



Intel Executive Remarks
Q4'20 Earnings Webcast
Jan. 21, 2021

Omar Ishrak, Intel chairman:

“Good afternoon, everyone. Thank you for joining us.

“As you’ve heard, Intel has been in the midst of a major transformation to strengthen our CPU franchise while evolving into a multi-architecture XPU company. The business is well positioned to capitalize on key technology inflections and extend our reach into fast-growing markets. Under Bob Swan’s leadership, Intel has made significant progress on this strategy and once again delivered record results in the past year, which Bob and George Davis will detail shortly.

“Before that, I’d like to say a few words about the CEO transition we announced last week. This decision came after very careful consideration and planning by the board and in partnership with Bob.

“Pat Gelsinger will rejoin Intel on Feb. 15 as our new CEO and a member of our board. Bob will remain in his role until then and will work with Pat to ensure a seamless transition. On behalf of the entire Intel team and board of directors, I would like to thank Bob for his leadership and significant contributions through this period of transformation for Intel. The company faced challenging issues when Bob took over and he has been a fantastic leader. Bob clarified Intel’s growth strategy, re-energized its culture and made significant progress on improving execution. He leaves Intel in a strong strategic and financial position and we deeply appreciate his ongoing guidance during this transition.

“Last week, Bob and I introduced Pat to Intel employees around the world who gave him a very warm welcome. We believe this is the right time to make this change, and we are confident Pat is the right person to lead Intel forward.

“In addition to deep technology expertise and unique insights on Intel’s technology evolution based on 30 years as a leader here, Pat brings a distinguished record of driving growth and performance, and shareholder returns. He lives by our values-based cultural leadership approach and has a hyper-focus on talent development and operational execution.

“In sum, the board is confident that Pat, together with the rest of the leadership team and our incredible, dedicated 110,000 employees around the world, will ensure strong execution of Intel’s strategy, will build on its record of product leadership and will capitalize on the significant opportunities ahead to create long-term shareholder value.



“While he does not officially step into the role for another few weeks, he has kindly agreed to join us today so you will get to hear some of his initial observations, with more to come after he officially takes over on Feb. 15. With that, I'd like to turn it over to Pat for a few words.”

Pat Gelsinger:

“Thanks, Omar, for the kind introduction. It's a pleasure to be here with you all today. I am thrilled and humbled to be coming home to my dream job as Intel CEO. I was only 18 when I first joined Intel, and I am proud to say I spent the following 30 years learning from such industry giants as Andy Grove, Gordon Moore and Robert Noyce.

“My experience at Intel has shaped my entire career, and I am forever grateful for the opportunity to now lead this great company. I have tremendous regard for Intel's rich history of innovation and the world-changing technologies invented here that now power the world's digital foundation. I can't wait to help lead this great technology innovator during a critical time of change and disruption.

“I know you're all very anxious to hear more from me on our long-term plans, and I'll be sharing my detailed perspectives after I assume my new role mid-February. That said, I do want to provide my views specifically on 7-nanometer progress. I had the opportunity to personally examine progress on Intel's 7nm technology over the last week. Based on initial reviews, I am pleased with the progress made on the health and recovery of the 7nm program. I am confident that the majority of our 2023 products will be manufactured internally. At the same time, given the breadth of our portfolio, it's likely that we will expand our use of external foundries for certain technologies and products. We will provide more details on this, and our 2023 roadmap, once I fully assess the analysis that has been done and the best path forward.

“Bob and George will walk you through the financials and provide guidance for the first quarter shortly. We are holding off on providing guidance for the full year until I join, but we will do so in a timely fashion, no later than on our next earnings call in April.

“Looking ahead, the world is becoming more digitally connected, expanding the market in front of us. Intel is the only semiconductor company in the world that has the depth of intelligent silicon, platform vision, design and manufacturing capabilities, and scale that our customers need to fuel their next-generation innovations.

“There is enormous opportunity ahead for Intel, but to be able to seize these opportunities, we have to deliver the best products and stay ahead of our customers' needs. We need to become more agile in a very competitive market. We need to execute flawlessly and deliver on our commitments. We need to passionately innovate with boldness and speed. Intel culture and values must be healthy and vibrant, assuring our ability to attract and retain the best engineering talent in the world.

“I look forward to working with the incredibly talented global Intel team and industry partners to continue delivering the best technologies for our customers around the world. I also look



forward to engaging with you, our shareholders, in the coming months to hear your perspectives and discuss our vision and strategy for Intel. We will position this company for sustained growth and leadership for our industry, our country and an increasingly digital world.

