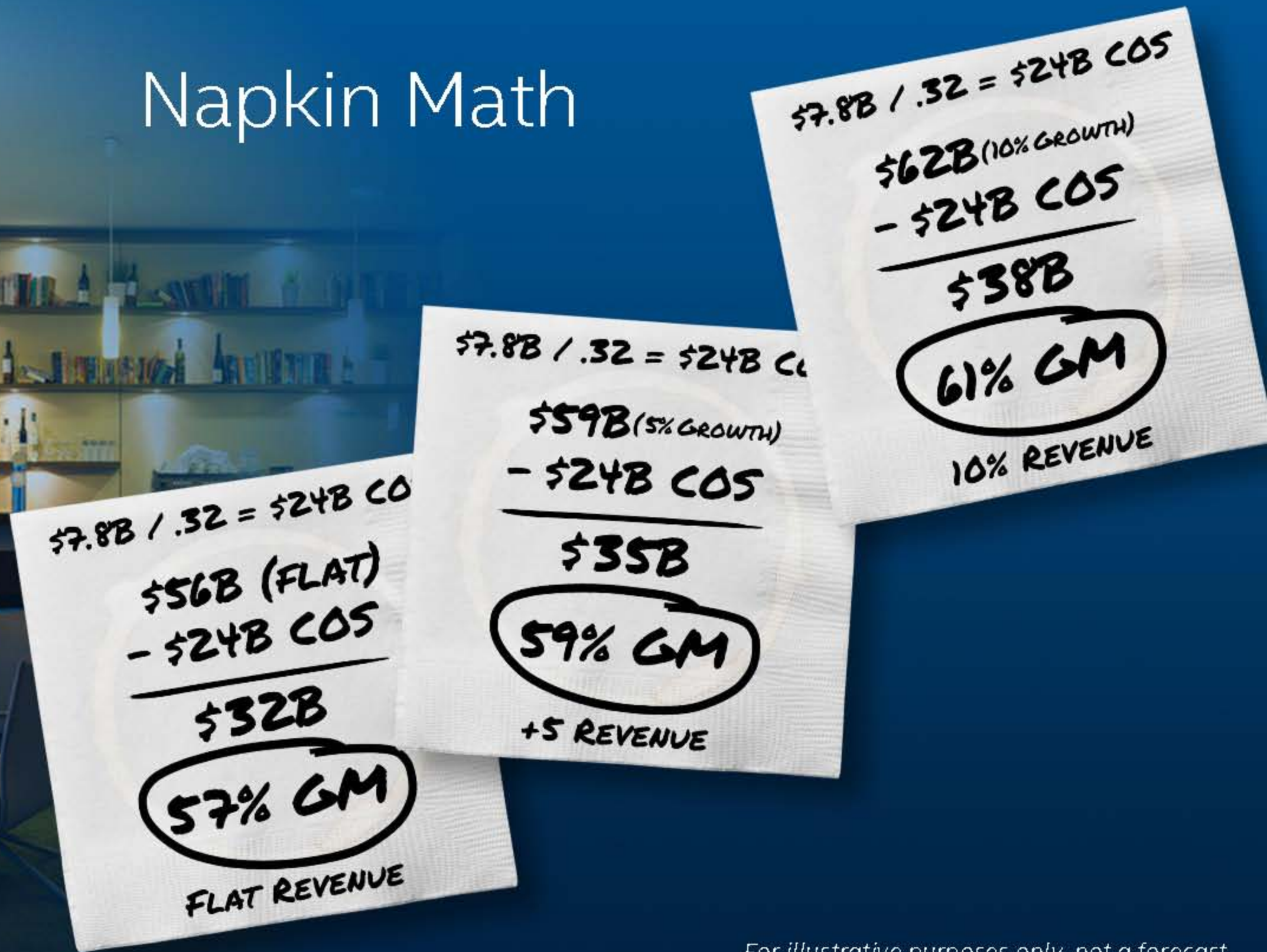
**COS Depreciation as a  
% of Revenue**



**COS Depreciation as a  
% of Total Cost of Sales**



# Napkin Math



For illustrative purposes only, not a forecast.

