



HIDEYOSHI
CAPITAL
SPECIAL SITUATIONS & CATALYST INVESTING

INTEL CORPORATION

NASDAQ:INTC

AI Products, Foundry, a \$23B gross equity raise, and ~38% drawdown from ATH, \$INTC presents a compelling long opportunity

Q2 cleared expectations and Intel guided Q3 revenue to \$15.8–16.8B at a 42% non-GAAP gross margin. The post-offering drawdown has coincided with broad semiconductor de-risking despite DCAI acceleration and lower foundry losses. Our \$100 base target assigns no value to an SK Hynix partnership

\$87.48

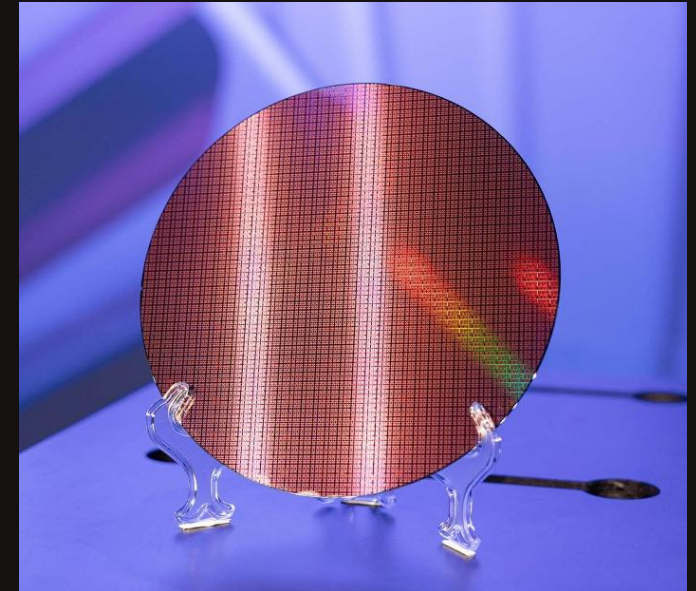
Spot 08/25 * ~\$462B mkt cap

\$100 / +14%

12-month target

**Core Long Position, With 18-Dec 26'
\$95 Calls for upside**

Trade Expression

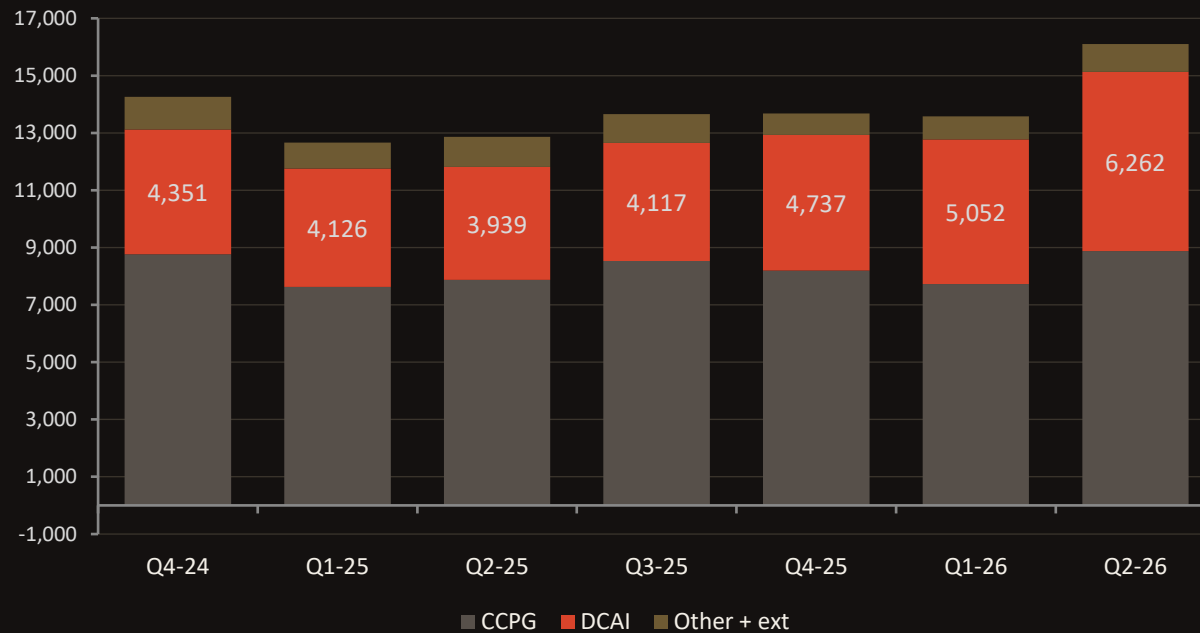


18A wafer * Fab 52, Arizona

As of 08/25/26 Market Close

DCAI drove the Q2 beat, and remains Intel's edge

Revenue Mix by Segment (\$M)



