트레이드 렌즈
TRADE LENS

Bringing investing into focus.

COMPANY RESEARCH / No.11

NASDAQ: INTC · EARNINGS SHOCK · MANUFACTURING AND CASH RETURNS

The Anatomy of Intel's 29% Plunge

Why the Market Turned Away Despite Revenue Growth

Linking Q3 performance, Q4 guidance and the burden of reinvestment in 2027

-28.58%	+20.9%	-9.2%
30 Oct regular-session return [4]	Q3 revenue growth, YoY [2]	Q4 revenue midpoint vs consensus [1] [3]

The recovery in Q3 was real.
What changed was the expected path of earnings and cash returns.

Separate PC demand, server supply and foundry losses to explain why a backward-looking beat did not resolve a forward-looking shortfall.

01 / RESEARCH VIEW

The durability of the recovery was repriced

TradeLens view | Distinguish better reported results from a weaker expected path.

Core conclusion

The selloff did not invalidate the recovery in Q3. Guidance failed to meet expectations for the next quarter's revenue and margins, while the route to cash returns remained investment-intensive. Weak PC demand and constrained server supply made this mismatch more consequential. [1] [2] [3]

What improved

Revenue, operating profit and operating cash flow strengthened. Ignoring that progress misdiagnoses the event.

What disappointed

The Q4 revenue midpoint fell below consensus, and management guided to lower sequential gross margins.

What takes longer

Equipment, substrates and working capital must be funded before additional shipments yield cash returns.

What remains possible

More server supply and a smaller PC drag could sustain the recovery. That positive case has not disappeared.

Why 21% growth did not settle the question

Year-over-year growth measures recovery against an earlier base. A share price also reflects expectations for future earnings and investment returns. Rising revenue and a falling stock are therefore not inherently contradictory. The relevant question is whether the anticipated recovery path remains credible, not simply whether the latest quarter was good.

This report does not allocate the 30 October decline numerically among individual catalysts. It uses disclosures to explain the economic mechanisms, without claiming to observe every investor's selling motive or an exact causal price response.

The decision rule

PC demand, deliverable server supply, recurring external foundry revenue and post-investment cash need to improve together for revenue growth to become a durable business recovery.

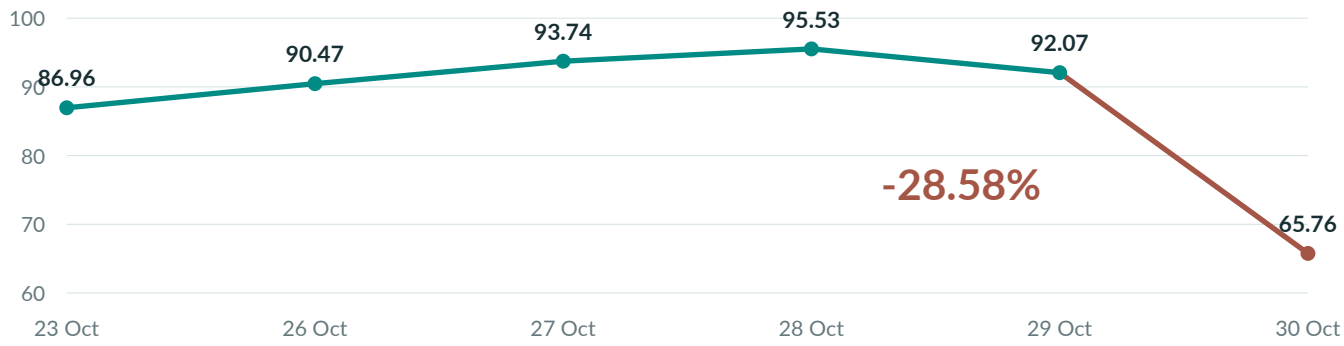
02 / EVENT & EXPECTATIONS

The forward miss outweighed the backward beat

Results were released after the 29 October close; the market reaction shown is 30 October, US time.