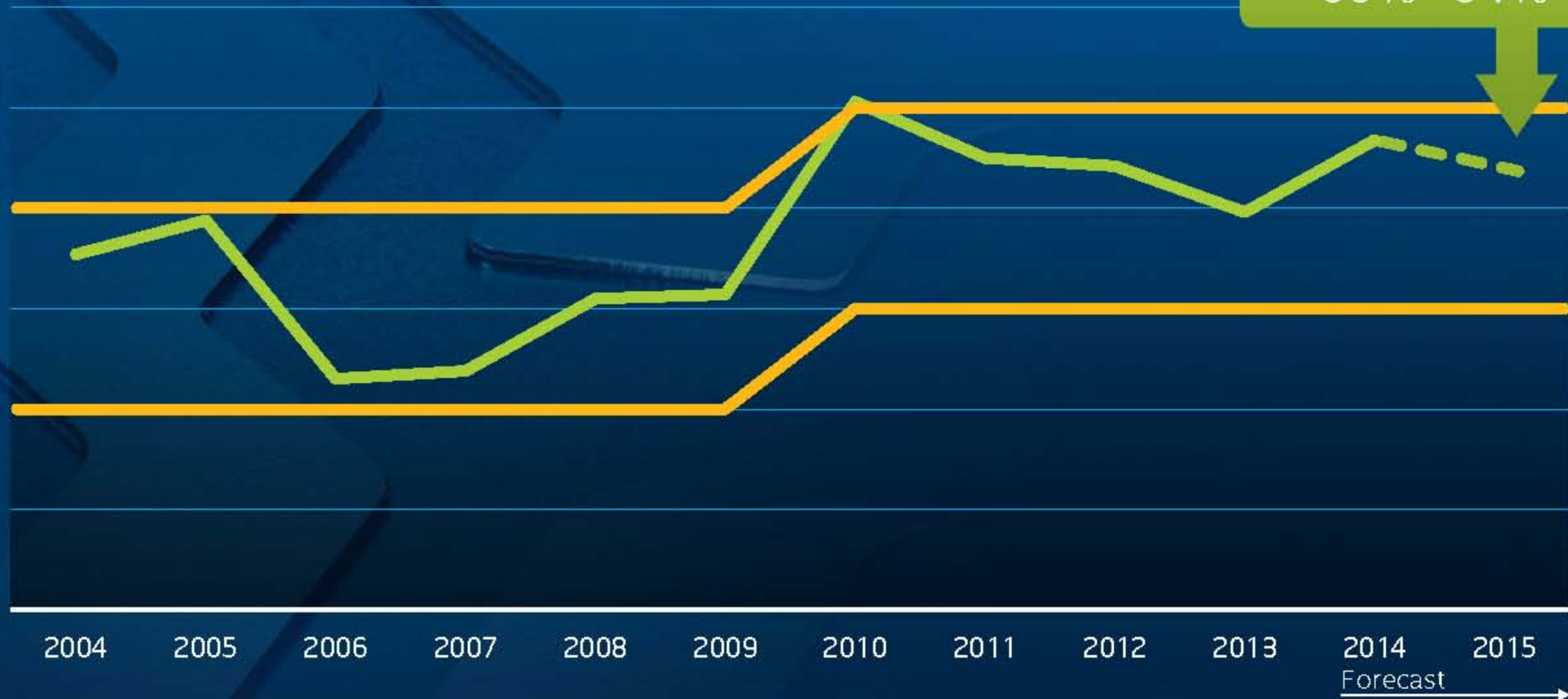


# Gross Margins

Gross Margin % Annual 2004-2015

**2015**

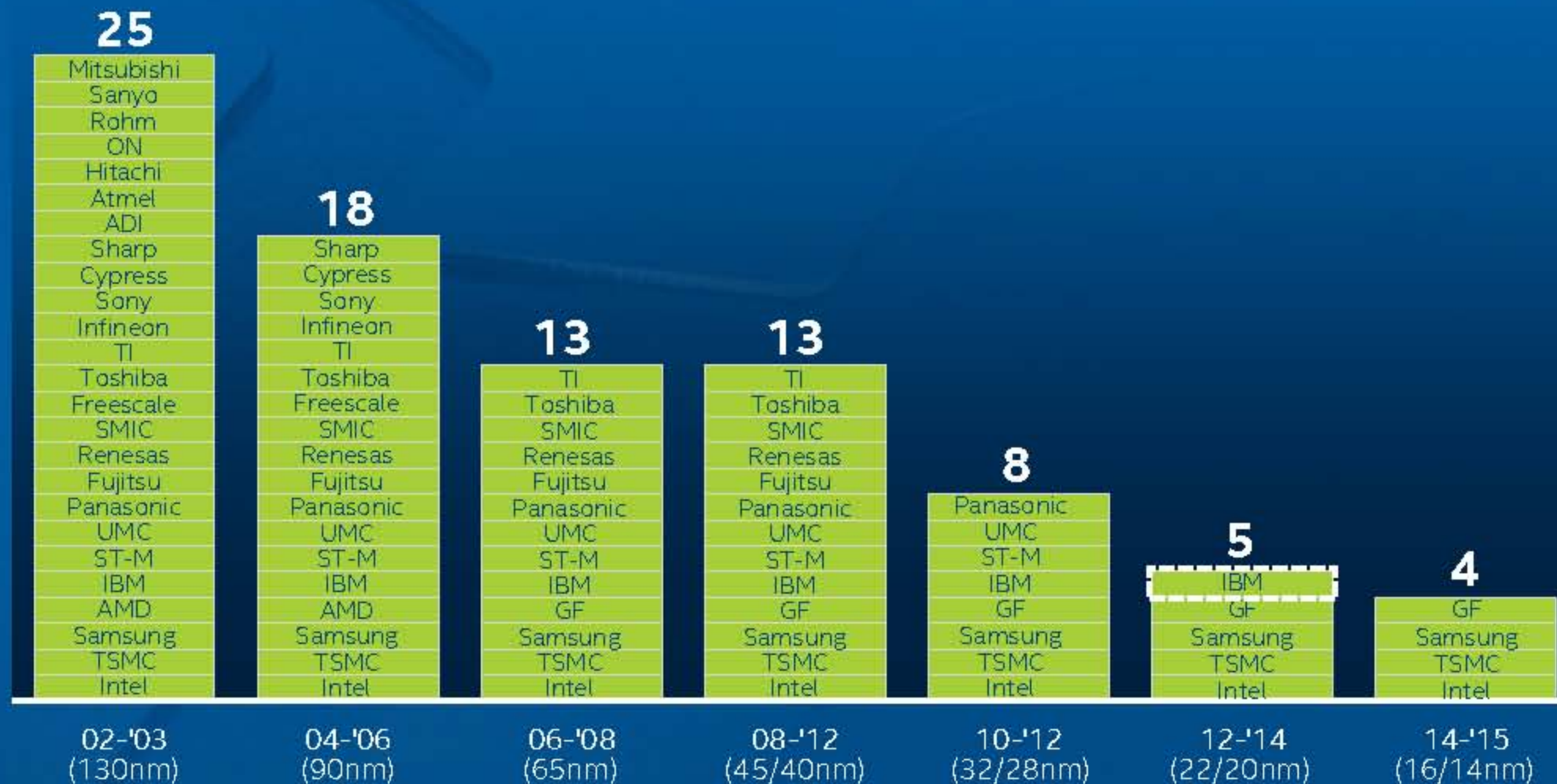
Forecast Range  
60%- 64%



\*The 2014 forecast is based on Q1-Q3'14 actuals plus the midpoint of the Q4'14 forecast.  
Forecast range is based on current expectations and is subject to change without notice.  
Source: Intel