DCAI added \$1.25B of revenue q/q; the largest step in the series, and now commands 39% of the mix

Source: Hideyoshi INTC model • Historicals tab (CapIQ latest filings)

The print

Actuals landed at \$16.1B / \$0.42 vs consensus \$14.4B / \$0.22 - a 12% revenue beat and the seventh straight quarter above guidance, with 41.8% gross margin, 280bps over the guide. GAAP net loss was \$11.0B, driven by a \$12.5B non-cash mark-to-market loss on U.S. government escrow shares; non-GAAP net income was \$2.2B.

The engine

DCAI printed \$6.3B, up 24% q/q and 59% y/y - the fastest server growth in Intel history - with operating income of \$2.47B at a 39.5% margin. Server ASPs rose 48% y/y on premium mix, and management says demand still exceeds supply into 2027 despite x86 market share slipping to 69.3%.

The discount

Shares round-tripped from \$112 after hours to under \$95, following the \$20B base offering (\$23bn total), 37.9% below the June high. The drawdown followed the offering and broad semiconductor de-risking, while Q2 fundamentals remained intact.

DCAI revenue

\$6.3B +59% y/y

Foundry

\$5.8B +31% y/y

External foundry

\$293M +68% q/q
\$181M due to Altera

18A output

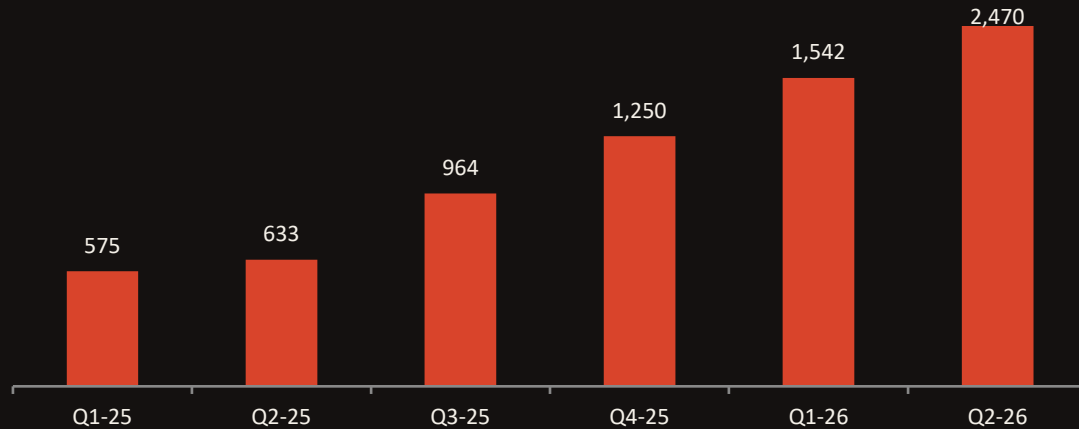
+25% vs target

2026 capex

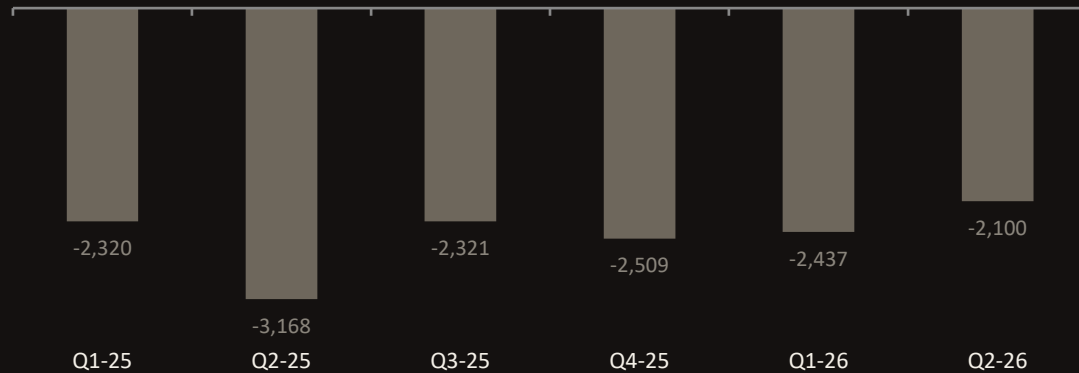
>\$20B

DCAI & Foundry: Pricing product growth and foundry losses

DCAI Segment Operating Income (\$M)



Foundry Segment Operating Loss (\$M)

