GRAB

Security Description: Extended

Company Description

Intel Corporation designs, manufactures, and sells computer components and related products. The Company major products include microprocessors, chipsets, embedded processors and microcontrollers, flash memory, graphic, network and communication, systems management software, conferencing, and digital imaging products.

Extended Company Description (Source: Hoover's Inc., a Dun & Bradstreet Company)

OVERVIEW

Intel is the biggest computer chip company, controlling 80% of the market for microprocessors that go into desktop and notebook computers. It also makes chips for servers, smartphones, and tablets we well as embedded semiconductors for the industrial, medical, and automotive markets. The company's chips start in its research labs around the world and they are made in one of the industry's biggest manufacturing systems. As PC sales have declined, Intel has shifted focus and resources to develop and make chips for the data centers that power cloud computing. A small portion of revenue comes from security software. About 60% of Intel's revenue comes from computer and device makers based in Asia.

Operations

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Intel is, indeed, inside millions of personal computers and that's why its Client Computing Group accounted for 58% of the company's revenue in 2015. The Data Center Group brought in 29% of revenue. A third segment, the recently organized unit devoted to processors and software for the Internet of Things, was responsible for 4%. Another 4% of revenue comes from its software and services group.

Geographic Reach

Intel has more than 150 locations around the globe with assembly and test facilities in China, Costa Rica, Malaysia, and Vietnam. Singapore and China (including Hong Kong) each generate 21% of Intel's total sales. The US accounts for 21% with the rest of revenue lumped among other countries.

Sales and Marketing

Intel sells its products primarily to OEMs and original design manufacturers (ODMs). ODMs provide design and manufacturing services to branded and unbranded private label resellers. In addition, Intel products are sold to makers of a wide range of industrial and communications equipment.

Its customers also include those who buy PC components and other products through distributor, reseller, retail, and OEM channels. Intel's worldwide reseller sales channel consists of thousands of indirect customers (systems builders that purchase its microprocessors and other products from their distributors).

In 2015 Hewlett-Packard Enterprise and HP Inc., which formed from the split of Hewlett-Packard accounted for 18% of the company's sales, while Dell contributed 15% and Lenovo accounted for 13%. Intel maintained a steady advertising budget of $1.8 billion from 2014 to 2015.

Financial Performance

Intel posted a 1% decline in revenue in 2015 at $55.3 billion, compared to $55.8 billion the year before. Client Computing revenue fell 8% from 2014, but increases in sales from the Data Center and Internet of Things groups weren't enough to drive an overall revenue rise.

Intel's revenue slipped 2.5% to $11.4 billion in 2015 from $11.7 billion in 2014. The company devoted resources to research and development in chips for servers, the Internet of Things, and an array of new devices. It also spent to develop a new and complex manufacturing process.

The company's cash flow from operations was $19 billion in 2015, compared to $20.4 billion in 2014.

Strategy

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Like a number of companies Intel is adapting to customer demands for new ways to do computing. Instead of keeping information on a desktop computer or a close-at-hand bigger system, companies a storing information in servers maintained in massive data centers. Intel is addressing the shift by investing less in PC chips, the business that drove it to become an industry giant, to one that makes chips with greater complexity and flexibility for data center applications. It also sees the world of interconnected devices that comprise the Internet of Things as strong revenue area.

Over the last few years revenue from the PC-oriented business has declined while the data center and IoT businesses have grown. Still the PC revenue is double that of the other two groups combined. And while Intel has been the dominant chipmaker for PCs, the still-emerging data center and IoT markets have a number of competitors that could cut into profit margins.

Intel has devoted R&D dollars to develop new chips for new applications. It tries to adapt technology from one application to another to get as much revenue from a design as it can. It intends to exploit its $16.7 billion acquisition of Altera in 2015 to field a range of data center-ready chips for computing and storage purposes.

In 2016 Intel teamed up with TPG, a private investment firm, to spin out Intel's security assets as an independent cybersecurity company under the McAfee name. TPG will own 51% and Intel, 49%, in the security company. The new entity was valued at $4.2 billion. TPG was to investment more than $1 billion to boost McAfee's start as an independent firm. Intel bought McAfee in 2011 for

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Mergers and Acquisitions

The acquisition of Altera provides Intel with key technology for dealing with data center, cloud, and the Internet of Things. Altera makes chips that can be reprogrammed after installation. Intel will combine its powerful Xeon processors, which handle dedicated tasks, with Altera's more chips, to give customers more flexibility.

In 2105 Intel completed the acquisition of Lantiq, a supplier of broadband access and home networking technologies. With the acquisition, Intel moves further into DSL and fiber markets. It made two other acquisitions of companies with IOT-related technologies.

Also in 2015 Intel invested nearly $1 billion in Beijing UniSpreadtrum Technology, a subsidiary of Tsinghua Holdings, to jointly develop chips for mobile phones based on Intel architectures.