Intel CEO Remarks
Q1'21 Earnings Webcast
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Pat Gelsinger, Intel CEO

Good afternoon everyone. It's a pleasure to be with you for my first earnings call. I consider it an honor to be CEO of this great company. Thanks for joining.

Intel delivered a strong Q1 that beat our January guide on both the top and bottom line, driven by exceptional demand for our products and exquisite execution by our team.

We shipped a record volume of notebook CPUs. We launched new competitive Intel® Core™ and Xeon® processors. Mobileye had its best quarter ever. With tremendous industry support, we unveiled our IDM 2.0 strategy, setting a bold new course for technology leadership at Intel.

The response from employees, partners and customers has been incredible. Our teams are re-invigorated, innovating and executing. It's amazing to be back at Intel … and Intel is back.

Before George takes you through the financial details of the quarter, I'll begin with the industry trends we're seeing and why Intel is well positioned to aggressively capitalize on them. Said simply, Intel is the only company with the depth and breadth of software, silicon and platforms, and packaging and process with at-scale manufacturing that customers can depend on for *their* next-generation innovations.

There are four superpowers driving digital transformation: cloud, connectivity, artificial intelligence and the intelligent edge.

Intel's mission, and we are uniquely positioned to do so, is to help customers harness these superpowers to improve the lives of every human on the planet

The digitization of everything was markedly accelerated by COVID and has spurred innovation and new models of working, learning, interacting and caring. Technology is increasingly central to every aspect of human existence, and semiconductors are the foundation. This is creating a cycle of explosive growth in semiconductors that will result in sustained growth for a decade or more.

The PC ecosystem, in particular, is experiencing a resurgence. The remote work and learning dynamics of COVID led to more PC shipments in 2020 than at any point since 2012, and that's continuing. 2021 is shaping up to be the largest PC market ever. In fact, we shipped more notebook CPUs in Q1 than in any other quarter in our history. Total platform unit volumes were up well over 30% in the first quarter.

In many markets, one PC in every home is no longer enough. The number of PCs per household – what we call "PC density" – is increasing. We are seeing strong growth in education where, on a global basis, the number of PCs per 100 students and teachers still remains in the single digits. Every student needs a laptop, and we have a long way to go. In addition, there are over 400 million PCs running Win 10 that are over 4 years old today, which is an enormous PC refresh opportunity.

Intel is leading this rejuvenation of the PC with marketing, user experience and purpose-built innovation at the software, silicon and platform level. We shipped "Tiger Lake H" for notebooks and Rocket Lake for desktops, and customer reception has been enthusiastic. As a sign of our improving execution, we qualified Tiger Lake H ahead of schedule on 10 nanometer and we expect 10 nanometer unit volumes to crossover 14 nanometer in the second half of the year.

Our Intel Evo platform give buyers the very best mobile experience, and we're deepening our ecosystem engagement with partners including Microsoft, Google and Samsung to advance the PC experience in new, innovative ways.

We see no signs of PC demand slowing and believe the industry will return to shipping more than a million units a day.

With over 100 million units Xeon servers in the installed base, the world runs on Intel. Building on that foundation, we recently launched our most advanced, highest performance data center platform optimized to power the industry's broadest range of workloads — from the cloud to the network to the intelligent edge.

At the heart of this is our new 3rd Gen Intel Xeon Scalable processor (code-named "Ice Lake"), which offers nearly 50% gen-over-gen performance improvements across a range of workloads. We are already shipping Ice Lake to more than 30 customers including major cloud providers, communication service providers, enterprise and high-performance computing customers.

Another trend driving demand for more – and more optimized – computing performance is the infusion of artificial intelligence and machine learning into nearly every application. As the only x86 data center CPU with built in AI acceleration, Ice Lake provides 74% gen-over-gen improvement on AI workloads while our Habana discrete solutions address the needs of those customers with extreme AI demands in areas like training. Sometimes customers want both. For example, UC San Diego will use Intel Xeon and Habana AI accelerators to power its new Voyager supercomputer.

Mobileye set a new quarterly record. Mobileye's assisted-driving technology continues to win over automakers with eight new design wins in Q1 and we have programs with 13 of the 15 top automotive OEMS. Mobileye continues to open new categories such as delivery transport

with a win at Udelv, and is rapidly evolving to power L4, fully autonomous robotaxis beginning next year.

We continue to have extraordinary success winning the next generation 5G environments. A great example from this quarter is our collaboration with Google Cloud to develop solutions that help communication service providers accelerate 5G deployment across multiple network and edge locations.

We're already seeing significant adoption of oneAPI and oneAPI-powered toolkits for high performance computing, AI and data analytics. Developers and customers are embracing oneAPI's open, standards-based approach for unified programming across architectures and vendors. This includes leading cloud service providers, who are embracing oneAPI at scale.

The unprecedented demand for semiconductors has stressed supply chains across the industry.

We've doubled our internal wafer capacity in the past few years, but the industry is now challenged by a shortage of foundry capacity, substrates and components.

We expect it will take a couple of years for the ecosystem to make the significant investments to address these shortages.

