Comments from CEO Lip-Bu Tan and CFO Dave Zinsner

Intel's chief executive officer and chief financial officer offer comments after the company released its first-quarter 2025 earnings.

The following are the prepared remarks provided on Intel's first-quarter 2025 earnings conference call held at 2 p.m. PDT on April 24, 2025. These remarks include forward-looking statements that are based on the environment as seen by the company as of the time of the call and, as such, are subject to various risks and uncertainties. They also contain references to non-GAAP financial measures that the company believes provide useful information to investors. Refer to the company's earnings release for the first-quarter 2025, most recent annual report on Form 10-K and other filings with the SEC for more information on the risk factors that could cause actual results to differ materially from the company's expectations and additional information on non-GAAP financial measures, including reconciliations where appropriate to the corresponding GAAP financial measures.

April 24, 2025 – Lip-Bu Tan, chief executive officer of Intel (bio):

I joined Intel five weeks ago. The reason I am here is simple: I love our company. I saw the challenges we were facing. And I could not sit on the sidelines knowing I had an opportunity to turn things around and put us back on a path to gain market share and drive sustainable growth.

Q1 was a step in the right direction. Driven by Dave's and Michelle's (CFO Dave Zinsner and Michelle Johnston Holthaus, CEO of Intel Products) leadership, we delivered revenue, gross margins and EPS (earnings per share) above our guidance. I want to thank them both, as well as our teams, for the good execution, especially with the ongoing macroeconomic uncertainty.

Our goal now is to build on this progress, but it won't be easy. There are many areas we need to improve, and there are no quick fixes. We must remain laser-focused on execution. One of my biggest learnings so far is that we need to fundamentally transform our culture and the way in which we operate. Organizational complexity and bureaucracy have been suffocating the innovation and agility we need to win. It takes too long for decisions to get made. New ideas and the people who generate them have not been given the room or resources to incubate and grow. And unnecessary silos have led to bad execution.

I'm here to fix this. We are taking swift actions to simplify the way we do business and drive transparency and accountability across the company. We will empower smaller teams to move faster and make better decisions. And we will significantly reduce the number of layers that get in their way.

As a first step, I have flattened the structure of my leadership team. All critical product, manufacturing and G&A (general and administrative) functions, which were spread over two or three layers, are now directly reporting to me. This will allow me to get closer to our product and engineering groups and work directly with them to close gaps with competition more quickly.

I will apply the same streamlining approach across the company with a focus on empowering our engineering talent to create great products and make it easier for customers to do business with us. To accelerate this simplification, we are taking more costs out of the business and lowering our CY25 (complete year 2025) and CY26 OpEx (operating expenses) targets. We now expect OpEx of $17 billion this year and $16 billion next year. In addition, as we continue to identify ways to operate our manufacturing network more efficiently, I have directed our teams to find an additional $2 billion of savings in our gross CapEx (capital expenditures). Taking our target for this year to $18 billion. We will continue to take a closer look at our existing factory footprint to ensure that we are making the most efficient use of our installed capacity before committing to any additional spending.

I will continue to make the needed investments to re-ignite innovation, even as we reduce our overall expenses, by minimizing projects and programs that have been taking attention away from our core client and server businesses. This will include revitalizing our engineering core. I am rebuilding our engineering talent pool with urgency, by promoting strong leaders internally, bringing back critical lost talent and recruiting new people.

In addition, we are mandating a four-day-per-week return to office policy, effective Q3 2025. I know firsthand the power of teamwork and this action is necessary to re-instill a more collaborative work environment, improve efficiency and boost innovation. By eliminating inefficiencies and transforming how we do business, I strongly believe we can reduce our costs while securing our future.

Many of you have asked about my longer-term strategic plan. It is an appropriate question. It's a little too soon for me to provide all the details, but let me share with you my priorities.

First, the best products always win. And it is very important that we refocus on our core franchise to start building best-in-class products again. We have a good foundation. Our ecosystem in client and data center computing is valuable and durable, and we still maintain a large market share in both. My focus will be on ensuring that our teams build products that are highly competitive and meet the needs of our customers as we enter a new era of computing, defined by AI agents and reasoning models.

To achieve this, we are taking a holistic approach and redefining our portfolio to optimize our products for new and emerging AI workloads. We are making necessary adjustments to our product roadmap so that we are positioned to make best-in-class products, while staying laser-focused on execution and ensuring on-time delivery. However, I want to emphasize that there is no quick fix here – these changes will take time. Our goal is to become the platform of choice for our customers. This requires us to radically evolve our design and engineering mindset and anticipate the needs of our customers well in advance. I have received direct feedback from many of our largest customers who are also close personal friends. I am taking this feedback to heart and using it to inform and change our approach to product and platform design.

