

Intel Corp (INTC US)

Upgrade to Buy: Server CPU bigger catalyst than foundry

- ◆ Foundry-related deals drive a c60% share price rally, but the significant server CPU momentum is still not priced in
- ◆ Server CPU upside more than enough for earnings growth as foundry uncertainty remains, despite improving sentiment
- ◆ Upgrade to Buy (from Hold); street-high TP of USD95 (from USD50) on SOTP PE valuation

Server CPU upside still not in the price: Since Apr 1, Intel has seen a sharp rally with its stock up 60% (vs NASDAQ +16%), mainly driven by its repurchase of an equity interest in Ireland Fab and the announcement that it is joining the Terafab project as a foundry partner. However, we continue to believe the server CPU business is the key near-term catalyst to drive earnings upside and is still not priced in.

Game-changing server CPU potential starting in 2Q26: Amidst overall foundry capacity constraints, Intel is reallocating its own foundry capacity, especially in Intel 3 and 7 from client to server CPUs. This should enable 2026e server CPU shipments to grow 20% y-o-y. In a high demand and supply-constrained environment, we expect Intel to charge a hefty pricing premium, driving ASPs higher by 20% y-o-y. We expect the server CPU shortage to extend into 2027, which should drive server CPU shipments growth of 20% y-o-y in 2027e along with another 10% ASP hike. We expect server CPU upside to start to manifest in 2Q26e as our revenue estimate of USD14.2bn is 9% higher than consensus at USD13.1bn. Our 2026e/27e DCAI revenue estimates are now 16%/33% above consensus. We expect ASP hikes to drive GM higher – our 2026/27e GM of 40.9%/45.0% are above consensus of 37.1%/41.2%. We think DCAI revenue potential remains underestimated by the street, with consensus down 6%/1% for 2026e/27e since 4Q25 results. Our sensitivity analysis on server shipments implies material share price upside, even in the bear case, suggesting attractive risk-reward, with our bull case implying fair value of >USD100.

Advanced packaging more a near-term driver than foundry: The recent repurchase of an equity interest in the Ireland foundry and Intel's joining the Terafab project are positive long-term indicators for the foundry business. Advanced foundry capacity tightness at TSMC could also lead to Intel gaining customers at 18A/14A. However, timing and revenue opportunity remain uncertain. Amid CoWoS capacity tightness, we believe some customers might look to adopt Intel's Embedded Multi-die Interconnect Bridge (EMIB), which is a more cost-effective alternative to CoWoS. We estimate Intel to book around USD1.3bn in revenue from EMIB this year. However, our 2026e bull case suggests there isn't enough room for significant further upside surprise.

Upgrade to Buy (from Hold), TP USD95 (from USD50) on core business alone: We move to a PE multiple-based valuation but deploy a SOTP valuation based on a 2027e target PE of 26x for the core business. We do not include the foundry business in our valuation as external customer related uncertainty remains. Our rounded TP of USD95 (from USD50) implies c45% upside and we upgrade our rating to Buy (from Hold) based on the core business valuation driven mainly from server CPU shipment growth and price hikes leading to significant upside earnings potential.

Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Equities Semiconductors & Equipment

United States


UPGRADE TO BUY

TARGET PRICE (USD)

95.00

PREVIOUS TARGET (USD)

50.00

SHARE PRICE (USD)

65.70
(as of 20 Apr 2026)

UPSIDE/DOWNSIDE

+44.6%

MARKET DATA

Market cap (USDm)	329,880	Free float	99%
Market cap (USDm)	329,880	BBG	INTC US
3m ADTV (USDm)	5,280	RIC	INTC.OQ

FINANCIALS AND RATIOS (USD)

Year to	12/2025a	12/2026e	12/2027e	12/2028e
HSBC EPS	0.00	1.10	2.09	2.46
HSBC EPS (prev)	0.00	0.80	1.33	na
Change (%)	0.0	37.5	57.0	na
Consensus EPS	0.34	0.56	1.08	1.52
PE (x)	nm	59.9	31.4	26.7
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/EBITDA (x)	38.2	26.3	17.1	14.3
ROE (%)	0.0	4.1	7.1	7.5

52-WEEK PRICE (USD)



Source: LSEG IBES, HSBC estimates

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Financials & valuation: Intel Corp

Buy

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (USDm)				
Revenue	52,853	56,743	64,531	70,471
EBITDA	9,492	13,427	19,991	22,880
Depreciation & amortisation	-11,706	-12,568	-14,292	-15,608
Operating profit/EBIT	-2,214	859	5,699	7,272
Net interest	3,257	-932	-882	-805
PBT	1,557	1,451	6,437	8,235
HSBC PBT	1,557	1,451	6,437	8,235
Taxation	-1,531	-160	-708	-906
Net profit	-267	195	4,129	5,729
HSBC net profit	0	4,968	9,472	11,158
Cash flow summary (USDm)				
Cash flow from operations	9,697	14,985	21,142	24,137
Capex	-14,646	-14,923	-16,972	-18,534
Cash flow from investment	-14,821	-15,098	-17,147	-18,709
Dividends	0	0	0	0
Change in net debt	-9,442	-8,605	-12,266	-13,699
FCF equity	-4,949	62	4,170	5,603
Balance sheet summary (USDm)				
Intangible fixed assets	26,684	24,799	22,655	20,314
Tangible fixed assets	105,414	109,655	114,478	119,745
Current assets	63,688	70,118	79,832	91,689
Cash & others	14,265	20,370	28,810	39,335
Total assets	211,429	220,390	232,958	247,916
Operating liabilities	38,484	38,547	39,152	39,919
Gross debt	46,585	44,085	40,259	37,086
Net debt	32,320	23,715	11,449	-2,249
Shareholders' funds	114,281	125,231	141,021	158,385
Invested capital	143,037	145,655	149,004	152,493

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Y-o-y % change				
Revenue	-0.5	7.4	13.7	9.2
EBITDA		41.5	48.9	14.5
Operating profit			563.3	27.6
PBT		-6.8	343.6	27.9
HSBC EPS			90.7	17.8
Ratios (%)				
Revenue/IC (x)	0.4	0.4	0.4	0.5
ROIC	-0.0	0.5	3.4	4.3
ROE	0.0	4.1	7.1	7.5
ROA	-0.0	1.0	2.9	3.3
EBITDA margin	18.0	23.7	31.0	32.5
Operating profit margin	-4.2	1.5	8.8	10.3
EBITDA/net interest (x)		14.4	22.7	28.4
Net debt/equity	28.3	18.9	8.1	-1.4
Net debt/EBITDA (x)	3.4	1.8	0.6	-0.1
CF from operations/net debt	30.0	63.2	184.7	
Per share data (USD)				
EPS Rep (diluted)	-0.06	0.04	0.91	1.26
HSBC EPS (diluted)	0.00	1.10	2.09	2.46
DPS	0.00	0.00	0.00	0.00
Book value	25.23	27.64	31.13	34.96

