

# Intel to spend \$95B on European chip plants, pivots to auto chips and foundry services

Article

**The news:** Intel's CEO Pat Gelsinger said that the chipmaker has big plans for European expansion, with a **\$95 billion investment** into two new chip fabs, per Thurrot. The new chip

plants are part of Intel's wider strategy to end the world's silicon manufacturing dependency on China and the East Asian countries.

- Intel pledged to dedicate production in Ireland for car chips to mitigate shortages. It's also establishing a chip design team to help other companies adapt designs to use Intel's manufacturing capabilities.
- The overall market for car chips is expected to expand to **\$115 billion in the next decade**, more than doubling its current size, said Geslinger.
- Intel plans to make its own chips—but also wants to expand into manufacturing for other companies like **Qualcomm** and **Amazon**.

**Why it's worth watching:** Faced with competition from PC and smartphone companies like Apple and Google doubling down on their own chip design and manufacturing, Intel wants to pivot toward automotive chips. It's also **building out** its **Intel Foundry Services (IFS)**, which will let it manufacture chips for other companies and compete directly against **TSMC** and **Samsung**.

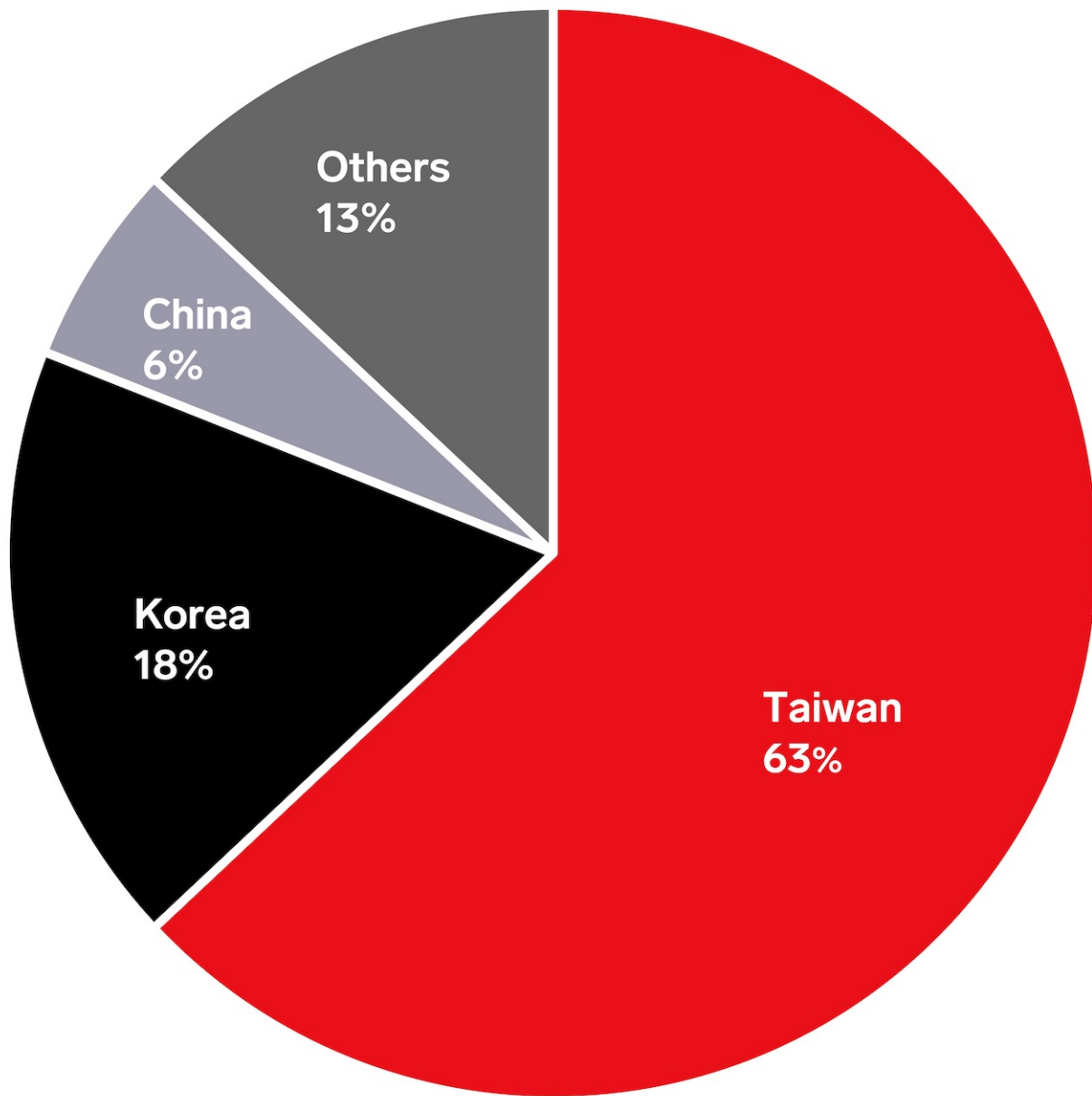
- Intel is pivoting to produce high-demand automotive chips at a time where demand is surging. Chip shortages could cost the auto industry **upward of \$61 billion in sales** this year, per Bloomberg.
- Intel's entry into Europe, as well as expansion with two plants in **Arizona at a cost of \$20 billion** and a **\$3.5 billion** expansion effort in New Mexico, makes it a strong challenger to leading Taiwanese chipmaker TSMC, which is one of the handful of companies making chips for cars.

**The opportunity:** Focusing on high-demand products like automotive chips and AV technology, as well as expanding into chip foundry services for other companies, can better sustain Intel in the long term than its traditional PC processor focus.

- Government subsidies in the EU, as well as the geographical advantage, can bring Intel closer to carmakers as the demand for driver assistance and autonomous driving features grow.
- Intel is also making investments in Mobileye, its self-driving subsidiary, which plans to pilot a robotaxi service in Germany next year.

# Global Foundry Revenues, by Country, 2020

% of total



*Note: Total foundry revenues totaled \$85.13 billion in 2020. Taiwan-based TSMC made up 54% of global foundry revenues.*

*Source: TrendForce, March 2021*

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