



**Intel CEO Bob Swan Prepared Remarks
Q3'20 Earnings Webcast
Oct. 22, 2020**

“We delivered solid third-quarter revenue and profitability, despite increasing COVID-driven headwinds affecting significant portions of our business. Led by strong consumer notebook demand and continued cloud growth, we generated \$18.3 billion in revenue and delivered \$1.11 in EPS. We exceeded our top-line expectation by \$133 million dollars and our bottom-line expectation by one cent. I am incredibly proud of our employees’ performance through these challenging conditions. Our team has shown tremendous perseverance and has really come together as One Intel to deliver for our customers.

“Over the last couple of years, we have been focused on three critical priorities: improving our execution to strengthen our core business, extending our reach to accelerate the growth of the company and continuing to thoughtfully deploy your capital. Let me discuss our third-quarter progress.

“First, improving our execution to strengthen our core business. This quarter we launched our 11th Gen Intel® Core™ processors with Intel Iris Xe® graphics, code-named ‘Tiger Lake.’ This is the world’s best processor for thin-and-light notebooks. In real-world workloads versus competitive products, Tiger Lake delivers up to 2.7x faster content creation, 20 percent faster office productivity and more than 2x faster gaming plus streaming¹. I’m excited to announce that we now expect 100 Tiger Lake-based designs in market by the end of this year – double the expectation we provided in April. Tiger Lake is a shining example of the product leadership we can deliver for our customers through our six pillars of technology innovation. Breakthrough architectural improvements in CPU, graphics, AI and software combined with our newest 10nm-based technology ‘SuperFin,’ which delivers the largest single intranode performance improvement in our history.

“Accompanying the Tiger Lake launch we also updated our master brand and debuted a new platform brand, ‘Evo.’ Based on 11th Gen Core, Evo designs sport the sleekest thin-and-light form factors with premium connectivity, audio and video. Each Evo notebook is verified to deliver consistent responsiveness, outstanding real-world battery life, instant wake and fast charging. We expect our customers to have 40 Evo designs in market by the end of the year.

“Turning to our data center business. We and our customers are excited about the upcoming launch of our 3rd Gen Intel® Xeon® Scalable product, ‘Ice Lake.’ We’re targeting qualification at the end of Q4 with volume ramp shortly after in Q1. Recently, Oracle announced that they plan to leverage the computing performance of Ice Lake for the next generation of cloud-based, high-performance computing instances within Oracle Cloud Infrastructure. The combination of 3rd Gen Intel Xeon Scalable processors and other improvements in Oracle’s new X9 Generation instance can drive up to 30 percent higher performance gains on certain workloads compared with the existing X7 Generation instances.

“CPUs are foundational to our business, but we are also adding a range of other processing engines, or XPU’s, to our portfolio. We’ve made great strides in graphics and are now scaling our graphics architecture from integrated to discrete levels of performance. Our first discrete GPU, ‘DG1,’ is shipping now and will be in systems from multiple OEMs later in Q4. We also powered-on our next-generation



GPU for Client, 'DG2.' Based on our Xe high-performance gaming architecture, this product will take our discrete graphics capability up the stack into the enthusiast segment.

"Beyond the CPU and the GPU, our customers tell us that they want a diverse range of AI solutions to fit every power level and performance need – from the intelligent edge to the data center. For the most demanding AI workloads our customers are looking for purpose-built XPU's that leverage a standard-based programming environment. With that in mind, we acquired Habana Labs almost a year ago. We've integrated Habana with our platform capabilities and added software resources so that we can deliver game-changing capability to the performance tier of the data center market. Habana's inference card is now in volume production and shipping to customers. We're also in proof-of-concepts with several major cloud service providers on Habana's training card.

"In addition to our architectural advancements and process improvements with SuperFin, we've also advanced our packaging technologies. Several weeks ago, the U.S. Department of Defense awarded us the second phase of its State-of-the-Art Heterogeneous Integration Prototype program, or 'SHIP.' The SHIP program enables the U.S. government to access Intel's state-of-the-art semiconductor packaging capabilities in Arizona and Oregon and to take advantage of capabilities created by Intel's tens of billions of dollars of annual R&D and manufacturing investment.