Valuation data

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	6.9	6.2	5.3	4.6
EV/EBITDA	38.2	26.3	17.1	14.3
EV/IC	2.5	2.4	2.3	2.1
PE*	nm	59.9	31.4	26.7
PB	2.6	2.4	2.1	1.9
FCF yield (%)	-1.5	0.0	1.3	1.7
Dividend yield (%)	0.0	0.0	0.0	0.0

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2024a	Governance Indicators	12/2025a
GHG emission intensity*	22.6	No. of board members	12
Energy intensity*	213.2	Average board tenure (years)	4.6
CO ₂ reduction policy	Yes	Female board members (%)	25
Social Indicators	12/2024a	Board members independence (%)	91.7
Employee costs as % of revenues	n/a		
Employee turnover (%)	5.9		
Diversity policy	Yes		

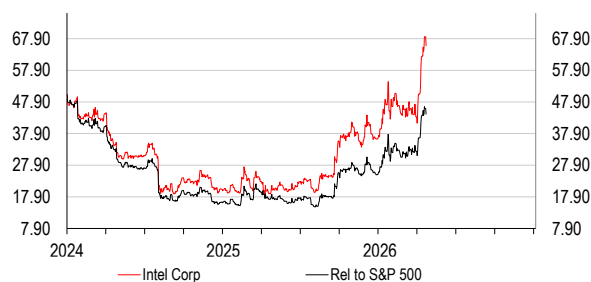
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (USD)	65.70	Free float	99%
Target price (USD)	95.00	Sector	Semiconductors
RIC (Equity)	INTC.OQ	Country/Region	United States
Bloomberg (Equity)	INTC US	Analyst	Frank Lee
Market cap (USDm)	329,880	Contact	+852 2996 6916

Price relative



Source: HSBC

Note: Priced at close of 20 Apr 2026

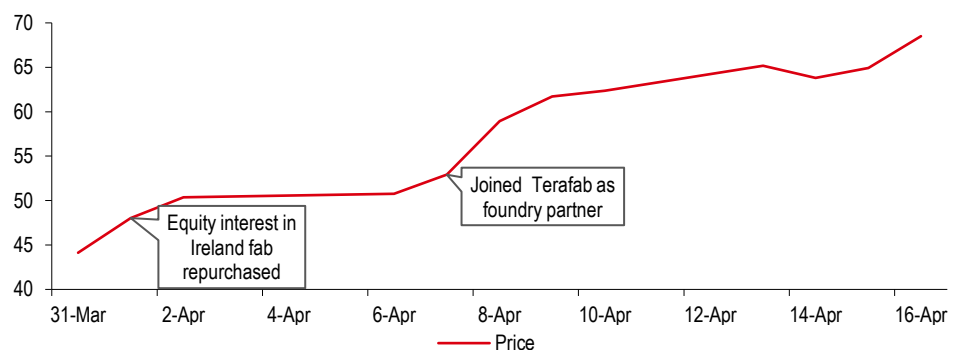
Why are we turning bullish? Why now?

Since April 1, Intel's share price has seen significant re-rating, with the stock up 60% since then. The stock price has mainly been driven by a couple of key announcements related to Intel foundry: 1) Intel announced the repurchase of a 49% equity interest in Ireland Fab joint venture; and 2) it joined the Terafab project alongside SpaceX, Tesla, and xAI as the foundry partner. Though we agree these announcements paint a much more positive picture of Intel's overall financial position as well as its foundry outlook, we believe the market is still overlooking a key element – the server CPU-led growth opportunity.

We believe the key driver for near-term earnings growth is server CPU momentum, which is still not priced in. In our 5 March 2026 [Global Tech Hardware](#) note, we highlighted that agentic AI should drive strong global server demand in 2026/27, with underlying demand potentially up 60% y-o-y but shipments likely constrained to 20-21% growth due to key component shortages. Within this high demand environment, Intel should still grow server CPU shipments 20% y-o-y in 2026e and 2027e as it reallocates foundry capacity from client to server CPUs on Intel 3 and 7 and ramps its 18A products – Clearwater Forest and Diamond Rapids – through 2026. With demand outstripping supply, we expect Intel to raise prices (especially in 1H26), lifting 2026 blended ASPs by 20%. In 2027e, we expect another 10% y-o-y growth in ASPs driven by product mix shift towards its 18A products. We expect shipments growth and price hikes to drive robust revenue growth and margins improvement, driving significant earnings growth.

Though the foundry outlook looks more constructive, we believe Intel's back-end manufacturing could act as a gateway for external customers using Intel's front-end. Amidst the necessity for advanced packaging for AI accelerators (GPUs and ASICs), and the capacity tightness for the current chip on wafer on substrate (CoWoS) technology offered primarily by TSMC, we believe some customers might look to adopt Intel's Embedded Multi-die Interconnect Bridge (EMIB), which is a more cost-effective alternative to CoWoS. Though we see limited upside in 2026, 2027 could be a pivotal year for the turnaround of this business too.