"I also want to extend my deepest respect and appreciation to Bob for his leadership and significant contributions to Intel through this critical period. I'm just starting to dive into the business, but already am confident that the strong foundation and progress achieved under his leadership put us on the right track to build on Intel's great history and to create value for our customers and shareholders in the years to come.

"Thanks again, Bob – over to you."

Bob Swan, Intel CEO:

"Thanks, Pat, and welcome back to Intel.

"It has been an honor to lead this incredible company and its talented team. It gives me great confidence in Intel's future knowing that I will be passing the baton to Pat, whose technology expertise, industry knowledge, execution track record and commitment to our company is indisputable.

"Over the last two years, we made significant progress on our strategy to transform Intel into a multi-architecture XPU company, to move from silicon to solutions, and to contemporize our IDM model. I am proud of what we were able to achieve together as an Intel team in a relatively short period of time, and echo Omar's words that Intel is in a strong strategic and financial position as we make this transition.

"As demonstrated by the results we announced today, demand for Intel's innovative technologies remains very strong, and our investments to capitalize on future growth opportunities are paying off.

"Our Q4 results significantly exceeded our expectations, capping off our fifth consecutive year of record revenue. We generated \$20 billion in revenue and \$1.52 in EPS, exceeding our guidance by \$2.6 billion and 42 cents, respectively. For the full year, we delivered \$77.9 billion in revenue, up 8 percent, and \$5.30 in EPS, up 9 percent. The client, data center, memory and Mobileye businesses each set all-time revenue records.

"In Q4, we continued to advance our three strategic priorities: improving our execution to strengthen our core business, extending our reach to accelerate growth and redefine our position in the industry, and continuing to thoughtfully deploy capital to create value for our shareholders. Let me briefly discuss some of the highlights.



“Starting with improving our execution to strengthen our core business. Let me start with an update on process technology and our product roadmap. Over the last few years, we’ve been evolving the IDM model to ensure we can deliver a predictable cadence of leadership products, preserve our IDM advantage, continue to invest in process technology leadership and generate attractive returns on capital. This evolution includes a disaggregated design strategy; adoption of standard industry processes and common tools, flows and methods; and deeper engagement with the industry ecosystem.

“In July, we highlighted a challenge with our 7nm technology and started a process to improve it, while evaluating the best approach for our 2023 product lineup.

“Since that time, we have made tremendous progress on our 7nm technology. When 7nm was originally defined, the flow contained a particular sequence of steps that contributed to the defect issue we discussed in July. By re-architecting these steps, we’ve been able to resolve the defects. As part of this work over the last 6 months, we also streamlined and simplified our 7nm process architecture to better ensure we will be able to deliver on our 2023 product roadmap. The inline data we have been collecting and our pipeline of proven yield development projects gives us confidence in our ability to deliver on our commitments going forward.

“At the same time, as Pat mentioned, we will continue to leverage the relationships we’ve developed over the years with our external foundry partners and we believe they can play a larger role in our product roadmap given our disaggregated designs.

“Once Pat has had a chance to join, he’ll further assess our analysis and drive the final manufacturing decision for our 2023 CPU products. Therefore, we will communicate that decision soon after he takes over, but not today.

“Turning to products, we’ve qualified several new products in the fourth quarter, and we have an incredibly exciting lineup of CPUs for ’21 and ’22. Just a couple weeks ago at CES, we introduced more than 50 processors resulting in more than 500 new designs for laptops and desktops coming to market in 2021.

“We are also seeing tremendous market response for PCs based on our new 11th Gen Intel® Core™ ‘Tiger Lake’ processors. Our PC customers now have more than 150 Tiger Lake-based systems in the market – well ahead of expectations. We believe we gained market share as PC CPU units grew an impressive 33 percent in the quarter. In a market where competitors are seeing supply challenges, this is a powerful example of the incredible value and scale of our factory network as we continue to deliver greater performance and cost efficiencies for our customers.

“Moving to data center, we are now shipping our first 10nm-based Intel® Xeon® Scalable CPU, ‘Ice Lake,’ and will be ramping volume through the first quarter. Customers are going to see significant value in Ice Lake across cloud, network and edge workloads with excellent



performance improvement and innovations such as PCIe Express Gen4, next-generation Intel® Optane™ persistent memory and security enhancements, such as SGX.

“As we look ahead, we are excited about the capabilities we are bringing to customers with ‘Alder Lake’ for mobile and desktop PCs and ‘Sapphire Rapids’ for the data center. These products take advantage of our enhanced SuperFin process technology and numerous architectural improvements, and both are broadly sampling to customers. We will qualify Alder Lake desktops and notebooks for production and begin our volume ramp in the second half of 2021. We expect production qualification of Sapphire Rapids at the end of 2021.