"Software is essential for product leadership, which is why we have more than 15,000 software engineers working across the stack from BIOS to application optimization. As an example, we have dedicated software experts who optimize key workloads using our hardware capabilities. Through these efforts, we have increased the performance of top data center workloads, such as the NAMM molecular dynamics simulation code used in the fight against COVID-19 by 1.8x via AVX-512, and natural language processing using BERT model by 6.8x via a range of software optimizations. Additionally, we have been working closely with the ecosystem on the open standard oneAPI effort as part of the XPU transformation. With oneAPI, we are creating an open, unified software architecture that can support the variety of XPU's that our customers demand. We've made tremendous progress with developers and released Spec 1.0 of oneAPI in the third quarter and are on-track to have the gold release of oneAPI software in the fourth quarter of this year.

"Second, we're focused on extending our reach to accelerate our growth. We are actively executing against a diversified growth strategy, and now have several multibillion-dollar businesses fueled by data and the rise of artificial intelligence, 5G network transformation and the intelligent, autonomous edge. We built these businesses by positioning the company to grow share in the largest market opportunity in our history, in a world where everything increasingly looks like a computer. Our ambitions are much greater, and to realize them we must play a larger role in our customers' success. Here are some recent examples.

"We created OpenVINO™ in 2018 so that developers could quickly accelerate applications with deep learning inference in solutions deployed from edge to cloud. In the third quarter, our OpenVino download rate was more than double our peak last year, and we've now seen our OpenVINO-related edge design wins scale more than 5x in the first half of this year versus the same time last year. And we're only beginning to realize the opportunities created by 5G. As communications service providers evolve their networks to support the rollout of future 5G networks, they are increasingly adopting a software-defined, virtualized infrastructure. This quarter, Verizon successfully completed the world's



first fully virtualized end-to-end 5G data session, leveraging Intel's vast portfolio of products, including Xeons, FPGAs, Ethernet cards and FlexRAN SW reference architecture, and our years of experience in virtualization.

"We continue to see excellent customer momentum in our Mobileye business. Year-to-date, we now have 29 new design wins for more than 26 million lifetime units. Following last quarter's landmark design win with Ford, we announced collaborations with Geely, AHG and WILLER. Geely Auto Group, the largest privately-held auto manufacturer in China, unveiled its new electric vehicle featuring Mobileye's SuperVision™ surround-view for hands-free ADAS solution, starting in late 2021. We expanded our mobility-as-a-service collaborations network with two important partnerships: the first is with AI Habtoor Group from the UAE; second, with WILLERS Japan to propel the deployment of autonomous vehicles and mobility-as-a-service. Mobileye is also the first of our IOTG businesses to return to pre-COVID levels, as global vehicle production improved in the third quarter.

"Finally, we are always mindful of our role in thoughtfully allocating your capital. This week, we signed an agreement to sell SK hynix our NAND memory business for \$9 billion. We believe this a fantastic win-win transaction that allows us to focus our energy and investment in differentiated technologies where we can play a bigger role in the success of our customers and deliver attractive returns to our shareholders. At the same time, SK hynix can build on the success of our NAND technology at a greater scale and grow the memory ecosystem to the benefit of our data center customers, partners and employees. We are retaining our Intel® Optane™ technology and intend to continue investing, developing and scaling the Optane business.

"We've also significantly improved supply for our customers. We've expanded our capacity by more than 25% in 2020 and currently have three high-volume fabs producing 10nm to meet our customer demands.

"Earlier this quarter, we also entered into accelerated share repurchase agreements to repurchase \$10 billion in stock. Following this repurchase we will have completed approximately \$17.6 billion of the \$20 billion repurchase commitment we made in October 2019. We have a very strong balance sheet. And even as macroeconomic uncertainty persists, we are confident in our long-term strategy and the value we can create as we grow our business.

"Finally, let me share a few thoughts about the guiding principles we use to deliver the most value for our customers. Our overarching and most important priority is to deliver a predictable cadence of leadership products. A few years ago, we decided that an architectural shift to die disaggregation enabled by our differentiated, advanced packaging would be a potent tool for employing the best technologies that we and the ecosystem can provide. We also realized that delivering on that promise meant engaging the ecosystem in a different way: treating equipment and EDA providers and third-party foundries not as suppliers but as strategic partners that we can learn from and that can help us solve customer problems. Now we have more flexibility in whether we make or buy ... or whether we make for others. Many of our future products can no longer be described as manufactured inside or outside, or as being a large core or small core product. These products will take advantage of hybrid architectural approaches and the universe of IP developed both inside and outside the walls of Intel.



“That said, we have and do get great benefits from internal manufacturing. We call it our IDM advantage because it provides us attractive economics, co-optimization of design and process technology development, and supply assurance. So, as we engage the ecosystem more broadly, we want to preserve some of the advantages of IDM like schedule, performance and supply as we work with our strategic partners.