INTC closes around the earnings announcement

USD



The close fell from $92.07 to $65.76, or 28.58%. The title rounds this to 29%; it is not an intraday or after-hours return. [4] [6]

Measure	Reported / guided	Consensus at release	Difference
Q3 revenue	$16.513bn	$16.50bn	Broadly in line
Q3 adjusted EPS	$0.52	$0.40	+30.0%
Q4 revenue	$15–16bn	$17.07bn	Midpoint -9.2%
Q4 adjusted EPS	$0.25	$0.43	-41.9%

Consensus is the LSEG estimate quoted by Reuters on 29 October. Adjusted EPS is compared on a non-GAAP basis; differences are TradeLens calculations. [1] [3]

The Q3 earnings beat was genuine positive evidence. Yet a lower-than-expected revenue midpoint and adjusted EPS for the next quarter can reduce expectations that had anticipated a faster recovery. This asymmetry is the most direct explanation of the event.

> **Boundary of interpretation**
>
> An EPS difference can reflect earnings, tax and share-count effects. The EPS miss cannot be converted mechanically into an equal decline in company value or a justified share-price change.

03 / EARNINGS BASELINE

Higher sales did translate into higher operating profit

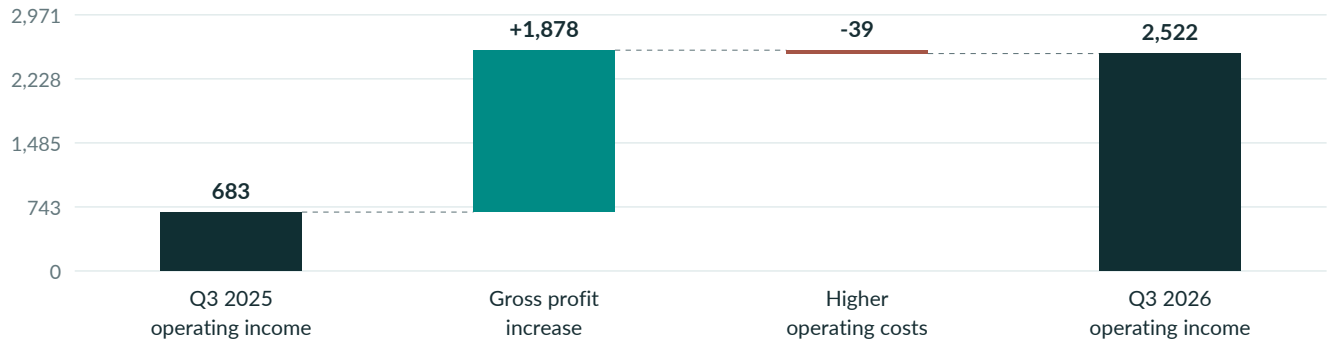
Q3 2026 versus Q3 2025 consolidated results. USD millions; ratios are reported or calculated.

Measure	Q3 2025	Q3 2026	Change
Revenue	13,653	16,513	+20.9%
Gross profit	5,218	7,096	+36.0%
Operating expenses	4,535	4,574	+0.9%
Operating income	683	2,522	+269.3%
Operating margin	5.0%	15.3%	+10.3 pp
Net income to Intel	4,063	3,320	-18.3%

Operating expenses include R&D, selling and administrative expenses and restructuring. Operating income and net income attributable to Intel are different measures. [2, p.3]

Arithmetic bridge in reported operating income

USD m



Of the $1,878m increase in gross profit, only $39m was absorbed by higher operating expenses. The figures do not support the claim that sales rose while operating profitability deteriorated. Equally, limited cost growth in one quarter is not evidence that fixed expenses will remain stable indefinitely.

> **Lower net income does not prove weaker operations**
>
> The prior year included a gain on the Altera stake sale; the current period also contains non-operating items such as valuation changes on escrowed shares. A year-over-year decline in attributable net income alone does not diagnose the core business. [2, pp.19, 32]