# Si technology is becoming rare

## Number of players with a leading edge fab





Our Competitive Advantage 1: IP

Key Segments of Our Business

Our Competitive Advantage 2: Manufacturing

Cash and Shareholder Return

# Strong Cash Generation





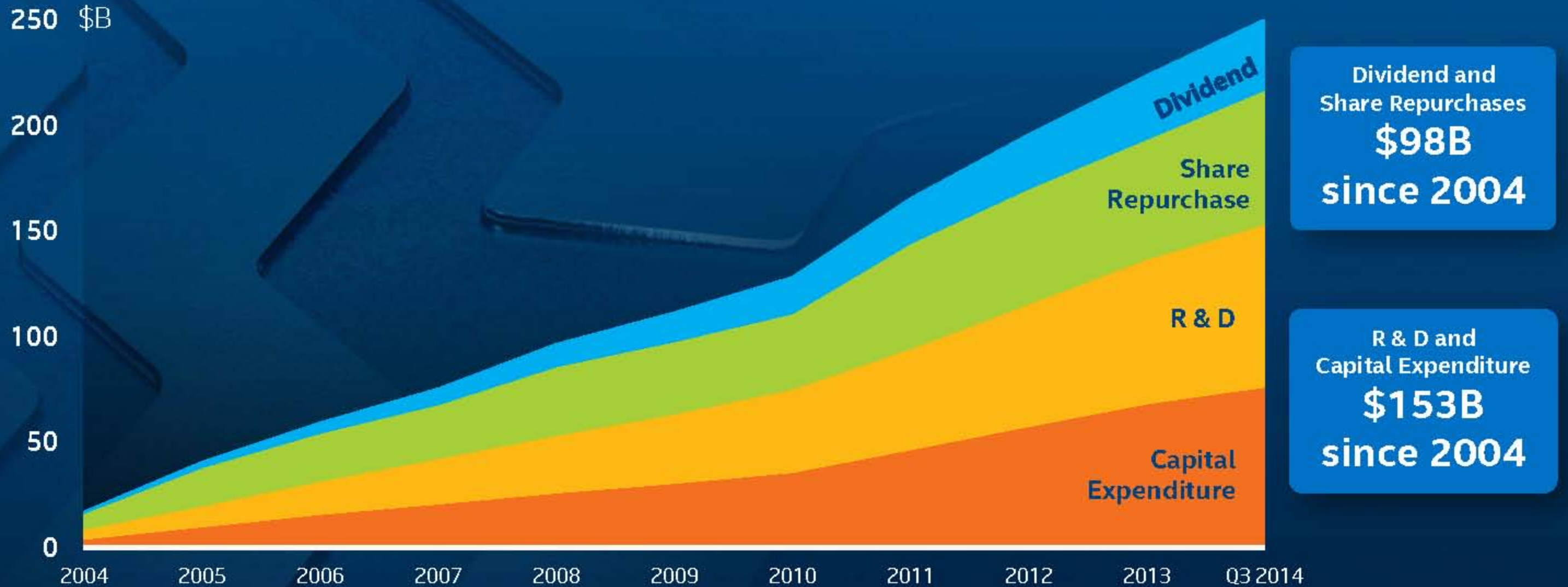
# Investing and Returning Cash to Shareholders

*First:* **Invest in our business**

*Second:* **Dividend**

*Third:* **Share Repurchases**

# Investing and Returning Cash to Shareholders





# Announcing Dividend Increase Starting in Q1 '15



# Buyback History (Q1 '04 to Q3 '14)

## Dilutive Shares



Buyback program in place since 1990

Returned ~\$98B cash and repurchased 4.6B shares from inception

Last 5 years returned \$29B in cash and repurchased 1.2B shares



# Putting It All Together

## *2015 Full Year Outlook*

Revenue Growth in the Mid Single Digits

Gross Margin at 62% (+/- 2 points)

Spending at \$20B (+/- \$400M)  
Spending as a Percent of Revenue Down

Capital Spending at \$10.5B (+/- \$500M)

# Key Messages

Return to growth in 2014

IP and Manufacturing leadership are increasingly valuable advantages

Exquisitely positioned to benefit from cloud and big data

We are investing in our business and returning cash to shareholders





INVESTOR MEETING 2014

Q&A



INVESTOR MEETING 2014

SANTA CLARA NOVEMBER 20



# Legal Disclaimers

Software and workloads used in performance tests may have been optimized for performance only on Intel microprocessors. Performance tests, such as SYSmark and MobileMark, are measured using specific computer systems, components, software, operations and functions. Any change to any of those factors may cause the results to vary. You should consult other information and performance tests to assist you in fully evaluating your contemplated purchases, including the performance of that product when combined with other products.