Exhibit 1: Intel recent share price trend

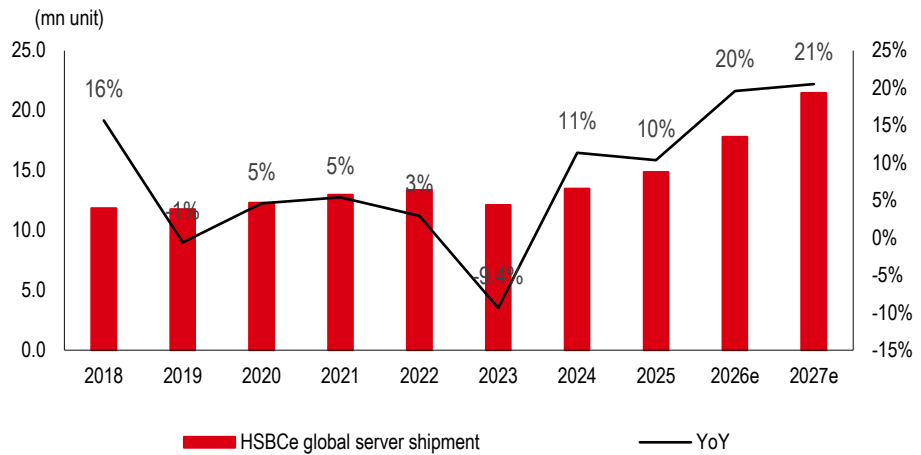


Source: Bloomberg

Server CPU potential significantly underestimated

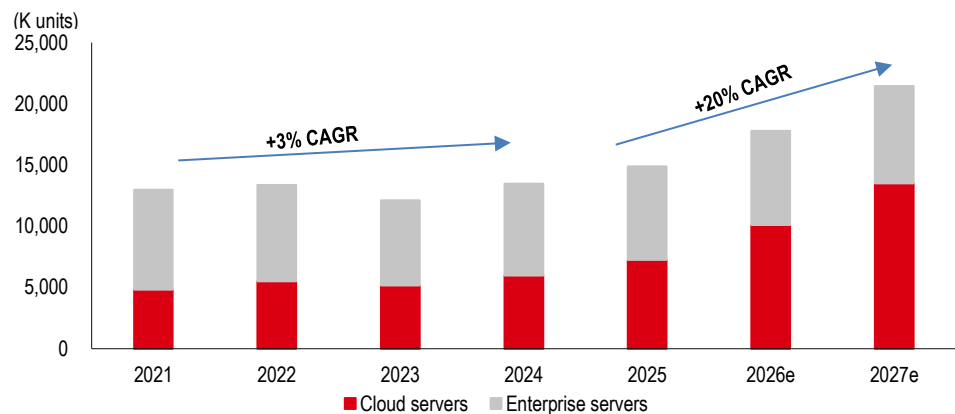
In our 5 March 2026 [Global Tech Hardware](#) note, we highlighted our expectations that 2026/2027e global server shipment would grow 20%/21% y-o-y fuelled by Agentic AI. We believe underlying demand for servers is pointing to even higher growth of 60% y-o-y, which we think will be constrained by key component shortages, limiting shipment growth to only 20-21%. According to Cornell University’s (Raj et al., 2025) research, CPU has become a bottleneck in Agentic workflows, with around 44% of tasks now dependent on CPU, which we estimate is up 3-4x from past levels. Hence, we are seeing a rebalancing of the CPU-GPU ratio in AI data centres. We estimate global server shipments to grow by 20% CAGR in 2025-27, supported by Agentic AI, vs a 3% CAGR in 2020-24.

Exhibit 2: Global server shipment forecasts



Source: HSBC estimates TrendForce

Exhibit 3: Accelerated growth fuelled by Agentic AI



Source: HSBC estimates TrendForce

Intel's DCAI segment set to outperform with its capacity reallocation efforts

Intel is currently in the high-volume ramp of its Granite Rapids server CPUs, based on its Intel 3 node. Its first-ever Intel 18A server CPU – Clearwater Forest – was also previewed during the MWC Barcelona event in March 2026, with shipments expected in 1H26. The 16-channel high-end successor to Granite Rapids – the Diamond Rapids, based on 18A node – is also expected to come online in the 2H26e. Being first-gen Intel 18A products, concerns about whether Intel can ramp Clearwater Forest and Diamond Rapids, are, we believe, tempering consensus server CPU shipment growth estimates in 2026 for Intel. However, we believe 2026e growth could be driven by Granite Rapids, as well as Sierra Forest and Emerald Rapids.

During the 4Q25 earnings call, Intel management detailed a strategic decision to reallocate internal manufacturing capacity on Intel 3 and 7 nodes from PC CPUs to server CPUs, to address an "unexpectedly high" surge in demand for high-end Xeon processors. We expect 1Q26 to be the trough for foundry capacity for these products. The re-allocation should help Intel grow its unit shipments starting 2Q26e, with more wafers available from Intel 3 and 7 to ship Granite Rapids, as well as Sierra Forest and Emerald Rapids.

Intel has historically lost market share to AMD in server CPUs and expects to under-ship server CPU demand throughout 2026 due to foundry capacity constraints. However, Intel's reallocation of foundry capacity to server CPUs should boost 2026e server CPU shipments, mainly driven by Granite Rapids and even Sierra Forest and Emerald Rapids. Hence, we expect 2026e server CPU shipments to grow by 20% y-o-y.

Despite the launch of two 18A products in 2026e, we do not expect them to drive growth due to lower yields, considering it will be the first year of production. As 18A yields improve through 2026 with Clearwater Forest and Diamond Rapids (2H26), we expect these two 18A products to drive growth in 2027. Hence, we expect 2027e server CPU shipments to grow by 20% y-o-y.

Given the supply constraints and expectation that server CPUs will become a bottleneck for agentic AI, we think Intel should be able to hike prices by up to 20% y-o-y in 2026e. Further in 2027e, given the product premiumisation, it should be able to hike another 10% y-o-y. Such price hikes would likely also improve margin profile and earnings.

Exhibit 4: DCAI revenue breakdown

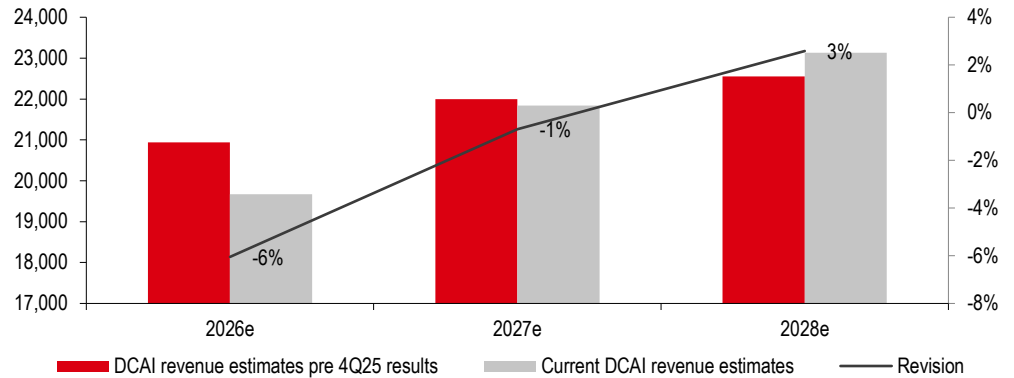
(USDm)	2024	2025	2026e	2027e
Server CPU unit shipments (000s)	17,786	16,483	19,780	23,736
- y-o-y chg		-7%	20%	20%
ASP (USD)	721	828	990	1,089
- y-o-y chg		15%	20%	10%
Server CPU revenue	12,817	13,641	19,583	25,850
Others	3,308	3,278	3,209	3,273
DCAI revenue	16,125	16,919	22,792	29,124
- y-o-y chg		5%	35%	28%

Source: Company data, HSBC estimates

Consensus significantly underestimating server CPU opportunity

We believe consensus significantly underestimates the DCAI revenue growth opportunity. Since the announcement of 4Q25 financial results on 22 January 2026, consensus DCAI revenue estimates for 2026e and 2027e are down.

