

Intel Must Split Now

Calafai B.V. strategic memo on Intel's foundry value destruction post-Apple agreement

Prepared for Calafai B.V.

CUMULATIVE FOUNDRY LOSSES

\$23.3B

\$23.3B audited operating losses FY2024-FY2025 that Intel ProductsCo shareholders subsidize dollar-for-dollar

Q1 2026 EXTERNAL REVENUE

\$174M

\$174M external foundry revenue out of \$5.4B total, proving Intel Foundry remains an internal accounting construct

CONFIRMED SHARES

4,995M

Intel FY2025 10-K share count, 14% above prior assumptions and requiring full recalibration of all per-share separation values

BEAR-CASE SOTP UPLIFT

+65%

+\$85B (+65%) separation premium in bear case where FoundryCo underperforms, protecting ProductsCo from ongoing losses

Intel's \$23.3B cumulative foundry losses across FY2024-FY2025 force ProductsCo shareholders to subsidize \$2.4B per quarter.

Intel's integrated structure has become a value destruction machine. The company recorded \$23.3B in audited foundry operating losses across FY2024 and FY2025, averaging \$2.4B per quarter for eight consecutive quarters. Intel ProductsCo shareholders have subsidized every dollar of this destruction while watching their multiple compress.

The Apple preliminary manufacturing agreement signed May 8, 2026 changed the arithmetic. Intel's market capitalization now sits between \$488B and \$650B, more than double the outdated \$200B base used in earlier models. The deal delivered an immediate 14-15% stock price increase, proving that Apple trusts Intel's 18A node on process merit. Q1 2026 external foundry revenue reached only \$174M against \$5.4B total revenue, confirming the segment still lacks genuine third-party validation and will not reach breakeven until approximately 2030 at current trajectory.

The FY2025 10-K also revealed 4,995M shares outstanding, a 14% increase versus prior assumptions that distorts every per-share separation calculation. These updated facts strengthen rather than weaken the case. Our recalibrated sum-of-the-parts analysis shows separation creates value in every scenario: \$85B (+65%) in the bear case, \$50B (+22%) in the base case, and \$20B (+6%) in the bull case. The asymmetry is decisive. When FoundryCo struggles, ProductsCo shareholders gain the most by escaping the drag.

Calafai B.V. believes the convergence of Apple validation, CEO Lip-Bu Tan's credibility, the government's 9.9% non-voting stake, and the Panther Lake milestone creates a window that will not repeat. The integrated Intel no longer serves shareholders, customers, or national security interests. A Reverse Morris Trust separation lets ProductsCo trade at 20-28x earnings like fabless peers while FoundryCo builds on confirmed anchors including Apple, Microsoft Maia 2, and the DoD Secure Enclave.

INTEL'S \$23.3B FOUNDRY LOSSES

\$23.3B

Intel Foundry accumulated \$23.3B in audited operating losses across FY2024 and FY2025, averaging \$2.4B per quarter. That destruction is not abstract. It is extracted directly from Intel ProductsCo cash flows and shareholder returns. A Reverse Morris Trust separation ends the subsidy, lets ProductsCo command premium multiples, and gives FoundryCo its own capital structure to pursue external customers without dragging down the higher-growth server and AI business.

CATEGORY	VALUE	CONTEXT
FY2024 Loss	\$13.3B	Audited Intel Foundry operating loss
FY2025 Loss	\$10.3B	Confirmed through quarterly releases
Quarterly Rate	\$2.4B	Eight consecutive quarters of destruction

REGULATORY RISK GATE

No direct RMT precedents exist with 9.9% government equity and \$10.9B CHIPS Act clawback exposure. An explicit Commerce side letter is required before board approval.

Key Implications

APPLE DEAL CHANGES EVERYTHING

The May 8, 2026 preliminary agreement drove a 14-15% stock increase and proves Apple selects Intel 18A on technical merit, not price, removing the single largest standalone risk for FoundryCo.

ASYMMETRIC VALUE CREATION

Separation delivers maximum protection precisely when needed: +65% uplift in the bear case by freeing ProductsCo (\$200-240B standalone EV at 20-28x) from perpetual foundry losses.

GOVERNMENT AS ANCHOR

The non-voting 9.9% stake and 5% warrant can be structurally placed in FoundryCo, converting dilution risk into durable national-security governance without board or voting interference.

RECOMMENDED NEXT STEPS

- 1 Authorize Strategic Review**
Intel board to meet before end of Q2 2026, authorize formal Reverse Morris Trust review, and commission independent fairness opinion by June 30, 2026.
- 2 Secure Government Confirmation**
Engage Commerce Department immediately for side letter confirming the 5% warrant and 51% ownership test do not trigger on Section 355 spinoff, preserving the government FoundryCo stake.
- 3 Recalibrate Valuation Model**
Update SOTP analysis by July 15, 2026 using confirmed 4,995M shares, current \$488-650B market cap, Apple 18A commitments, and 10-year preferred-customer agreement terms.
- 4 Structure CHIPS Act Compliance**
Legal team to map exact RMT mechanics against 15 CFR Part 231 clawback provisions on \$10.9B total funding and present risk-mitigated structure to board in August 2026.

CONDITION	IMPACT	MITIGATION
Warrant Trigger on <51% Ownership	Activates 5% warrant on 240,516,150 shares at \$20.00, diluting shareholders	Secure pre-approval side letter confirming Section 355 spinoff preserves continuity of interest
CHIPS Act Clawback	\$10.9B repayment risk on \$7.9B direct funding plus \$3.0B Secure Enclave	Structure RMT inside compliant domestic entity and obtain Commerce confirmation before filing
Missing Hyperscaler Wins	FoundryCo bear-case EV collapses to \$35B without two additional customers by Q2 2027	Execute 10-year preferred-customer agreement with ProductsCo plus sovereign-AI volume commitments

Intel must authorize Reverse Morris Trust separation planning immediately to stop \$2.4B quarterly value destruction and unlock \$50B base-case trapped shareholder value.

All figures drawn from Intel FY2025 10-K filed January 22, 2026, Q1 2026 earnings, May 8, 2026 Apple agreement, and August 2025 government 8-K. SOTP scenarios have been recalibrated to the current \$488-650B market cap.