04 / FORWARD MARGIN BRIDGE

Q4 combines a revenue step-down with margin pressure

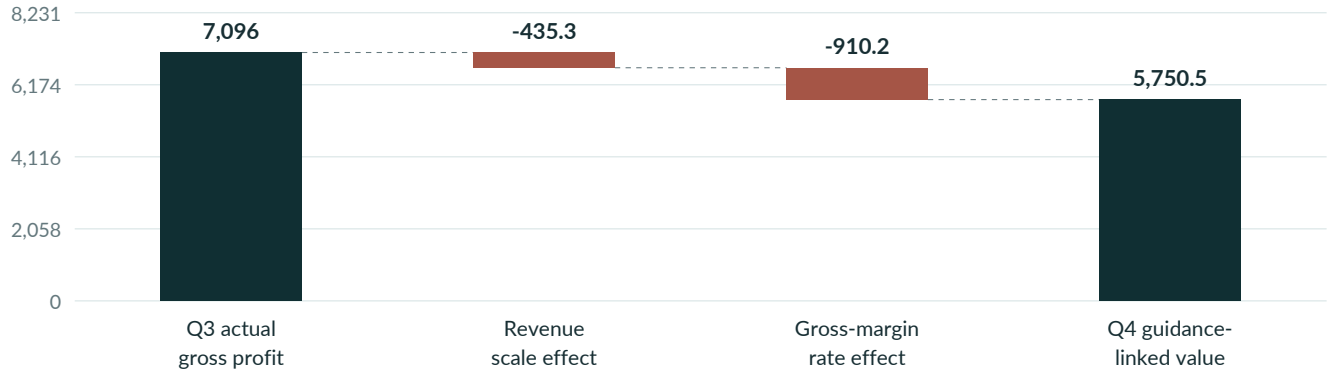
A calculation linking company guidance—not actual Q4 results or separate company profit guidance.

Measure	Q3 2026 actual	Q4 company outlook
Revenue	$16.513bn	$15–16bn / $15.5bn midpoint
GAAP gross margin	43.0%	37.1%
Non-GAAP gross margin	44.1%	38.0%

Q4 margin guidance is based on the revenue midpoint. GAAP and non-GAAP measures are not mixed in the bridge. [1]

GAAP gross profit: 7,096 to 5,750.5

USD m



Q3 margin=7,096/16,513. Revenue effect=(15,500-16,513)×Q3 margin; rate effect=15,500×(37.1%-Q3 margin). Effects are rounded. [1] [2]

At the guidance midpoint, implied gross profit is approximately 19.0% below Q3. The margin-rate effect exceeds the effect of lower revenue alone. Extrapolating earnings improvement from revenue growth misses this important turning point.

What the bridge does—and does not—establish

This is an arithmetic decomposition into revenue and margin, not a company attribution of individual effects from mix, the fab accident or inventory charges. Deducting the accident cost again in full could double-count an impact already embedded in guidance.

05 / CLIENT ECONOMICS

Higher PC prices did not offset lower volumes

Separate the Client Computing and Physical AI Group (CCPG) from its notebook and desktop CPU metrics.

Volume -14%

Year-over-year change in client CPU units

Average selling price +9%

Pricing actions and a richer premium-product mix

These are client CPU metrics, not the denominator for the whole CCPG segment. [2, p.33]

CCPG segment	Q3 2025	Q3 2026
Revenue / USD m	8,535	8,097
Operating income / USD m	2,694	2,285
Operating margin / calculated	31.6%	28.2%

Pricing resilience is not demand recovery

An input-cost shock can encourage suppliers to raise prices while prompting PC buyers to defer purchases. Intel cites higher memory costs, restricted IT budgets and customer inventory management as demand headwinds. Higher CPU selling prices should not automatically be read as stronger end demand. [2, pp.31–33]

Indexing prior-year units and prices to 100 gives 86×109/100=93.74. This illustration uses rounded disclosures, but shows that volume contraction outweighed the pricing improvement. It is not a model of individual CPU costs or margins.

Costs require a separate test

CCPG period charges increased $763m, primarily from inventory-related charges. The entire amount should not be treated as a single type of inventory write-down. Recurrence of the charges and the timing of customer inventory normalization matter. [2, p.34]

> **Evidence of a genuine turn**
>
> Look for stability in units, customer orders and inventory charges together, rather than ASP alone. Server growth may offset PC revenue weakness without producing an equal cash benefit, because margins and funding needs differ.