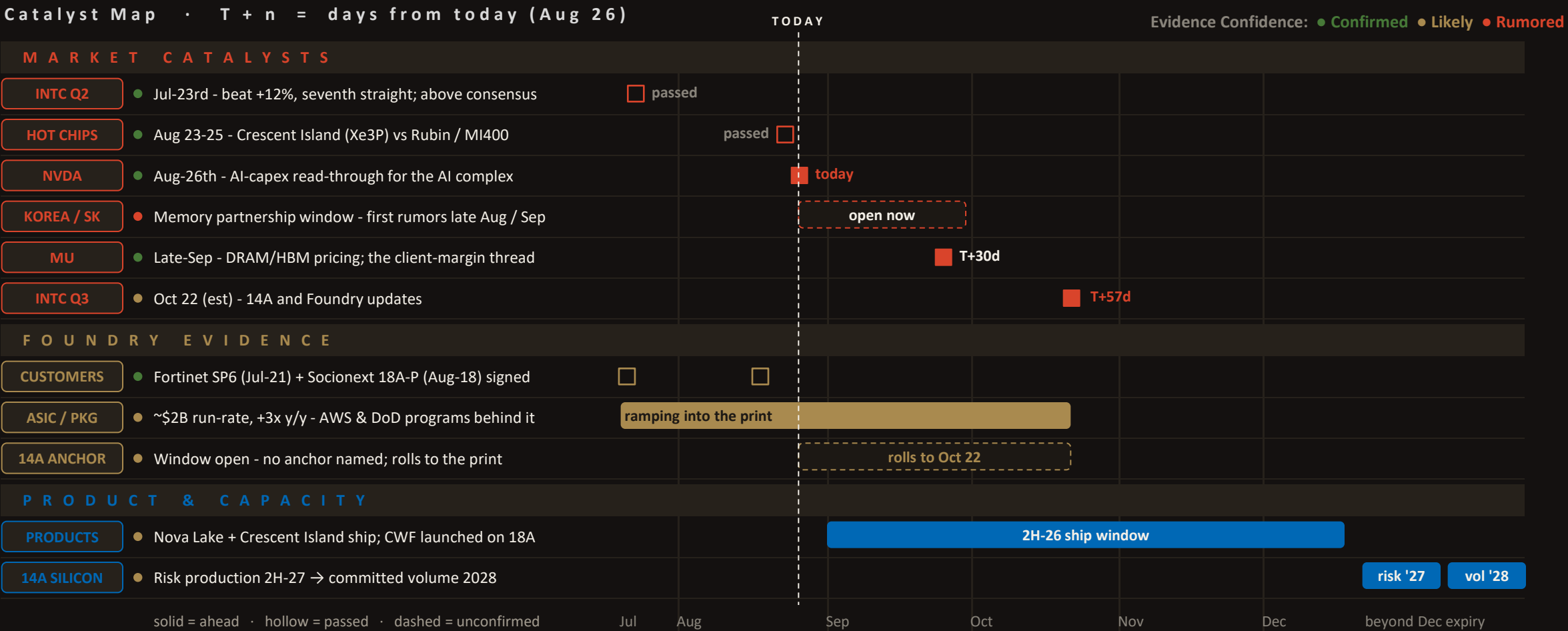


Source: INTC 10Q CAPIQ

External Revenue Ladder

Status	Program	Scale Per Year (est)
TODAY	5% of foundry revenue is external (\$293M in Q2, up from \$174M), reflecting Altera's reclassification as an external customer	~\$1.2B/yr
SIGNED Jul-21-26	Fortinet SP6 security ASIC on Intel 4 (Jul-21) + Socionext chiplets on 18A-P (Aug-18) - the first named customers under CEO Lip-Bu Tan; the prior SP5 was TSMC-built	~\$0.1-0.2B/yr
SIGNED 2024-25	Microsoft 18A chip (ramp pending) + AWS custom Xeon 6 and an undisclosed 18A AI fabric chip. DoD + RAMP-C program brings in Boeing, Northrop, IBM as defense partners	\$0.5B Hyperscaler \$0.3B DoD &
REPORTED	Google order for 3M+ TPUs, 2028 delivery (The Information, Jun-8) - still unconfirmed by either company and not addressed on the Q2 call	multi-\$B/yr if confirmed
POTENTIAL	TeraFab / Tesla silicon on 14A & Apple + Microsoft in the 18A-P early design-partner program with risk production dated 2H-27 per the Q2 earnings call	\$10B+/yr Prime anchor

The road to Q3 Earnings in late October



The read: Ten of eleven catalyst rows resolve inside December expiry, anchored on the Oct 22 print; only 14A volume silicon sits beyond and is carried at zero. The Korea window (slide 6) overlaps NVDA and Micron — the anchor of the trade.

Financials & Comps: Expensive, but Compounding

Margins, Growth, and Foundry Drag

\$ billions	Q2-26A	Q3-26E	FY26E	FY27E
Revenue	16.1	16.5	63.5	72.5
y/y growth	+25%	+21%	+20%	+14%
DCAI	6.3	6.7	25.0	32.0
Gross margin	41.8%	42.3%	42.1%	44.5%
NG EPS	\$0.42	\$0.45	\$1.67	\$2.34
memo: Foundry OI	(2.1)	(1.9)	(8.1)	(5.5)
Adj EPS incl. foundry-loss credit	-	-	\$2.40	\$2.85

Base target: FY27E EPS of \$2.34 plus a \$0.51 credit for 50% of modeled foundry losses produces a \$2.85 adjusted EPS proxy; $\$2.85 \times 35x =$ approximately \$100 per share.

Comp Set

