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Our about-face

Last Friday, Bloomberg broke news that Microsoft Corp. is fast at work on in-house processors based on Arm Ltd.'s designs. The Redmond, Wash. giant follows Apple, Inc.'s Nov. 10 unveiling of its own Arm-based chips for its Mac line of computers. We didn't see it coming. On Intel Corp., the subject of an upbeat analysis in these pages on Oct. 16, we are bullish no longer.

The trouble is not so much that Microsoft might take its business else-

where—such a loss would amount to no more than 4% of Intel's revenue.

"The real issue for INTC," as Stacy Rasgon et al., of AllianceBernstein, ably put it in a Dec. 21 comment, "is not the raw level of potential exposure, but rather that the dam is bursting for mainstream acceptance of [Intel and Advanced Micro Devices, Inc.] alternatives, with Amazon (Graviton 2), AAPL (M1 processors and likely follow-ons), numerous startups (Ampere, Nuvia etc.), and now MSFT, all

of which, as they ramp up, will come out of Intel's hide. And it seems likely we will continue to hear more of these types of stories over time, further weighing on the narrative."

Since our October piece, Intel has generated a 14.1% loss versus a 6.2% gain for the S&P 500. While Intel looks optically cheap at 9 times trailing earnings, the company increasingly has the look of a value trap. It certainly trapped us.

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