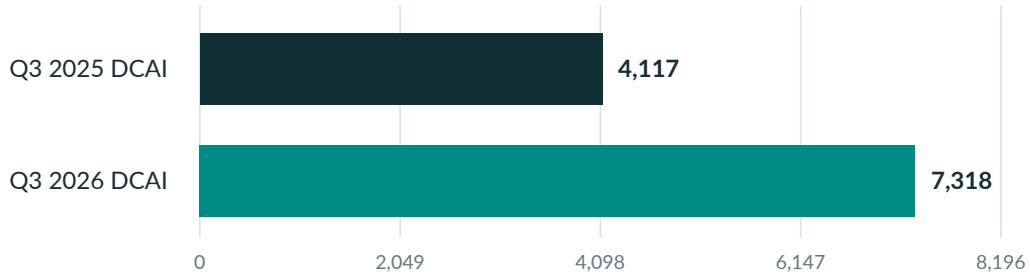
06 / SERVER GROWTH

The server opportunity remains; supply is the constraint

Distinguish Data Center and AI (DCAI) growth from server CPU units and mix.

Expansion in DCAI revenue

USD m



Reported change	Year over year	Interpretation
Server CPU units	+10%	More units shipped
Server CPU ASP	+54%	Predominantly premium-product mix
Other DCAI revenue increase	+$743m	DCAI is not solely a CPU measure

DCAI's $3,201m increase exceeded Intel's $2,860m net revenue increase; declines elsewhere offset part of the gain. A 54% rise in ASP is not a 54% price increase across all products. [2, pp.11, 33]

Strong demand and a revenue ceiling can coexist

Intel says substrates, memory and other component constraints limit server CPU supply. Additional customer orders become revenue only after manufacturing, packaging, substrate availability and customer acceptance converge in deliverable products. More nameplate capacity at one step does not necessarily resolve the full bottleneck. [2, pp.31–32]

TradeLens regards server demand as important evidence supporting recovery. But with premium mix already stronger, incremental growth should be tested through actual units, supply reliability and delivery costs. Mix improvement and pure price increases have different durability conditions.

This is not evidence of an AI-demand collapse

Intel's problem cannot be reduced to having no buyers. It faces weak demand in PCs and insufficient supply in servers. The two challenges require different remedies at the same time.

07 / FAB DISRUPTION

The accident amplified the shock, but is not the whole story

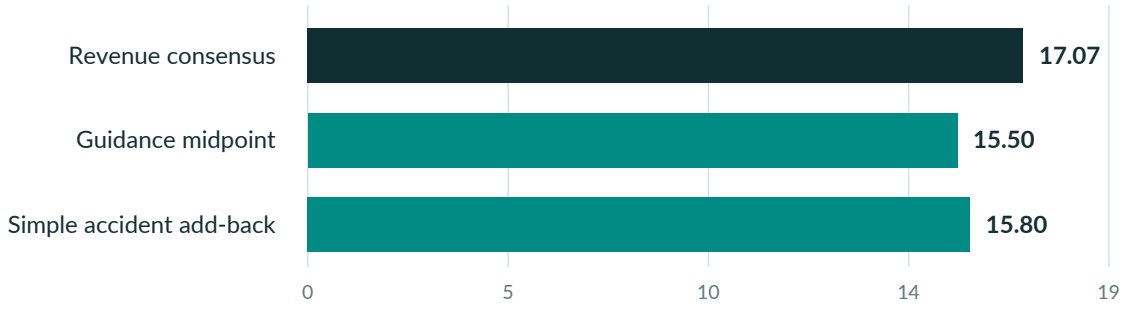
Separate estimates embedded in guidance from the still-unquantified total loss.

Item	Disclosed scope	Analytical treatment
Event and operations	Mid-October accident at Kiryat Gat, Israel; about two weeks of stoppage	Do not assume a war-related attack
Filing disclosure	Scrapped inventory, remediation and overhead under-absorption; total loss and insurance still being assessed	Do not invent a total loss estimate
CFO interview	About $300m of Q4 revenue and 2 pp of gross margin	Use only as the then-current outlook impact

The filing and interview measure different things. Intel says inefficiencies may affect the first half of 2027. [2, p.32] [3]

A scale comparison—not a causal attribution

USD bn



15.8=15.5+0.3. This is not company guidance for an accident-free quarter or a complete decomposition of the shortfall. [1] [3]

Simply adding back the estimated disruption still leaves a gap to consensus. It therefore does not follow that resolving the accident immediately restores expected performance. Conversely, classifying the entire production loss as structural demand weakness would also be wrong.