Second, we need to refine our AI strategy, with a focus on emerging areas of interest. My experience helping successfully fund and incubate many startups in this space provides unique insights that we will leverage in these efforts. Our goal will be to take an integrated system and platform view and to develop full-stack AI solutions that enable more accuracy, power-efficiency and security for our enterprise customers. Our goal will be to enable the next wave of computing defined by reasoning models, agentic AI and physical AI.

Third, we need to build trust with foundry customers. We have a lot of important building blocks in place, including the ramp of Intel 18A in the second half of 2025 to support the launch of our first Panther Lake SKU by year-end, with additional SKUs coming in the first half of 2026. However, I know from my years at Cadence Design that success in the foundry business requires more than process technology and manufacturing capabilities alone. It is first and foremost, a customer-service business built on the foundational principle of trust. And we need to instill a customer-service mindset across our foundry business.

Success in foundry relies on recognizing that each customer uses different design tools, methodologies and styles. As a foundry we need to ensure that our process technologies can be easily used by a variety of customers, each with a unique way of building their products. To do this, we are more rapidly embracing industry standard EDA (electronic design automation) tools and best design practices.

Here again, there is no quick fix, but we will make the necessary changes to our roadmap to deliver on the commitments made to our foundry customers. We must learn to delight our customers by building wafers that meet all their needs for power, performance, area and cost; quality; yield; reliability; and on-time schedule. While we are currently focused on delivering Intel 18A, we are also working closely with customers to define the critical KPIs (key performance indicators) to ensure on-time delivery of Intel 14A.

Lastly, we need to strengthen our balance sheet. Our business is capital intensive, and we have important investments to make at a time when our financial performance is not where it needs to be. This means we need to be prudent with capital.

In addition to the new targets for OpEx and CapEx, we will also look to further monetize non-core assets. I'm very pleased to have Silver Lake as an investor in Altera, and to welcome onboard Raghib (CEO Raghib Hussain) to help drive the business to its potential. In addition, I have made the decision not to spin-out Intel Capital, but to work with the team to monetize our existing portfolio while being more selective on new investments that support the strategy. We need to get our balance sheet healthy and start the process of deleveraging this year.

As we are building a new Intel, you can expect us to work hard, stay humble and drive the necessary changes to delight our customers. My motto has always been to underpromise and overdeliver – and I will not be satisfied until we regain the trust of our customers, put the company on a sustainable path of gaining share and growing revenue, and deliver consistent returns for our shareholders.

Dave Zinsner, chief financial officer of Intel (bio):

Our Q1 results mostly reflected our view entering the year that our two biggest markets were poised for growth. On the client side, the end of service for Windows 10, the expected growing adoption of AI PCs and an aging installed base following the COVID-era refresh pointed to a PC TAM (total addressable market) growing 3-5%. Similarly, on the traditional server side, delayed infrastructure upgrades driven by the rapid adoption of AI servers in 2024 supported double-digit CPU core growth this year on roughly flat units.

More recently, the economic landscape has become increasingly uncertain driven by shifting trading policies, persistent inflation and increased regulatory risk. While we have yet to see a meaningful change in customer buying patterns, we think it prudent to manage the business with a level of conservatism going into the second half of the year.

First quarter revenue was $12.7 billion, coming in at the high end of our guidance range, driven by better-than-expected Xeon sales. Similar to Q4 2024, we believe Q1 revenue benefited from customer purchasing behavior in anticipation of potential tariffs, though it is difficult to quantify the magnitude.

Non-GAAP gross margin was 39.2%, approximately 3 percentage points above our guidance on much stronger-than-expected demand for Raptor Lake combined with improved cost for Meteor

Lake. While we continue to see the mix of AI PCs growing throughout the year, the rate of growth off a lower-than-expected Q1 will be lower.

We delivered first-quarter earnings per share of 13 cents versus our guidance of break-even EPS driven by higher revenue, stronger gross margin and lower operating expenses. I was particularly pleased to see our spending down $400 million sequentially and $700 million year over year as we continue to focus on optimizing our cost structure.

Q1 operating cash flow was $800 million. We had gross CapEx of $6.2 billion with offsets of $1.7 billion in the quarter, resulting in adjusted free cash flow of negative $3.7 billion. We ended the quarter with a cash balance of $21 billion and received $1.1 billion from CHIPs grants and $1.9 billion for the final close of our NAND business sale to SK hynix.

Moving to segment results for Q1. As previewed on our Q4 2024 earnings, we updated our segment reporting for Q1 2025. Details can be found in the appendix to our earnings deck and in our Q1 2025 10-Q. The following commentary reflects the updated segmentation and accompanying re-casted 2024 financials.

Intel Products revenue was $11.8 billion, down 10% sequentially but above our expectations. CCG revenue was down 13% quarter over quarter below typical seasonality and in-line with our expectation with higher-than-expected volumes offset by product mix and competitive pressure. DCAI revenue was down 5% sequentially and above expectations driven by hyperscaler demand for host CPUs for AI servers and storage compute.

