

BUSINESS

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TALKING BUSINESS

“The signs are multiplying that a recovery is under way — finally.”

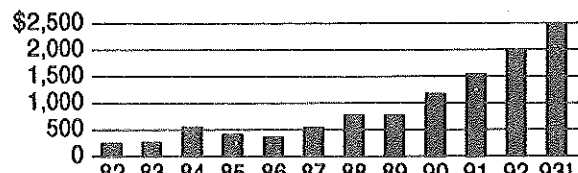
BRUCE STEINBERG
economist

Intel spending plan for '93: \$2.5 billion

INVESTING IN THE FUTURE

Intel Corp.'s spending on chip-making plants and research and development projects has risen from \$269 million in 1982 to a planned \$2.5 billion in 1993.

Millions of dollars



¹ Estimated
Source: Company reports

MERCURY NEWS

■ **Top story:** The funds will be used for plants and R&D.

BY REBECCA SMITH
Mercury News Staff Writer

Intel Corp. plans to spend a record \$2.5 billion in 1993 on its chip-making plants and research and development projects — a staggering sum amounting to more than one-third of its expected revenues of \$7 billion.

The expenditure, cited Tuesday in an interview with Intel CEO Andrew Grove by Dow Jones News Service,

would be 25 percent larger than its 1992 spending program.

For comparison, another chip giant, Texas Instruments Inc., spent about \$1 billion on capital expenditures and R&D and reported revenues of \$6.7 billion in fiscal 1991.

Intel's spending program reflects awesome revenues from its 486 microprocessors and shows confidence in expected sales of its next-generation microprocessor, the 586 or "Pentium" chip, scheduled for rollout during the first quarter of 1993.

The value of 486 microprocessor shipments is fast approaching \$1 billion per quarter — triple the value of its

earlier-generation 386 microprocessors at the same point in their life cycle.

"Intel's product positioning is genius at work," said Daniel Klesken of Robertson, Stephens & Co. in San Francisco, an analyst who issued a bullish report on the company last month.

The Santa Clara-based company has half a dozen major construction projects under way or in the design phase.

It plans to spend a total of \$800 million refitting its Santa Clara and Hillsboro, Oregon, chip-making plants. The Santa Clara fab will manufacture 300,000 to 500,000 Pentium chips per week.

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■ INTEL from Page 9D

Intel is looking for a site for its next giant plant, dubbed Fab 11, that is expected to cost anywhere from \$1 billion to \$1.5 billion. It has said it will build the plant in the United States.

And it is continuing construction of a new plant, Fab 10, in Leixlip, Ireland, while it expands its existing plant in Albuquerque, New Mexico.

The bankroll for the expansion comes from two sources: a cash hoard and product revenues.

Intel has the market for 486

microprocessors almost entirely to itself, although competitor Advanced Micro Devices of Sunnyvale is expected to unveil its version of the 486 chip during the first quarter of 1993.

Texas-based Cyrix already is shipping a 486-type chip and its foundry, Texas Instruments, is expected to begin marketing its own brand 486 product next year.

As a result of its tight control, Intel's profit margins are extremely high. Klesken estimates that Intel's gross margins on the 486 are 70 percent to 80 percent, meaning the company can sell a

chip for \$170 to \$189 that only costs \$100 to make.

Another bullish stock report, issued Tuesday by Merrill Lynch & Co., helped push Intel stock up \$1.50 a share to close at \$73 on the New York Stock Exchange. Analyst Thomas Kurlak said orders for Intel chips are so strong that the first quarter's production for 1993 "is effectively sold out."

Intel representatives declined Tuesday to explain how it has earmarked its capital spending funds, but the company is expected to hold a press conference and meet with analysts next week.