Company	EV/NTM revenue	NTM P/E	Grouping
NVIDIA	11.7x	21.4x	Compute/design
AMD	11.3x	42.6x	Compute/design
Texas Instr.	10.6x	27.3x	Analog IDM
TSMC	9.4x	19.3x	Foundry
Intel	7.4x	52.5x*	
Micron	4.6x	6.7x	Memory IDM
UMC	4.3x	19.3x	Foundry
Qualcomm	4.2x	17.3x	Compute/design
GlobalFoundries	3.2x	21.2x	Foundry

The Foundry Drag is the Discount to Compounding DCAI

Reported P/E is distorted by foundry losses; as foundry CAPEX is temporarily ramping. This is a temporary spend as expensive EUV, power generation, and clean room space are one-time costs.

The explosive Growth: +59% y/y, a \$25B FY26E run-rate at a 40% OI margin, and \$32B in FY27E. CCPG regains some client share on Panther and Nova Lake - a stabilizer, not the story. Server ASPs rose 48% y/y on premium mix, with future gains expected

FY27 EPS	30x	32.5x	35x
\$2.60	\$78	\$85	\$91
\$2.85	\$86	\$93	\$100
\$3.10	\$93	\$101	\$109

Actuals per Intel releases; Q3E/FY26E/FY27E ; Comps: S&P Capital IQ 08/25/26; TSMC = TWSE:2330, USD Basis

*NTM P/E

Speculative Upside: Korea, SK Hynix, and Memory

The Tape

- **Jul-21** **SK Hynix/Ohio**
Korea JoongAng reports SK in talks for Intel's Ohio One campus (\$28B site, room for eight fabs). INTC closes \$105.45, up 8.6% on an unconfirmed headline.
- **Jul-22** **The non-denial**
SK's KRX filing denies an acquisition; Intel declines comment on a sale. Neither addresses a JV - and Semafor reports the two are exploring an operating partnership. Ohio's senator uses the word "partner."
- **Aug** **Seoul's clock**
Korea's trade minister is out after US frustration at no project announcements against the \$200B strategic slice of the \$350B package - first projects targeted late Aug / early Sep.
- **Aug-23rd** **Hot Chips**
SK hynix presents advanced HBM packaging, showing 2.5D options on Intel's EMIB alongside CoWoS - lower cost and complexity for AI / HPC packages, on its own slides.