Operating profit for Intel Products was $2.9 billion, 25% of revenue and down $632 million quarter over quarter on lower revenue partially offset by reduced operating expenses.

Intel Foundry delivered revenue of $4.7 billion, up 8% sequentially on pull-ins of Intel 7 wafers and increased advanced packaging services.

Intel Foundry operating loss in Q1 was $2.3 billion, roughly flat quarter over quarter and in-line with expectations. Structural cost improvements were offset by startup costs associated with the ramp of products on Intel 18A.

Turning to "All Other": Revenue came in at $943 million and was down 15% sequentially, slightly above expectations. The three primary components of All Other are Mobileye, Altera and IMS. Collectively the category delivered $103 million of operating profit.

As Lip-Bu stated, we announced on April 14 our intention to sell 51% of Altera to Silver Lake Partners for an almost $9 billion valuation with Intel receiving net cash proceeds of $4.4 billion. We believe the value of our remaining 49% stake in Altera will grow over time through our partnership with Silver Lake and with the addition of Raghib Hussain as the CEO. We expect this deal to close in the second half of 2025, at which point we expect to deconsolidate Altera from our financial results.

Now turning to guidance: Historically, average sequential growth in Q2 has been roughly flat with Q1. However, the very fluid trade policies in the U.S. and beyond, as well as regulatory risks have increased the chances of an economic slowdown, with the probability of a recession growing. This makes it more difficult to forecast how we will perform for the quarter and for the year, even as the underlying fundamentals supporting growth I discussed earlier remain intact.

While we have offsets including a global, highly diversified manufacturing footprint to help mitigate tariffs, we will certainly see costs increase, and we feel it prudent to anticipate a TAM contraction. The biggest risk we see is the impact of a potential pullback in investment and spending as businesses and consumers react to higher costs and the uncertain economic backdrop.

As a result, we are forecasting a wider-than-normal Q2 revenue range of $11.2 to $12.4 billion, down 2-12% sequentially. Within Intel Products, we expect DCAI to decline at a faster rate than CCG. We expect Intel Foundry revenue down quarter over quarter due to pull-ins to Q1, lower wafer and advanced packaging volume, and capacity constraints in Intel 7, which we expect to persist for the foreseeable future. For All Other, we expect revenue for the sum of those parts to be roughly flat sequentially.

At the midpoint of $11.8 billion, we expect a gross margin of approximately 36.5% on lower revenue and mix to our outsourced and lower margin client products, with a tax rate of 12% and break-even EPS, all on a non-GAAP basis.

As you think about the full year, we recommend you start by using the last 10 years' seasonality to model sequential changes in revenue, but be mindful of the significant uncertainty in markets today especially due to the potential for meaningful tariffs and tight supply on our older nodes. We expect non-controlled income, or NCI, to net to zero in Q2 and for the full year to be approximately $500 million on a GAAP basis. NCI is still expected to grow in fiscal year 2026 to an updated range of $1.3 billion to $1.5 billion on a GAAP basis and meaningfully increase further in future years.

As Lip-Bu discussed earlier, we are simplifying our organizational structure and the way we work across Intel so that we innovate faster and adapt more quickly where needed to better serve our customers. As a result, we now expect 2025 OpEx of $17 billion, $500 million lower than prior expectations with a 2026 OpEx target of $16 billion. We are likely to have restructuring charges associated with these actions, some of which may be included in our non-GAAP results. Since we have not yet estimated these charges, they are not included in our guidance.

These spending reductions will be driven by numerous broad-based transformation activities. Key 2025 focus areas will be refocusing our portfolio, eliminating organizational complexity, transforming our engineering functions and continuing to drive to leading SG&A (selling, general and administrative) efficiency. As Lip-Bu stated, we anticipate our 2025 gross capital investment will now be approximately $18 billion, which is below our previous guide of $20 billion, reflecting further operational efficiencies and better utilization of our construction-in-progress. While gross CapEx is down, we maintain our range for 2025 net CapEx to be approximately $8 billion to $11 billion due to uncertainty regarding timing of the U.S. government fulfilling their obligations in our CHIPs agreement.

Beginning the process of delevering our balance sheet in 2025 remains a top priority for us as evidenced by our lowered OpEx and CapEx targets, and the value unlock across our non-core assets.

I'll wrap up by saying that Q1 was a solid quarter to start, even as the rest of the year is more uncertain. We will closely manage what's in our control and react quickly as the environment evolves. I'm encouraged by Lip-Bu's leadership and focus on enhancing our competitive position, improving our balance sheet and setting us on a path to deliver consistent returns to our shareholders.

Closing – Lip-Bu Tan, chief executive officer:

Thank you for joining us today.

We have clear opportunities to strengthen our business in both products and foundry. We have clear priorities to better serve our customers and create value for our shareholders. And I look forward to the work ahead as we build a new Intel.

Thank you.

About Intel

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