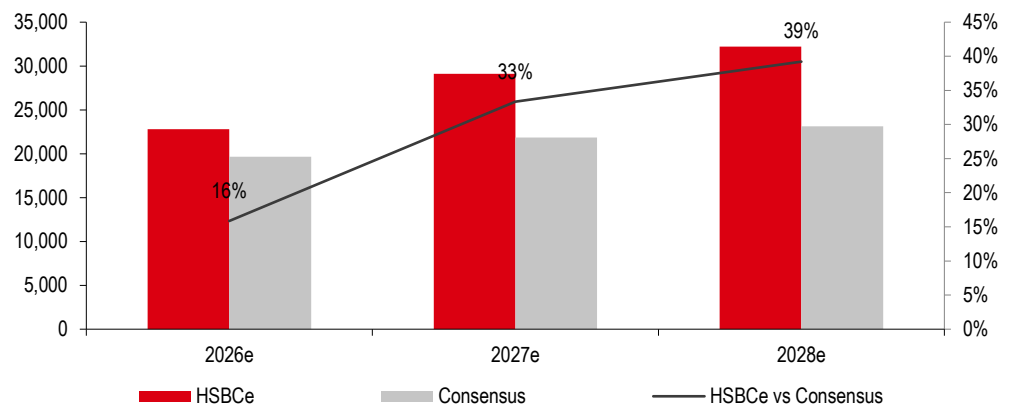
Exhibit 5: Consensus DCAI revenue (USDm) estimate revision: pre 4Q25 result vs current



Source: Visible Alpha consensus estimates

Driven by our server CPU units as well as ASP growth estimates, our revised 2026e/2027e DCAI revenue estimates of USD22.8bn/USD29.1bn put us 16% and 33% higher than the Street.

Exhibit 6: DCAI revenue estimates (USDm)— HSBC vs consensus estimates



Source: HSBC estimates, Visible Alpha consensus forecasts

Sensitivity analysis: upside potential in both bull and bear cases

We conduct a sensitivity analysis for server CPU revenue in 2027e. In our bear case, we assume server CPU shipments for Intel grow by 10% y-o-y in 2027e vs our base case of 20% y-o-y. Though our bear case EPS of USD1.85 implies 11% downside vs our base case, it is still significantly higher than consensus EPS of USD1.08.

In our bull case, we assume Intel’s server CPU shipments grow by 30% y-o-y in 2027e. Our bull case EPS of USD2.33 implies 11% upside vs our base case EPS and is more than double consensus EPS of USD1.08.

Our price sensitivity analysis implies that even in a bear case of lower server CPU shipments, fair value could still suggest 38% upside to the current price based on our SOTP PE-based valuation. Our bull case fair value implies 56% upside to current price.

Exhibit 7: Sensitivity analysis— 2027e server CPU revenue

(USD m)	Bear Case	Base Case	Bear vs Base	Bull case	Bull vs Base	Cons	Bear vs Cons	Bull vs Cons
Sales	62,377	64,531	-3%	66,685	3%	58,553	7%	14%
- y-o-y chg	10%	14%		18%		8%		
Adjusted gross profits	27,987	29,064	-4%	30,141	4%	24,109	16%	25%
- Adjusted GM	44.9%	45.0%	-17bp	45.2%	16bp	41.2%	369bp	403bp
Adjusted operating profits	10,565	11,643	-9%	12,720	9%	7,670	38%	66%
- Adjusted OPM	16.9%	18.0%	-110bp	19.1%	103bp	13.1%	384bp	598bp
Adjusted net income	8,395	9,472	-11%	10,549	11%	5,820	44%	81%
Adjusted EPS (USD)	1.85	2.09	-11%	2.33	11%	1.08	71%	115%
- y-o-y chg	69%	91%		112%		94%		
Assumptions								
Server CPU units (000s)	21,758	23,736	-8%	25,713	8%			
- y-o-y chg	10%	20%	-1000bp	30%	1000bp			
DCAI revenue	26,969	29,124	-7%	31,278	7%	21,841	23%	43%
- y-o-y chg	18%	28%	-945bp	37%	945bp	11%	730bp	2620bp

Source: HSBC estimates, Visible Alpha consensus forecasts

Exhibit 8: Price sensitivity based on server CPU bear and bull scenarios

	Bear Case			Base Case			Bull Case		
	Core	Foundry	Total	Core	Foundry	Total	Core	Foundry	Total
Revenue (USDm)	41,379	20,998	62,377	43,533	20,998	64,531	45,687	20,998	66,685
Mix	66%	34%		67%	33%		69%	31%	
Adjusted operating profits (USDm)	17,185	-6,620	10,565	18,262	-6,620	11,643	19,339	-6,620	12,720
- Adjusted OPM	27.6%	-10.6%	16.9%	28.3%	-10.3%	18.0%	29.0%	-9.9%	19.1%
Non-op income/(expenses) (USDm)	-1,440	-731	-2,170	-1,464	-706	-2,170	-1,487	-683	-2,170
Adjusted net income (USDm)	15,745	-7,350	8,395	16,798	-7,326	9,472	17,852	-7,303	10,549
Adjusted EPS (USD)	3.48	(1.62)	1.85	3.71	(1.62)	2.09	3.94	(1.61)	2.33
Valuation									
Target PE	26x	0x		26x	0x		26x	0x	
Implied fair value (USD)	90.37	0.00	90.37	96.41	0.00	96.41	102.46	0.00	102.46
Implied upside			38%			47%			56%

Implied upside based on price as of close 20 April 2026 Source: HSBC estimates, Bloomberg