Linking the Thesis

Seok-Hee Lee

The former SK Hynix CEO now runs Intel's foundry packaging push - the same executive who personally drove SK's purchase of Intel's NAND business.

ZAM – Z-Angle Memory

Lee's division is commercializing a stacked-DRAM HBM alternative with SoftBank's SAIMEMORY, built on Intel's DRAM bonding. Intel is not out of memory; it is strategically reentering

Aligned Sovereign Interests

A Korean-funded memory partnership lands inside the tariff negotiation and pleases Intel's largest strategic holder. Mutually beneficial by construction - Seoul buys goodwill, Intel gets capital and an operator.

The market is not pricing a memory partnership - that is the edge. The unconfirmed rumor pushed INTC up 8.6% on the day of the report; a real announcement - JV, packaging tie-up, or Korean-funded capacity - is plausibly worth 10-20%. Seoul's first-projects window is late Aug / early Sep, inside the December expiry. The call option covers the announcement window.

Sources: KRX filing 07/22/26; Semafor 07/22/26; Hot Chips 2026 program; ZDNet Korea; company statements and press.

U.S. Gov't: Strategic Ownership Supports Growth Alignment

Ownership Catalysts

- **Aug-2025 U.S. government equity**
CHIPS awards converted into a ~9.9% common stake - about \$8.9B at time of offering with an implied value of ~\$20.5 a share
- **Aug-2025 SoftBank - \$2.0B**
Common stock purchase alongside the federal investment
- **Sep-2025 NVIDIA - \$5.0B**
Equity plus a platform partnership; Xeon 6 is the host CPU in DGX Rubin NVL8
- **Aug-2026 CEO Lip-Bu Tan Participation**
Tan and a relative committed to acquire \$12M in the offering at \$95; the Form 4 reflects \$10M or 105,263 shares at \$95.00, a 9% increase. He previously purchased ~\$25M of stock as part of commitments when he joined in March 2025.

Key Stakeholders

(Valued at \$87.48)

Holder	Shares	% O/S	Basis	Value
United States - released	290.3M	5.5%	\$20.47	\$25.4B
United States - full escrow release	433.3M	8.0%	\$20.47	\$37.9B
GPU Ventures (NVDA)	214.8M	4.1%	\$23.28	\$18.8B
SoftBank	87.0M	1.6%	\$23.00	\$7.6B

Current-release and full-escrow scenarios are mutually exclusive. Full escrow release is tied to Secure Enclave disbursements. Separately, the government's 241M-share warrant becomes exercisable only if Intel ceases to own at least 51% of Intel Foundry.

Why it matters for the trade

The Gov't is strategically aligned with Intel's success, despite being able to sell in broadly syndicated transactions on Aug 27th I expect no selling from any strategic shareholder. Intel is the core of advanced manufacturing in the US and with two years left on the Trump Admin, I do not foresee a sale in the coming year.

Washington is publicly promoting the relationship, not just holding it (right)

Source: CapIQ ownership as of 07/18/26, adj. for the Aug-26 offering; Gov't stake per Intel/CHIPS agreement.



Lutnick with CEO Lip-Bu Tan, 08/23/25

Core stock expresses the \$100 base case; the 18-Dec 26' \$95 call expresses \$115+ upside

The structure

Long INTC 18-Dec-26 \$95 call (10% of Long NAV)

Entry (8/25 mark) \$10.30 / \$1,030 per contract (ref \$87.48)

Composition all extrinsic * 8.6% OTM

Breakeven \$105.30 at expiry (+20.4%)

Risk / delta max loss \$1,030 (-100%) / $\Delta \sim 0.50$ * IV $\sim 65\%$

Hold plan through the Oct-22 print; sell into strength or SK Hynix announcement

Why this structure

Leveraged selling of semis has presented an opportunity to catch INTC on a downtrend from ATH, despite a better business and balance sheet.