All dates, forecasts and products specified in this presentation are subject to change without notice. This presentation will not be updated to reflect any such changes.

Copyright 2014 Intel Corporation.

\*Other names and brands may be claimed as the property of others.



# Risk Factors

The statements in the presentations and other commentary that refer to plans and expectations for the fourth quarter, the year and the future are forward-looking statements that involve a number of risks and uncertainties. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will,” “should” and their variations identify forward-looking statements. Statements that refer to or are based on projections, uncertain events or assumptions also identify forward-looking statements. Many factors could affect Intel’s actual results, and variances from Intel’s current expectations regarding such factors could cause actual results to differ materially from those expressed in these forward-looking statements. Intel presently considers the following to be important factors that could cause actual results to differ materially from the company’s expectations.

- Demand for Intel’s products is highly variable and could differ from Intel’s expectations due to factors including changes in the business and economic conditions; consumer confidence or income levels; customer acceptance of Intel’s and competitors’ products; competitive and pricing pressures, including actions taken by competitors; supply constraints and other disruptions affecting customers; changes in customer order patterns including order cancellations; and changes in the level of inventory at customers.
- Intel’s gross margin percentage could vary significantly from expectations based on capacity utilization; variations in inventory valuation, including variations related to the timing of qualifying products for sale; changes in revenue levels; segment product mix; the timing and execution of the manufacturing ramp and associated costs; excess or obsolete inventory; changes in unit costs; defects or disruptions in the supply of materials or resources; and product manufacturing quality/yields. Variations in gross margin may also be caused by the timing of Intel product introductions and related expenses, including marketing expenses, and Intel’s ability to respond quickly to technological developments and to introduce new features into existing products, which may result in restructuring and asset impairment charges.
- Intel operates in highly competitive industries and its operations have high costs that are either fixed or difficult to reduce in the short term.
- The declaration and rate of dividend payments and the amount and timing of Intel’s stock buyback program are at the discretion of Intel’s board of directors, and plans for future dividends and stock buy backs and could be affected by changes in Intel’s priorities for the use of cash, such as operational spending, capital spending, acquisitions, and because of changes to Intel’s cash flows and changes in tax laws.
- Intel’s expected tax rate is based on current tax law and current expected income and may be affected by the jurisdictions in which profits are determined to be earned and taxed; changes in the estimates of credits, benefits and deductions; the resolution of issues arising from tax audits with various authorities, including payment of interest and penalties; and the ability to realize deferred tax assets.
- Gains or losses from equity securities and interest and other could vary from expectations depending on gains or losses on the sale, exchange, change in the fair value or impairments of debt and equity investments; interest rates; cash balances; and changes in fair value of derivative instruments.
- Intel’s results could be affected by adverse economic, social, political and physical/infrastructure conditions in countries where Intel, its customers or its suppliers operate, including military conflict and other security risks, natural disasters, infrastructure disruptions, health concerns and fluctuations in currency exchange rates.
- Intel’s results could be affected by the timing of closing of acquisitions, divestitures and other significant transactions.
- Intel’s results could be affected by adverse effects associated with product defects and errata (deviations from published specifications), and by litigation or regulatory matters involving intellectual property, stockholder, consumer, antitrust, disclosure and other issues. An unfavorable ruling could include monetary damages or an injunction prohibiting Intel from manufacturing or selling one or more products, precluding particular business practices, impacting Intel’s ability to design its products, or requiring other remedies such as compulsory licensing of intellectual property.

A detailed discussion of these and other factors that could affect Intel’s results is included in Intel’s SEC filings, including the company’s most recent Form 10-Q, Form 10-K and earnings release.