Note: We round our base case implied fair value to reach our target price

Advanced packaging more of a near-term catalyst than foundry

Long-term foundry narrative turning more positive

Intel's foundry outlook is turning more positive, driven by the following recent announcements:

- **Reacquisition of equity interest in Ireland fab joint venture:** On April 1, Intel and Apollo announced a definitive agreement for Intel to repurchase the 49% equity interest in the joint venture related to Intel's Fab 34 in Ireland not held by Intel for USD14.2bn. Fab 34 is a high-volume semiconductor fabrication facility for products utilizing the Intel 4 and Intel 3 process technologies, including Intel Core Ultra and Intel Xeon 6 processors.
- **Intel joins Terafab project as foundry partner:** On April 7, Intel announced that it will join Elon Musk's Terafab AI chip complex project with SpaceX and Tesla to make processors. The Terafab project is supposed to produce 1TW worth of computing chips per year and Intel's role is expected to be to contribute its most advanced 18A process node, plus packaging expertise and high-volume manufacturing capability.

Intel's reacquisition of the equity interest in the Ireland fab that it sold in 2024 to get equity-like capital while preserving the balance sheet strength is a clear indication of improving financial health and Intel doubling down on its efforts to ramp capacity for Intel 4 and 3 nodes. However, this seems more positive for the server CPU business than the external foundry business. However, the Terafab announcements could imply Intel finally has an external foundry customer on 18A.

The advanced foundry capacity tightness at TSMC could also lead to Intel gaining customers at 18A/14A, similar to how Samsung recently leveraged TSMC's "spillover demand", potentially onboarding AMD, Apple and Tesla as new foundry customers.

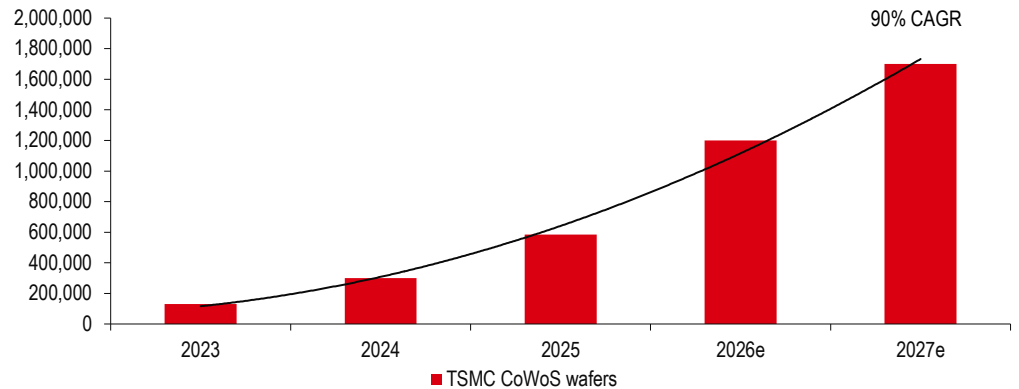
Therefore, while we believe Intel's external foundry business is gaining momentum in terms of customer engagements, with limited visibility on timeline and revenue opportunity, this remains a more longer-term narrative.

EMIB opportunity

Despite TSMC growing its chip on wafer on substrate (CoWoS) capacity at a 90% CAGR through 2023-27e, we believe advanced packaging remains a bottleneck for the AI compute industry. CoWoS is used for GPUs as well as ASICs. Despite TSMC's best efforts to almost double capacity each year, demand still seems to outpace supply. Against the backdrop of this capacity constraint, Intel has come to the market with its Embedded Multi-die Interconnect Bridge (EMIB) solution, which is a more cost-effective alternative to CoWoS. The fundamental difference between the two is that while CoWoS uses a large, high-density silicon interposer that sits between the chips and the package substrate, EMIB embeds small, localized silicon bridges directly into the organic package substrate to connect adjacent dies.

According to TrendForce, Intel has been in discussion with Google and Amazon for packaging services for ASIC development (7 April). Our estimate for 2026e EMIB revenue is USD1.3bn, comfortably within the USD1.2bn-1.4bn guidance range provided by management. With Intel still building out capacity, we believe upside could be limited in 2026e, but it could become a more significant portion of the mix in 2027e if these customer engagements materialize. We also believe onboarding EMIB customers could lead to increased positive sentiment around Intel foundry execution, which could give boost customer confidence to adopt Intel's front-end manufacturing as well.

Exhibit 9: TSMC CoWoS wafers capacity



Source: HSBC estimates

Exhibit 10: Intel's EMIB vs TSMC's CoWoS

	Intel		TSMC		
	EMIB-M	EMIB-T	CoWoS-S	CoWoS-R	CoWoS-L
Interposer	x	x	Silicon	RDL	RDL
Silicon bridge	embedded in substrate with MiM capacitor	embedded in substrate with TSV	x	x	LSI embedded in interposer
Reticle size	6x	12x	3.3x	9x (2027)	9x-12x (2027)
Price (USD per wafer)	5,000	6,000-8,000	12,000	11,000	15,000
Current product	Sapphire Rapids, Emerald Rapids, Granite Rapids	-	Hopper, TPU, MTIA, Maia etc	Trainium	Blackwell/ Rubin
Difference		Cost effective Bigger reticle size Lower bandwidth		Higher price Size limitation	Higher bandwidth, speed, density

Source: TrendForce

Sensitivity analysis: limited upside in 2026e

We conduct a sensitivity analysis for EMIB revenue, based on different capacity and ASP combinations. Within that matrix, we take the least amount of revenue as our bear case and the highest as the bull case.

In our bear case, we assume EMIB revenue of USD600m based on capacity of 10k EMIB wafers per month and an ASP of USD5,000. USD600m revenue is 54% lower than our base case of USD1.3bn. Though our bear case EPS of USD1.08 implies 2% downside to our base case, it is still significantly higher than consensus EPS of USD0.56.

In our bull case, we assume EMIB revenue of USD2.4bn, based on capacity of 25k EMIB wafers per month and an ASP of USD8,000. USD2.4bn revenue is 85% higher than our base case. Our bull case EPS of USD1.12 implies 2% upside to our base case; hence, further upside potential to EMIB revenue in 2026e remains limited.