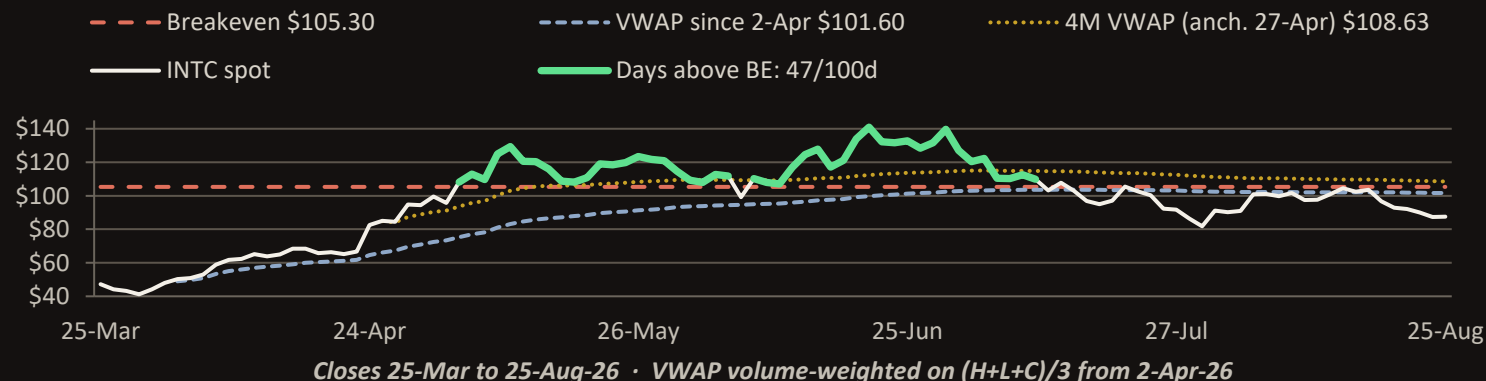
\$1,030 of defined risk spans Hot Chips, the Aug-26 Nvidia print, the Korea announcement window (late Aug-Sep), and the Oct-22 print. The base case (\$100) pays $\sim +25\%$ if reached by Oct-23, but -51% if it arrives only at expiry.

IV near 65% is well off the $\sim 95\%$ July print vol, and the December expiry lets the position be early.

Payoff Map and P&L (% of Premium paid)

	Sep-18	Oct-21	Oct-23	Nov-20	Dec-18
130	+278%	+260%	+259%	+246%	+240%
115	+156%	+133%	+132%	+110%	+94%
BE 105.30	+86%	+61%	+60%	+33%	0%
Base 100	+52%	+27%	+25%	-4%	-51%
Strike 95	+23%	-3%	-4%	-33%	-100%
Spot 87.48	-15%	-38%	-39%	-65%	-100%
85	-27%	-49%	-50%	-74%	-100%
80	-46%	-66%	-67%	-86%	-100%

Live quote via dealer calculator as of 8/25 close; matrix is Black-Scholes calibrated to the \$10.30 mark ($\sim 65\%$ IV, held flat) - a post-print vol crush would shave the Oct-23 column. Breakeven \$105.30 and probability of profit 29.2% per Hideyoshi Model



Risk Management

What Breaks the Trade Intel-specific | event-driven

Risk	Measurable trigger	Recommended Action
DCAI deceleration	Q3 DCAI below model; server volume or ASP growth weakens	Reduce stock and option exposure
Margin miss	Non-GAAP gross margin below 41-42% or Q4 guide below model	Exit call overlay; reassess target
Foundry deterioration	Operating loss above model, 18A delay, no external progress	Remove foundry discount and hedge
Financing / dilution	Additional raise before external-customer economics proven	Recalculate EPS, weight the quality of new foundry customer vs the dilution
Catalyst failure	No company or customer confirmation by the time stop	Exit or roll the option
Macro / semiconductor beta	Semi basket breaks risk level; rates or broad AI de-risking	Hedge beta or reduce gross exposure

The Downside Case

\$41 - \$69 per share

implied at 3-5x equity value / revenue on FY27 revenue of \$72.5B if Oct-22 misses

The Close

Three catalysts inside 60 days



Hot Chips / NVDA Korean Partnership Window Q3 print

FY26 EPS \$1.67 vs \$0.42 in FY25

Option expression carries 100% maximum loss - size to beta and correlation of existing Semis book

Thank You

Thomas Edwards

tomgedwards72@gmail.com

[Thomas Edwards | LinkedIn](#)