> **Test the duration of the impact**
>
> Restarting a fab is not the same as restoring normal yield, shipments and customer deliveries. Track remediation expense, saleable output and insurance recovery separately. Do not count losses already reflected in guidance a second time.

08 / FOUNDRY REVENUE

58% foundry growth is not external-customer growth

Separate internal manufacturing revenue from recurring external commercial sales.

Q3 2026 Intel Foundry revenue mix

USD m



External sales were 6.1% of the $6,697m segment total. Foundry internal revenue of $6,286m is not the same scope as $6,291m of consolidated intersegment eliminations. [2, pp.9–11]

Measure / USD m	Q3 2025	Q3 2026
Foundry segment revenue	4,235	6,697
External revenue	32	411
Segment operating loss	-2,321	-1,853

Intel attributes much of the external-revenue increase to a non-recurring foundry contract. [2, p.35]

Why evidence of repeat business is necessary

More advanced-node production for internal customers can support Intel's product competitiveness. Yet internal manufacturing revenue is eliminated on consolidation; it is not external market-share growth. External sales also need to be separated into non-recurring contracts and normal volume-production orders.

A one-off receipt does not make the external business worthless. The test is whether paid production and repeat orders continue, and whether customer demand improves utilization and unit economics. Undisclosed customer-level contract values or margins are not estimated here.

TradeLens assessment

The direction of external-revenue growth is encouraging, but the present figures do not establish a mature stand-alone foundry earnings model. Recurring sales and declining losses matter more than the number of technology announcements.

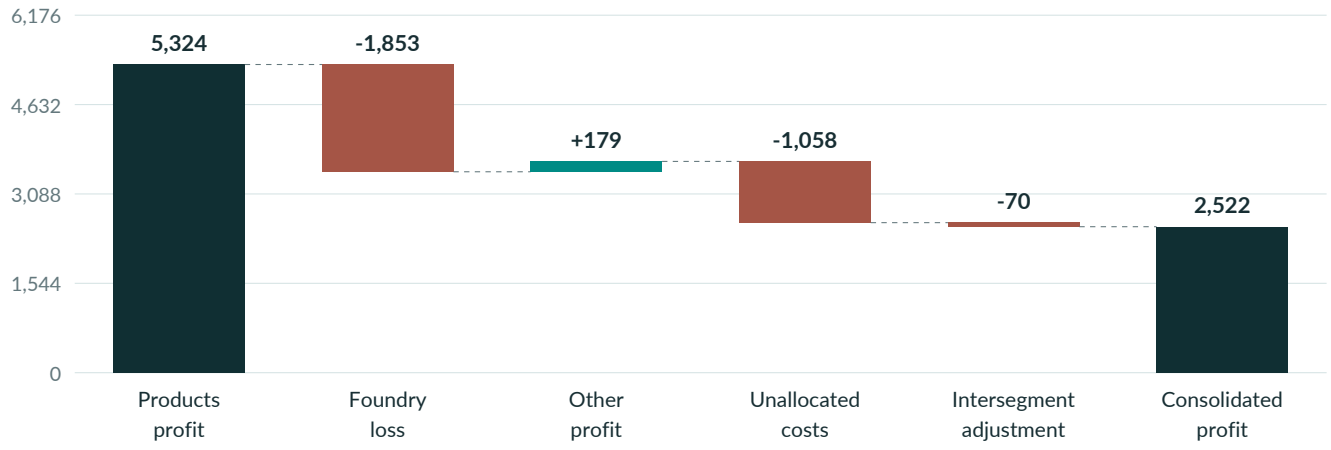
09 / PROFIT ATTRIBUTION

Product earnings do not all reach consolidated profit

Tracing reported segment earnings through manufacturing costs and consolidation adjustments.

Q3 2026: segment to consolidated operating income

USD m



5,324-1,853+179-1,058-70=2,522. Reconstructed from the disclosed segment reconciliation, including unallocated costs and eliminations. [2, p.11]

A strong margin in one business does not remove other costs

Product operating income was $5,324m. The foundry loss was approximately 34.8% of that amount. This is a comparison of scale, not evidence tracing a specific cash transfer from one segment to the other.