Exhibit 11: EMIB revenue (USDm) based on different capacity and ASP combinations

EMIB capacity (wafers pm)/ ASP (USD)	10,000	12,500	15,000	17,500	20,000	22,500	25,000
5,000	600	750	900	1,050	1,200	1,350	1,500
6,000	720	900	1,080	1,260	1,440	1,620	1,800
7,000	840	1,050	1,260	1,470	1,680	1,890	2,100
8,000	960	1,200	1,440	1,680	1,920	2,160	2,400

Source: HSBC estimates

Exhibit 12: Sensitivity analysis: 2026e EMIB revenue

(USDm)	Bear Case	Base Case	Bear vs Base	Bull case	Bull vs Base	Cons	Bear vs Cons	Bull vs Cons
Sales	56,043	56,743	-1%	57,843	2%	54,263	3%	7%
- y-o-y chg	6%	7%		9%		3%		
Adjusted gross profits	22,933	23,219	-1%	23,669	2%	20,128	14%	18%
- Adjusted GM	40.9%	40.9%	0bp	40.9%	0bp	37.1%	383bp	383bp
Adjusted operating profits	6,255	6,333	-1%	6,455	2%	4,187	49%	54%
- Adjusted OPM	11.2%	11.2%	0bp	11.2%	0bp	7.7%	344bp	344bp
Adjusted net income	4,890	4,968	-2%	5,091	2%	2,842	72%	79%
Adjusted EPS (USD)	1.08	1.10	-2%	1.12	2%	0.56	94%	102%
- y-o-y chg	153%	158%		164%		33%		
Assumptions								
Implicit packaging revenue	600	1,300	-54%	2,400	85%			
Foundry revenue	19,280	19,980	-4%	21,080	6%	19,772	-2%	7%
- y-o-y chg	8%	12%		18%		11%		

Source: HSBC estimates, Visible Alpha consensus forecasts

Preview: 1Q26e in line; 2Q26e could start throwing surprises

At Intel's upcoming 1Q26 earnings results on April 23, we expect 1Q26e revenue of USD12.5bn, largely in line with the consensus estimate of USD12.4bn and the management guidance range of USD11.7bn-12.7bn. We expect gross margin of 34.9%, slightly higher than consensus estimate/management guidance of 34.5%/34.5% boosted by server CPU price hikes.

We expect 1Q26 revenue to be the trough and expect 2Q26e revenue of USD14.2bn to grow 13% q-o-q (vs last 3-year average q-o-q growth of 4%). Our 2Q26e revenue estimate is materially above consensus of USD13.1bn driven by server CPUs shipment growth post capacity reallocation efforts as well as the price hike. Our GM estimate is 40%, higher than consensus of 36.3%, as we expect server CPU price hikes to drive margins higher.

Exhibit 13: Intel 1Q26e and 2Q26e preview

(USDm)	1Q26e				2Q26e		
	Guidance	HSBCe	Consensus	HSBCe vs Cons	HSBCe	Consensus	HSBCe vs Cons
Sales	11,700-12,700	12,500	12,365	1.1%	14,177	13,063	8.5%
- YoY		-1%	-2%		10%	2%	
- QoQ		-9%	-10%		13%	6%	
Gross profits		4,362	4,262	2.3%	5,671	4,745	19.5%
- Gross margin (%)	34.5%	34.9%	34.5%	42bps	40.0%	36.3%	367bps
Operating profits		405	392	3.4%	1,181	797	48.1%
- Operating margin (%)		3.2%	3.2%	7bps	8.3%	6.1%	223bps
Net profits		111	61	82.4%	1,004	480	109.2%
EPS (USD)	0.00	0.02	0.01	93.4%	0.22	0.09	137.0%

Source: HSBC estimates, company data, Visible Alpha consensus estimates

Our revised server CPU shipment growth and ASP estimates drives the significant revision to our estimates. The step price hike in the server CPU segment not only helps drive the revenue growth but also helps driver the margins significantly higher than our old estimates. With this report, we also introduce our 2028 estimates.

Exhibit 14: Intel: Estimate revisions and comparison with consensus

(USD m)	HSBC - New			HSBC - Old			Revision			Consensus			HSBC vs consensus		
	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
CCG	29,590	31,013	31,521	32,091	34,238		-8%	-9%		30,633	31,626	33,085	-3%	-2%	-5%
DCAI	22,792	29,124	32,201	19,789	20,337		15%	43%		19,671	21,841	23,130	16%	33%	39%
Total Intel Products revenue	52,382	60,136	63,721	51,879	54,575		1%	10%		50,338	53,467	56,215	4%	12%	13%
Intel Foundry	19,980	20,998	24,171	19,980	20,756		0%	1%		19,772	21,899	25,507	1%	-4%	-5%
All others	2,948	2,909	2,962	2,573	3,021		15%	-4%		2,524	2,827	3,029	17%	3%	-2%
Intersegment eliminations	-18,567	-19,512	-20,384	-18,567	-18,932		0%	3%		-19,110	-20,274	-22,516	-3%	-4%	-9%
Sales	56,743	64,531	70,471	55,865	59,420		2%	9%		54,263	58,553	63,044	5%	10%	12%
- y-o-y chg	7%	14%	9%	6%	6%					3%	8%	8%			
Adjusted gross profits	23,219	29,064	32,333	21,545	24,771		8%	17%		20,128	24,109	28,211	15%	21%	15%
- Adjusted GM	40.9%	45.0%	45.9%	38.6%	41.7%					37.1%	41.2%	44.7%			
Adjusted operating profits	6,333	11,643	13,502	5,065	7,963		25%	46%		4,187	7,670	10,839	51%	52%	25%
- Adjusted OPM	11.2%	18.0%	19.2%	9.1%	13.4%					7.7%	13.1%	17.2%			
Adjusted net income	4,968	9,472	11,158	3,613	6,032		37%	57%		2,842	5,820	7,810	75%	63%	43%
Adjusted EPS	1.10	2.09	2.46	0.80	1.33		37%	57%		0.56	1.08	1.52	97%	93%	62%
- y-o-y chg	158%	91%	18%	87%	67%					33%	94%	41%			