This fundamental industry challenge underscores the importance of our unique and differentiated IDM 2.0 strategy. IDM 2.0 utilizes our internal factory network to reliably deliver leadership products and provides the industry another source of foundry capacity through our new Intel Foundry Services.

Leveraging our IDM advantage, we're working aggressively across our global supply chain to solve substrate shortages to satisfy our customers' surging demand and gain market share.

For example, by partnering closely with our suppliers, we are creatively utilizing our internal assembly factory network to remove a major constraint in our substrate supply. Coming online in Q2, this capability will increase the availability of millions of units in 2021. It's a great example where the IDM model gives us flexibility to address the dynamic market.

It's clear the industry and Intel will need more capacity to meet strong future demand, which is why we are dramatically expanding our foundry capability with Intel Foundry Services – starting with a $20 billion investment for our first large-scale foundry operations in Arizona.

We plan to expand to other locations and establish Intel Foundry Services as a major provider of committed foundry capacity in the U.S. and Europe, while ensuring a sustainable and secure semiconductor supply for the world.

Since its announcement, the industry response to Intel Foundry Services has already been incredible. We are engaged with well over 50 potential customers today. We're seeing

excitement from some of the top technology giants in the world across industry verticals, ranging from automotive to high performance compute and cloud service providers.

We've been responding to and proactively engaging with automotive component suppliers on how we can help them with their supply chains and alleviate shortages in both the near and long term.

We're doing our part to help address this global supply crisis, but we cannot do it alone. The investment needed at the scale required is immense and it will require close industry and government partnership to address this need.

Governments around the world are recognizing the critical nature of semiconductors and the need to increase advanced chip manufacturing capacity and prepare for the future. We are encouraged by President Biden's recognition of semiconductor manufacturing as a critical component of our national infrastructure and its inclusion, along with key research and infrastructure investments in broadband, in the American Jobs Plan.

Looking ahead, we're confident our strategy will drive innovation and technology leadership for Intel. Seven nanometer is progressing well, and IDM 2.0 puts on a path to restore process performance leadership and build on our industry-leading packaging technologies. With IDM 2.0 we will have superior capacity and supply resilience by leveraging our internal and external capacity, and a superior cost structure.

By accelerating our clock rate of innovation, we will deliver leadership products in every category.

In the PC business, we will follow the successful launches of Tiger Lake and Rocket Lake with "Alder Lake," which is currently sampling and will ship in the second half of this year. Within the next couple of weeks, we'll tape-in the compute tile for "Meteor Lake," our first 7 nanometer CPU for 2023.

In the data center, we will follow the strong ramp of Ice Lake with "Sapphire Rapids," which is scheduled to reach production around the end of this year and ramp in the first half of 2022. Overall, our 2023 roadmaps are firm and under execution, and our 2024 and 2025 plans are well underway to provide unquestioned leadership products in every category we participate in. The Intel innovation machine is fired up.

Before I pass it to George for the details on the quarter, let me reiterate how excited I am to be back. You can feel the energy inside of Intel … the passion to innovate … and the drive that made us great.

We are reigniting our culture to attract, retain and motivate the best and brightest technologists in the industry. In fact, we've onboarded over 2,000 engineers so far this year including the recent key hire of Sanjay Natarajan, who will co-lead our logic technology

development. In total, we expect to add several thousand more engineers by the end of the year.

2021 is a pivotal year as we lay the foundation of our winning IDM 2.0 strategy and invest in our future to accelerate our trajectory and execution. Given the incredible demand for computing, the strength of our IDM 2.0 strategy and the technology investments we're making, I'm certain Intel's best days are in front of us.

Before we sign off, let me take this one last opportunity to say that Intel is back and firing on all cylinders. Our best days are ahead of us. We're investing for the future and we're executing … and we are just getting started

Thanks for calling in today, and I look forward to talking to you in July.

NOTE: Please refer to Intel's earnings presentation on www.intc.com for an overview of Q1'21 and FY'21 financial results.

Forward-Looking Statements

Statements in these prepared remarks that refer to business outlook, plans, and expectations are forward-looking statements that involve 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," "shaping," "opportunity," "evolving," "progress," "path," 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 Intel's strategy and the anticipated benefits of its strategy; internal and external manufacturing plans; manufacturing expansion and investment plans, including Intel's Arizona expansion plans; plans, goals, and anticipated benefits related to Intel's foundry business, including future foundry capacity; total addressable market (TAM) or market opportunity; future impacts of the COVID-19 pandemic; future products and technology and the expected availability and benefits of such products and technology, including with respect to Intel's 10nm and 7nm process technologies, products, and product volumes; manufacturing plans, goals, and future progress; capacity and supply expectations, including with respect to substrates; component and substrate shortages; expectations regarding customers; hiring plans; and anticipated trends in our businesses or the markets relevant to them, including with respect to semiconductor demand; also identify forward-looking statements. Such statements are based on management's expectations as of April 22, 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 are set forth in Intel's earnings release dated April 22, 2021, which is included as an exhibit to Intel's Form 8-K furnished to the SEC on such date, and in Intel's SEC filings, including the company's most recent reports on Forms 10-K and 10-Q. Copies of Intel's SEC filings 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 April 22, 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.