Improvement path	Potential benefit	Cost to test alongside it
Premium-server shipments	More product contribution	Packaging, substrates and inputs
Advanced-node ramp	Fixed-cost absorption	Yield, depreciation and ramp expense
External volume production	Demand beyond internal products	Qualification, changeovers and support

A durable recovery requires product earnings, manufacturing losses and shared costs to improve together—not just server revenue. Segment margins shaped by internal transfer pricing and consolidation adjustments should not be treated as directly comparable stand-alone company margins.

Evidence that would change the assessment

If manufacturing losses and unallocated expenses outgrow product earnings, consolidated improvement weakens. Higher shipments combined with stable yields would instead ease the current deductions from product profit.

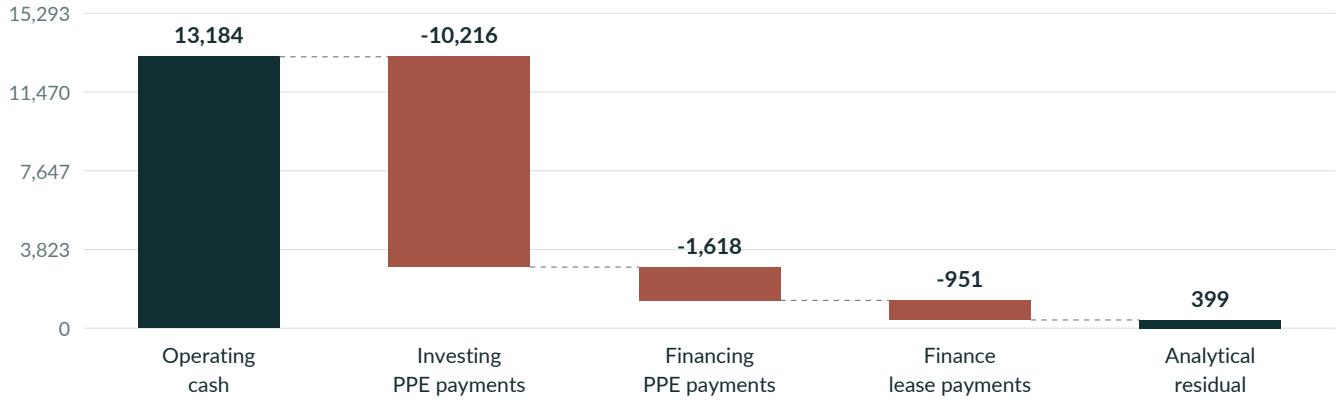
10 / CASH CONVERSION

Cash improved, but the post-investment cushion is thin

Nine-month cash statements and quarterly adjusted free cash flow have different periods and definitions.

9M 2026 cash after selected capital and lease payments

USD m



Residual=CFO-investing PPE additions-financing PPE additions-finance lease payments. It excludes grants, partner funding, acquisitions, dividends and borrowing, and is not Intel-defined FCF. [2, p.6]

Same-definition comparison / USD m	9M 2025	9M 2026
Operating cash flow	5,409	13,184
Residual using the formula above	-8,345	399

Cash generation improved substantially. But capital payments appear in both investing and financing activities; subtracting only the investing line understates the selected cash burden. Operating cash flow already includes working-capital movements, so inventory growth must not be deducted again.

> **A positive quarter can coexist with future funding pressure**
>
> Intel-defined Q3 adjusted FCF was positive at $1,639m, with adjustments including government incentives and SCIP partner funding. Management also characterized 2027 as an investment year and did not express confidence in positive FCF next year. Period, definition and outlook must remain distinct. [1] [5]

The concern is not that current operating cash worsened. It is how much improved cash will remain repeatedly after capacity expansion and supply-chain commitments. That is the link between reported growth and economic returns to shareholders.

11 / FUNDING & DILUTION

Funding buys time; it does not guarantee returns

Separate the 26 September 2026 balance sheet from capital raised during Q3.