Source: Company data, HSBC estimates, Visible Alpha consensus estimates

Exhibit 15: Intel quarterly and annual P&L

(USDm)	1Q26e	2Q26e	3Q26e	4Q26e	2026e	1Q27e	2Q27e	3Q27e	4Q27e	2027e	2028e
Sales	12,500	14,177	14,823	15,243	56,743	15,846	15,744	15,892	17,049	64,531	70,471
- y-o-y	-1%	10%	9%	11%	7%	27%	11%	7%	12%	14%	9%
- q-o-q	-9%	13%	5%	3%		4%	-1%	1%	7%		
Gross profits	4,092	5,401	6,133	6,513	22,139	6,769	6,782	6,839	7,434	27,824	31,093
Gross margin	33%	38%	41%	43%	39%	43%	43%	43%	44%	43%	44%
- y-o-y	-12%	52%	18%	32%	20%	65%	26%	12%	14%	26%	12%
- q-o-q	-17%	32%	14%	6%		4%	0%	1%	9%		
Operating profits	-519	-1,673	1,243	1,808	859	1,728	-358	1,775	2,553	5,699	7,272
OP margin	-4%	-12%	8%	12%	2%	11%	-2%	11%	15%	9%	10%
- y-o-y	72%	-47%	82%	212%	-139%	-433%	-79%	43%	41%	563%	28%
- q-o-q	-189%	222%	-174%	45%		-4%	-121%	-597%	44%		
Net income	-613	-1,649	970	1,487	195	1,294	-564	1,343	2,056	4,129	5,729
- y-o-y	-25%	-43%	-76%	-352%	-173%	-311%	-66%	38%	38%	2023%	39%
- q-o-q	4%	169%	-159%	53%		-13%	-144%	-338%	53%		
Net margin	-5%	-12%	7%	10%	0%	8%	-4%	8%	12%	6%	8%
EPS (USD)	-0.14	-0.36	0.21	0.33	0.04	0.29	-0.12	0.30	0.45	0.91	1.26
- y-o-y	-28%	-45%	-76%	-370%	-173%	-311%	-66%	38%	38%	2023%	39%
- q-o-q	11%	169%	-159%	53%		-13%	-144%	-338%	53%		
Non-GAAP (Adjusted)											
Gross profit	4,362	5,671	6,403	6,783	23,219	7,079	7,092	7,149	7,744	29,064	32,333
Gross margin	34.9%	40.0%	43.2%	44.5%	40.9%	44.7%	45.0%	45.0%	45.4%	45.0%	45.9%
Operating profit	405	1,181	2,202	2,544	6,333	2,740	2,774	2,796	3,333	11,643	13,502
Operating margin	3.2%	8.3%	14.9%	16.7%	11.2%	17.3%	17.6%	17.6%	19.5%	18.0%	19.2%
Net income	111	1,004	1,779	2,073	4,968	2,157	2,417	2,213	2,685	9,472	11,158
EPS (USD)	0.02	0.22	0.39	0.46	1.10	0.48	0.53	0.49	0.59	2.09	2.46
- y-o-y	-82%	-320%	74%	190%	158%	1845%	141%	24%	30%	91%	18%
- q-o-q	-85%	806%	77%	17%		4%	12%	-8%	21%		

Source: Company data, HSBC estimates

Valuation and risks

We derive our street-high rounded target price of USD95.00 (raised from USD50.00 previously) based on a sum of the parts PE based valuation methodology.

Earlier we used a target PB to value the stock due to volatility in earnings and losses. We move to a SOTP PE multiple based valuation, in line with the semiconductor industry, as we expect server CPU led revenue growth and margin expansion to start to normalize the EPS trajectory for Intel.

For our SOTP valuation, we segregate Intel's business into its core segment, including DCAI, client and all others, and its foundry segment. Foundry has been a drag on financials with no confirmation about any major external customers in the future to drive a turnaround. Currently, foundry is majorly utilized to produce products for its core business. Hence, we believe Intel's valuation should be solely based on its core business, which is the key earnings growth driver.

We assume Intel foundry's non-GAAP operating margin of -10.3% in 2027e with the corporate non-GAAP operating margin of 18.0% being driven by the core segment (non-GAAP operating margin of 28.3%). Allocating the non-op expenses in the ratio of revenue mix, we derive our non-GAAP EPS of USD3.71 for the core business and loss of USD1.62 per share for the foundry segment.

We apply a 26x target multiple to the core business EPS which derives our rounded target price of USD95.

Intel announced its IDM 2.0 strategy, which laid out Intel's ambition to become a major external foundry, in March 2021. However, till now, the business is still driven by the core business with Intel foundry reporting operating losses of -6.4% to -18.5% during 2021-2025. Hence, we believe that the PE trend till 2025 is mainly driven by the core segment. In October, news reports (TrendForce, 2 October 2025) came out claiming Intel is close to signing AMD as an

external foundry customer. Since then, the market has been more positive regarding the external foundry narrative which drove Intel from trading at a 2-yr forward PE of 48x on 30 Sep 2025 to trading at a PE of 67x in April 2026.

For our 2027e target PE of 26x for the core segment, we look at the 2-year forward historical PE trend from March 2021 (announcement of IDM 2.0 strategy) to September 2025 (prior to foundry narrative led re-rating). Our 26x target PE is based on a 10% premium to 1SD above historical average PE. We believe this is justified as during that period, the EPS contracted each year. Now, driven by the strength in server CPUs, non-GAAP EPS is expected to grow at 95% y-o-y in 2027e. Hence, we believe our target PE of 26x is justified.

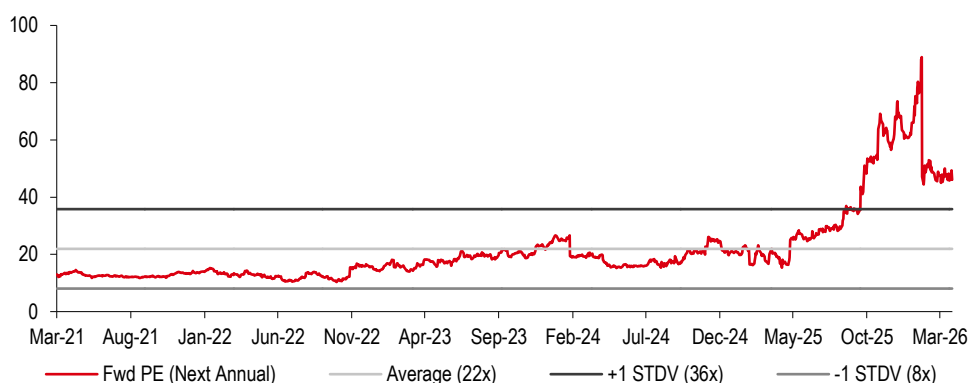
With c45% implied upside to our revised TP, we upgrade our rating on Intel to Buy (from Hold rating previously). We believe server CPU shipment growth and price hikes could drive significant upside to earnings.