“In the expanded market opportunity in front of us, CPUs are critical, but multiple architectures, or XPU, will be required to help customers optimize for specific workloads.

“We had a big XPU leap in the fourth quarter as we entered the discrete graphics market with Intel® Iris® Xe MAX graphics, Intel’s first Xe-based discrete GPU. We are now shipping discrete graphics into thin-and-light notebooks from Acer, Asus and Dell. And, we introduced our first discrete GPU for the data center, which is already delivering great cloud gaming experiences for customers, such as Tencent.

“We also announced the gold release of oneAPI, our cross-industry, open, standards-based unified programming model that delivers a common developer experience across architectures.

“Second, we’ve made strong progress extending our reach to accelerate our growth. Over the past several years, we have been making investments that have positioned us to lead key technology inflections such as AI, 5G network transformation and the intelligent, autonomous edge.

“We infuse AI capabilities into everything we make, from the cloud to PCs, and we see tremendous growth prospects as we build our position in data center training to complement the strength of our Intel Xeon for inference. We made a significant step in AI this quarter when Amazon announced EC2 instances that will leverage up to eight of our Habana Gaudi® AI training accelerators and deliver up to 40 percent better price performance than current GPU-based EC2 instances for machine learning workloads.

“We’ve also invested to drive networking workload convergence on Intel silicon. In 2020, we expanded our footprint into the radio access network, delivering Xeon, SoCs, FPGAs and custom solutions for 5G base station designs and reaching our goal of 40 percent share two years ahead of our original target. Today, we are the leading network silicon provider, winning in wireless, enterprise and cloud networks, and delivering \$6 billion in revenue this year, up approximately 20 percent versus 2019.



“We have enviable assets to lead the explosive growth of intelligent and autonomous edge computing. Our IOTG and Mobileye businesses have a combined annual revenue of \$4 billion. Mobileye delivered a record fourth quarter and had an explosive start to 2021 with a number of exciting CES announcements.

“Third, we maintained our discipline in thoughtfully allocating our shareholders’ capital. Since 2015, we have grown revenue by more than \$22 billion and more than doubled EPS. We’ve driven spending from 36 percent of revenue to 25 percent of revenue, while investing in manufacturing capacity expansion, adding more than \$1 billion of R&D targeted to higher growth initiatives and focusing our product portfolio. As a result, we anticipate approximately \$12 billion in proceeds from our NAND and McAfee exits over time. At the same time, we’ve been delivering substantial capital returns to shareholders, including \$19.8 billion in 2020 alone through dividends and share buybacks, the latter of which included a \$10 billion accelerated share repurchase announced in August. Building on this, today we announced that we are increasing our annual dividend by 7 cents, or 5 percent, from \$1.32 to \$1.39 per share.

“Before I pass it to George for more details on our fourth-quarter results, I want to reiterate that I couldn’t be more proud of the team at Intel and I cherish the time I have spent here. I look forward to watching Pat and the team’s continued progress as they build on Intel’s purpose to deliver breakthrough technology that enriches the lives of everyone on the planet. I also thank our investors and analysts on the line today for their continued support of Intel, and for our valued engagements over the years.”

NOTE: Please refer to Intel's earnings presentation on www.intc.com for an overview of Q4'20 and FY'20 financial results.

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," "prospects," "going to," "roadmap," 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 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; manufacturing plans, goals, and future progress; future announcements; the pending sale of our NAND memory business to SK hynix; our McAfee exit; expectations regarding capital return practices and share repurchases; supply expectations; 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 January 21, 2021 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 January 21, 2021, which is included as an exhibit to Intel's Form 8-K furnished to the SEC on such date. 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 January 21, 2021. 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 January 21, 2021 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
	Dec. 26, 2020
GAAP diluted earnings per common share	\$1.42
Acquisition-related adjustments	0.09
Restructuring and other charges	0.02
(Gains) losses from divestiture	—
Ongoing mark-to-market on marketable equity securities	0.01
Income tax effect	(0.02)
Non-GAAP diluted earnings per common share	\$1.52
	Twelve Months Ended
	FY'2020
	Dec. 26, 2020
GAAP diluted earnings per common share	\$4.94
Acquisition-related adjustments	0.33
Restructuring and other charges	0.05
(Gains) losses from divestiture	—
Ongoing mark-to-market on marketable equity securities	0.03
Income tax effect	(0.05)
Non-GAAP diluted earnings per common share	\$5.30