Measure / USD m	27 Dec 2025	26 Sep 2026
Cash and cash equivalents	14,265	21,846
Short-term investments	23,151	32,159
Combined amount	37,416	54,005
Short- and long-term debt	46,585	50,134

These sums are neither total obligations nor unrestricted immediately usable cash. Subtracting debt alone from cash and short-term investments yields $3,871m. [2, p.5]

$23.0bn

Reported gross proceeds from the Q3 public equity offering

$22.617bn

Net financing cash inflow—not operating cash generation

Gross and net proceeds differ because of items such as issuance costs. The offering issued 242m shares. [1] [2, pp.6, 8]

Assess liquidity and per-share economics together

Equity financing reduces near-term funding risk and provides time to develop processes and expand production. It does not itself improve the operating business's ability to fund investment. Returns from new projects still need to justify the larger share base and the cost of capital.

Calling this an immediate liquidity crisis would also overstate the evidence. Given disclosed cash, investments and funding, the central challenge is converting available capital into competitive operations and recurring cash—not merely surviving the next payment.

Distinguish a catalyst from the capital structure

The August offering was not a new event on 30 October. Existing financing is a background condition; the earnings release changed the assessment of how and when that capital might earn returns.

12 / INVESTMENT BEFORE RETURNS

Removing bottlenecks requires cash before sales

Technology progress, customer commitments and cash recovery are separate milestones.

Disclosed item	What it represents	What it does not establish
About $20bn 2026 gross capex [5]	Company annual investment outlook	Equal net cash outflow or a firm 2027 budget
$5.3–6.1bn substrate agreement [2]	Post-quarter funding arrangement; some terms unfinished	Annual expense or guaranteed sales
About $3.3bn by end-2027 [2]	Expected payment timing within that arrangement	The amount of later cash recovery
Intel 14A 0.9 PDK released [1]	Process-design enablement milestone	A completed major external volume contract

The substrate agreement is a post-quarter matter on printed p.44 of the 10-Q. Do not add it indiscriminately to capex: periods and classifications differ and amounts may overlap.

The full production path matters more than installed capacity

A simplified investment-to-cash path

TradeLens analysis



Process development, customer design and qualification, volume production, packaging, delivery and collection form a chain. A constraint at one stage can delay the benefit of capacity elsewhere. Upstream investment may increase depreciation and working capital before downstream shortages are resolved.

Higher investment can express confidence in demand. Economic success still depends on deliverable output, committed customers, good-unit costs and collections aligning. A number raised by an analyst in a question is not a finalized company capex plan for 2027.

> **Evidence against a delayed-payback thesis**
>
> Following design-kit availability, look for paid customer production, repeat orders and utilization improvements, with supply prepayments turning into shipments and collections. A technical milestone and its financial payoff should not be dated as the same event.

13 / SENSITIVITY & SCENARIOS

Revenue recovery needs margin discipline

Illustrative model—not Q4 operating-profit guidance or a probability forecast.

Revenue / USD bn	36% margin	38% margin	40% margin
15.0	1.00	1.30	1.60
15.5	1.18	1.49	1.80
16.0	1.36	1.68	2.00

Cells show illustrative operating income in USD bn: revenue×gross margin-4.4 of opex. The fixed cost assumption uses management's Q4 non-GAAP outlook; tax, interest and non-controlling interests are excluded. [5]

At $15.5bn of revenue, one percentage point of gross margin changes modeled earnings by $155m. Under the same cost assumption, another $0.5bn of revenue adds $190m at a 38% margin. Volume and manufacturing or product-mix economics need to be assessed together.

Business scenario	Conditions required	Economic implication
Recovery reaccelerates	More server shipments; less PC inventory pressure; stable manufacturing costs	Growth broadens into profit and cash
Growth precedes cash	Server demand stays strong; PC weakness and expansion payments persist	Earnings recovery but limited residual cash
Recovery is delayed	Supply restoration slips; PC weakness lasts; manufacturing losses expand	Pressure on revenue, margin and cash

The baseline assessment is a longer gap between growth and investment recovery, not a proven failure of the turnaround. These are business scenarios, not stock-price paths or equally likely outcomes. Subsequent disclosures should determine which conditions are actually present.

Purpose of the numbers

The model identifies important sensitivities. It does not estimate actual product margins, additional accident losses, undisclosed customer contracts or a share price at a specified date.

14 / OUTLOOK & MONITORING

What would make the recovery more credible?

Watch the gap between expectations and execution—not the growth rate alone.