Exhibit 16: Sum of the parts valuation table

(USDm)	Core	Foundry	Total
Revenue	43,533	20,998	64,531
Mix	67%	33%	
Adjusted operating profits	18,262	-6,620	11,643
- Adjusted OPM	28.3%	-10.3%	18.0%
Non-op income/(expenses)	-1,464	-706	-2,170
Adjusted net income	16,798	-7,326	9,472
Adjusted EPS (USD)	3.71	(1.62)	2.09
Valuation			
Target PE	26x	0x	
Rounded implied price (USD)	95.00	0.00	95.00
Implied upside			45%

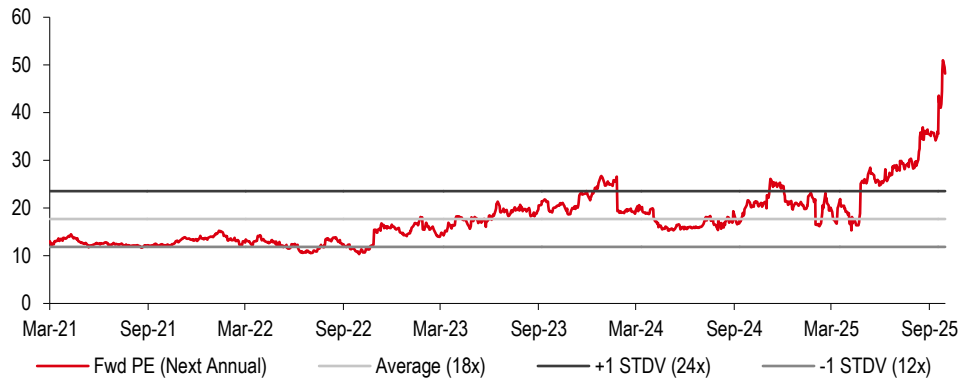
Upside based on price as of close 20 April 2026 Source: HSBC estimates, Bloomberg

Exhibit 17: Intel: Forward PE trend (March 2021- present)



Source: FactSet

Exhibit 18: Intel: Forward PE trend (March 2021 - Sep 2025)



Source: FactSet

Valuation

Risks

Intel Corp
INTC US

Current price:
USD65.70

Target price:
USD95.00

Buy

Up/Downside:
+44.6%

Methodology: FY27e SOTP PE multiple

Assumptions: Target FY27e PE multiple of 26x applied to our core business 2027e EPS of USD3.71.

Key downside risks: 1) Worse-than-expected server CPU unit shipments; 2) weaker-than-expected server CPU pricing hike; and 3) higher margin dilution due to foundry ramp.

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Note: Priced at close of 20 Apr 2026.

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Source: Bloomberg, HSBC estimates

Exhibit 19: Companies mentioned in this report

Company	Ticker	Currency	CMP	TP	Rating
TSMC	2330 TT	TWD	2,025.00	2,800.00	Buy
AMD	AMD US	USD	274.95	335.00	Buy
Apple	AAPL US	USD	273.05	250.00	Hold
Samsung Electronics	005930-KR	KRW	214,500.00	350,000.00	Buy
Tesla	TSLA US	USD	392.50	127.00	Reduce

Source: Bloomberg, HSBC estimates

CMP as on close of 20 Apr 2026

Disclosure appendix

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Upside/Downside is the percentage difference between the target price and the share price.

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For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

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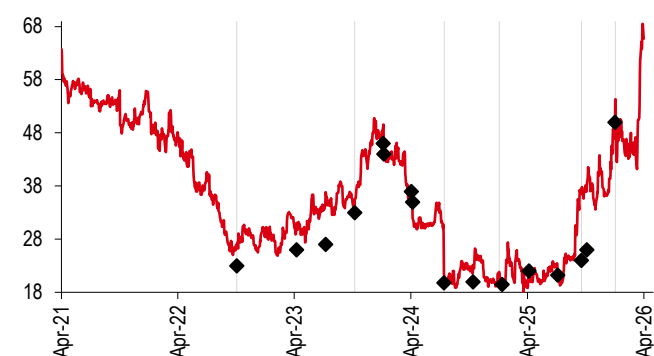
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Hold	36%	(12% of these provided with Investment Banking Services in the past 12 months)
Sell	6%	(6% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see “Stock ratings and basis for financial analysis” above.

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Share price and rating changes for long-term investment opportunities
Intel Corp (INTC.OQ) share price performance USD Vs HSBC rating history


Source: HSBC

Rating & target price history

From	To	Date	Analyst
N/A	Reduce	23 Oct 2022	Frank Lee
Reduce	Hold	27 Oct 2023	Frank Lee
Hold	Reduce	02 Aug 2024	Frank Lee
Reduce	Hold	21 Jan 2025	Frank Lee
Hold	Reduce	07 Oct 2025	Frank Lee
Reduce	Hold	20 Jan 2026	Frank Lee
Target price	Value	Date	Analyst
Price 1	23.00	23 Oct 2022	Frank Lee
Price 2	26.00	28 Apr 2023	Frank Lee
Price 3	27.00	28 Jul 2023	Frank Lee
Price 4	33.00	27 Oct 2023	Frank Lee
Price 5	46.00	24 Jan 2024	Frank Lee
Price 6	44.00	26 Jan 2024	Frank Lee
Price 7	37.00	22 Apr 2024	Frank Lee
Price 8	35.00	26 Apr 2024	Frank Lee
Price 9	19.80	02 Aug 2024	Frank Lee
Price 10	20.00	01 Nov 2024	Frank Lee
Price 11	19.50	31 Jan 2025	Frank Lee
Price 12	22.00	25 Apr 2025	Frank Lee
Price 13	21.25	25 Jul 2025	Frank Lee
Price 14	24.00	07 Oct 2025	Frank Lee
Price 15	26.00	24 Oct 2025	Frank Lee
Price 16	50.00	20 Jan 2026	Frank Lee

Source: HSBC

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HSBC & Analyst disclosures
Disclosure checklist

Company	Ticker	Recent price	Price date	Disclosure
INTEL CORP	INTC.OQ	65.70	20 Apr 2026	7

Source: HSBC

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- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
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2. In order to see when this report was first disseminated please see the disclosure page available at <https://www.research.hsbc.com/R/34/SfnQDbC>

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