“Finally, I want to reiterate our intention to continue investing in leading process technology development to bring future process nodes and advanced packaging capabilities to market. This is a powerful force in creating future differentiation for our products and provides tremendous option value for our business.

“As I look to the next several years of products, I’m excited about the products we have coming. We are now sampling our 2021 client CPU, ‘Alder Lake,’ and will be sampling our 2021 data center CPU, ‘Sapphire Rapids,’ later in the fourth quarter. Both will deliver significant capabilities enabled by our six pillars of innovation, including our Enhanced SuperFin technology. We have another great lineup of products in 2022, and I’m increasingly confident in the leadership our 2023 products will deliver on either Intel 7nm or external foundry process – or a combination of both. I look forward to providing a further update in the January call. ...”

“Before we get to your questions, just a little context on the year. 2020 has been the most challenging year in my career -- with a global pandemic, geopolitical tensions challenging business principles of globalization and social unrest. Despite all this, we expect to deliver the best year in our storied 52-year history. We plan to grow revenue by \$1.8 billion more than our January expectations, even as COVID has significantly impacted our business mix. Full-year gross margin will be down approximately 2 points versus our January expectation, primarily driven by acceleration of 10nm-based products and a change in mix of products in a work-from-home/study-from-home environment. We’ve maintained spending discipline even as we invest in our workforce, communities and supply chain to combat COVID. And the decision we made to sell our NAND business will drive 1 to 2 points of non-GAAP gross margin accretion next year. Finally, we are mindful of your capital and made decisions to increase shareholder value through our ASR and increased dividend and prudent management of our Intel Capital portfolio. Nine months into 2020, we now expect to beat our January FCF guide by \$1.5 billion to \$2 billion.

“In closing, I want to thank all our employees who are working through difficult circumstances to deliver these financial commitments and support our customers.”

¹ For more complete information about performance and benchmark results, visit [intel.com/11thgen](https://www.intel.com/11thgen).

Forward-Looking Statements

Statements in these prepared remarks that refer to business outlook, future plans, and expectations are forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipate," "expect," "intend," "goals," "plans," "believe," "seek," "estimate," "continue," "committed," "on-track," "positioned," "launching," "may," "will," "would," "should," "could," "to be," and variations of such words and similar expressions are intended to identify such forward-looking statements. Statements that refer to or are based on estimates, forecasts, projections, uncertain events or assumptions, including statements relating to total addressable market (TAM) or market opportunity; future impacts of the COVID-19 pandemic; future macroeconomic conditions; future products and technology and the expected availability and benefits of such products and technology, including with respect to our 10nm and 7nm process technologies, products and product volumes, and with respect to use of external foundry process; the pending sale of our NAND memory business to SK hynix, including its future financial impacts; the settlement of our accelerated share repurchase agreements; expectations regarding capital return



practices and share repurchases; supply expectations; business and investment plans; and anticipated trends in our businesses or the markets relevant to them; also identify forward-looking statements. Such statements are based on management's expectations as of October 22, 2020 and involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these forward-looking statements. Important factors that could cause actual results to differ materially from the company's expectations are set forth in Intel's earnings release dated October 22, 2020, which is included as an exhibit to Intel's Form 8-K furnished to the SEC on such date. Risks and uncertainties related to the pending sale of our NAND memory business to SK hynix are described in Intel's Form 8-K filed with the SEC on October 20, 2020. Additional information regarding these and other factors that could affect Intel's results is included in Intel's SEC filings, including the company's most recent reports on Forms 10-K and 10-Q. Copies of Intel's Form 10-K, 10-Q and 8-K reports may be obtained by visiting our Investor Relations website at www.intc.com or the SEC's website at www.sec.gov.

All information in these prepared remarks reflects management's views as of October 22, 2020. Intel does not undertake, and expressly disclaims any duty, to update any statement made in these prepared remarks, whether as a result of new information, new developments or otherwise, except to the extent that disclosure may be required by law.

Reconciliation of Non-GAAP Measures

These prepared remarks contain non-GAAP financial measures. Please refer to "Explanation of Non-GAAP Measures" in Intel's earnings release dated October 22, 2020 for a detailed explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide investors with useful supplemental information.

	Three Months Ended
	Sept. 26, 2020
GAAP diluted earnings per common share	\$1.02
Acquisition-related adjustments	0.09
Restructuring and other charges	(0.01)
(Gains) losses from divestiture	—
Ongoing mark-to-market on marketable equity securities	0.03
Income tax effect	(0.02)
Non-GAAP diluted earnings per common share	\$1.11