Next observation	Evidence that strengthens the case	Evidence that weakens it
Guidance and expectations	A smaller gap between outlook and delivered revenue or margin	Repeated strong past results but weak forward guides
PC orders and inventory	Stable units and easing inventory costs	Prices hold but volumes and channel orders deteriorate
Server production and supply	More finished shipments and customer deliveries	Strong demand claims but persistent bottlenecks
Gross margin	Yield, utilization and mix offset cost pressure	Revenue recovers without cost relief
External foundry sales	Repeat production after non-recurring effects	Growth stalls after one-off revenue
Post-investment cash	Growth funding converts into collections	Prepayments and capex rise without recovery

Final assessment

Intel delivered a Q3 improvement in revenue, operating profit and operating cash. But the next quarter's earnings outlook and the longer-term cash-return path fell short of expectations. The selloff is better understood as a repricing of a recovery needing more time and capital than as the discovery of a company with no growth. [1] [2] [3] [5]

Server demand remains a meaningful positive. To offset PC weakness and manufacturing investment, it must pass through deliverable supply, sustainable unit economics and recurring external sales. Evidence of progress on those conditions could change the current cautious business assessment.

Answer to the core question

The market turned away despite sales growth because expectations for the next earnings level and the timing of cash returns weakened. The fab accident amplified the shock, but cannot substitute for analyzing PC demand, server supply and the manufacturing-investment burden.

This report examines the business mechanisms around the decline. It does not assess whether the price fall was "fair," identify a bottom or rebound date, or recommend buying or selling.

15 / SOURCE REGISTER

Linking the thesis to its original evidence

Teal citations, document titles and “Open source” link directly to the underlying evidence.

01. Intel | Third-quarter 2026 financial results Open source

29 Oct 2026 · Company release · Results, Q4 outlook and adjusted FCF reconciliation

02. Intel | Q3 2026 Form 10-Q Open source

Filed 30 Oct 2026 · SEC filing · Printed pp. 3, 5–11, 19, 25, 31–35, 43–44

03. Reuters / Euronext | Outlook, consensus and CFO interview Open source

29 Oct 2026 · Reporting and interview · LSEG consensus; estimated fab disruption

04. Stock Analysis | INTC historical prices Open source

US regular-session closes through 30 Oct 2026 · Market data · 23–30 Oct prices

05. Intel earnings call / Stock Analysis transcript | Remarks and Q&A Open source

29 Oct 2026 · Republished call transcript · PC, capex, 2027 cash and Q4 opex

06. Intel | Q3 earnings announcement schedule Open source

6 Oct 2026 · Company notice · 29 Oct post-close results and earnings call

Scope of use
Sources [1] and [2] support reported results, segments, cash and commitments; [3] supplies contemporaneous consensus and the CFO’s disruption estimate; [4] defines the price event; [5] captures management’s investment and cash outlook. References to [2] use printed page numbers, which may differ from a PDF viewer’s page count. A republished call transcript is distinguished from a regulatory filing.

Company outlooks are not independent guarantees. Derived figures use the stated inputs. No stock-price attribution by catalyst, undisclosed customer contracts or contract margins are estimated.

16 / METHODOLOGY & USE

Methodology, disclaimer and permitted use

Reported facts, company outlooks, TradeLens analysis and illustrations are distinguished.

Item	Application
Date and subject	31 Oct 2026 · Intel (INTC). Analysis of the 29 Oct post-close release and 30 Oct US regular session. Q3 ended 26 Sep 2026.
Units and scope	USD millions and billions are identified in each exhibit. Keep consolidated, segment and intersegment figures separate; do not mix GAAP and non-GAAP.
Expectations and outlook	Consensus is LSEG data reported by Reuters at the release. Q4 guidance and management's 2027 comments are not realized results.
Calculations	Page 5 links Q4 revenue and margin guidance; p.8 compares accident-impact scale; p.11 subtracts selected cash payments; p.14 is an illustrative margin sensitivity.
Title and prices	29% rounds the 28.58% regular-session decline on 30 Oct 2026. Historical prices define the event, not an investment entry or valuation benchmark.
Research boundary	The report links the selloff to results, expectations and investment recovery. No catalyst-level price attribution, undisclosed contracts, targets or trade timing are estimated.

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