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Is Intel in Trouble?

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Early last year we wrote about [Intel and chip making in America](#). Intel seemed poised for a turnaround, Congress passed legislation to help chip makers bring production back onshore in America, and Patrick Gelsinger came back to Intel and was in charge. We likened this, perhaps too hopefully, to Steve Jobs returning to Apple and creating the iPhone along the way making Apple a trillion dollar company. Now, as noted in a *Bloomberg* article, [Intel's comeback may be farther off](#) than they might have wished. So, is Intel in trouble or is this just a bump in the road to a long term recovery?

Personal Computer Slump Drives Intel's Business Down

Intel makes the [microprocessors](#) found in most personal computers in the world. A huge problem for Intel is that after a boom in PC sales during the Covid Pandemic, personal computer sales have seen the [worst year to year decline](#) in many years. Part may be that people bought early during the pandemic and part is probably that a new personal computer is low on the shopping list as [inflation](#) makes people start to prioritize their purchases. Intel is also a leader in making chips for computer servers but has had problems rolling out newer product lines and has lost ground to competitors.

Intel Gives Its Worst Forecasts Ever

As sales of personal computers (and chips) fell off, so did Intel's earnings. The stock price was just over \$50 when we wrote our article about them last March and has fallen as low as \$25 a share to finally trade at \$30 a share at the end of January 2023. Intel management has been frank about their troubles and forecasted a slower-than-hoped for recovery. Gelsinger reminded folks on a conference call that the Intel recovery was expected to take years. It just did not need a drop in personal computer sales right at the outset of Intel's journey.

How Long to Make Money from New Chip Making Facilities?

Intel is beginning construction on what will be the biggest chip making complex on earth. Despite breaking ground at the end of 2022 the earliest the first complex will start turning out chips will be in 2025. This sort of time lag is normal for the chip making business. The problem as far as profits is that the chip business is historically one of feast and famine. Companies need to design and produce chips that are needed for current devices and immediately start planning for the next generation and the one after that. Intel will, in the end, have invested [\\$100 billion to build the entire complex](#) in Ohio with the long term goal of bringing chip making and especially making of the fastest and most powerful chip back to the USA. Meanwhile none of their competitors will be sitting still.

Is It Time to Forget about Intel or Invest in It for the Long Haul?

Intel did not forget about how to make computer chips. Rather the economy affected personal computer sales.

Intel is not just down because of its own issues but also because of the economy and the larger market when it has fallen due to the Fed raising interest rates. A reasonable parallel to Intel at this point might be found outside of the high tech chipmaking arena. In 1988 Warren Buffett invested heavily in Coca Cola after the 1987 crash had taken all stocks down. Buffett adheres to the [intrinsic value](#) approach to investing. This is where the investor looks at a company's likely forward looking cash flow over the years to decide if it is a good long term investment. The billion dollar purchase of Coca Cola by Buffett in 1988 has returned in excess of 1550% not counting dividends over the years. Intel will not go away and it will weather any number of storms making it a favorable long term investment, especially at currently depressed prices if you adhere to the "Buffett approach."

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