



# Technology Flash...

July 6, 2016

J.Gold Associates, LLC 6 Valentine Road, Northborough, MA 01532 USA  
www.jgoldassociates.com +1-508-393-5294  
Research, Analysis, Strategy, Insight

## Intel and McAfee- No Longer Inseparable?

A PUBLICATION OF  
J.GOLD  
ASSOCIATES

Rumors have been flying lately that Intel will be “separating” from its acquisition of McAfee that was completed in 2011. While it’s always unsafe to put too much credence into rumors until all the facts are known, in this case, the rumors make a lot of sense. Here is why it’s likely to happen.

Intel bought McAfee at a time when PC sales were still healthy and increasing at a good rate. McAfee had a strong presence in consumer anti-virus software, but an even bigger play in the management and protection of enterprise PCs, a critical market for Intel where it was the dominant player. So the acquisition made a lot of sense as it helped Intel differentiate itself in a competitive marketplace, and it added accretive revenues. It provided Intel with a software revenue stream which it hoped would smooth out the ups and downs of the semiconductor business.

I was quite positive at the time as I expected a lot of good synergies to result from this combination of companies. Unfortunately, many of the expected synergies between McAfee and Intel never fully materialized. For the most part, McAfee remained as an independent operation and the expected benefits of merging some of the protection products into Intel hardware at the component level didn’t happen. There were a few small combinations that emerged but never the bigger play that the pair could have potentially pulled off, mainly because there was insufficient focus from management on making it happen. As time passed after the acquisition, it seemed that the separation between McAfee and Intel grew instead of shrinking. And by 2-3 years ago, it was clear to me that McAfee, even as it changed its name to Intel Security, was primarily a standalone operation and not a fully integrated Intel technology play.

Of course, changing market dynamics haven’t helped. The PC market is currently troubled, with shrinking unit sales, and an extended refresh cycle. That limits any benefits to Intel, as McAfee (as well as its competitors) struggle to get back to the growth of previous years. And with all of the uptake of mobile devices, most of which are not protected at all, there is minimal sales potential for McAfee in this growth market. This lowers any possible upside in volumes to make up for the reduction in PC sales. Most mobile device security is provided by an entirely new breed of players and McAfee never sufficiently made the transition, although it did make a few acquisitions along the way. None materialized into anything significant, due

---

*...Rumors have been flying lately that Intel will be “separating” from its acquisition of McAfee that was completed in 2011. While it’s always unsafe to put too much credence into rumors until all the facts are known, in this case, the rumors make a lot of sense. Here is why it’s likely to happen....”*

---

primarily, in my opinion, to lack of focus on this emerging market by McAfee management.

Times have changed for Intel. It has decided to “get back to basics” which is clearly indicated by its recent management and strategy shakeups, and a wise choice in my opinion. Intel needs to focus on newer growth markets that revolve around IoT, wireless communications and cloud-based services. McAfee has never been a strong fit in the server market, nor has any significant play in the wireless communications space. And it will take some time to establish any kind of play in IoT if it is even able to make the transition (and given its history in mobile devices I’m not confident it can do any better in IoT). But, being independent of Intel may actually help McAfee refocus some of its energy in upcoming growth markets, making it ultimately more competitive than it would be as part of Intel. And it may energize McAfee management as well to take the steps needed for long term success, including potential new strategic partnerships not currently available to it.

For its part, Intel has been focusing on building more security and management capability directly into its chips - a necessary component of any push to the IoT and Cloud world. Intel really doesn’t need the software McAfee provides to make this happen. And if it does need any external components, Intel can easily partner with a host of players in the newly emerging fields of cognitive and network-based security systems. Much of future security will be created and deployed by new-age security companies, so Intel actually would be better off to have more flexibility in finding the right partner, and, in my opinion, may be hampered by being too close to McAfee.

Based on the realignment of Intel strategy, the lack of strong synergies going forward, and the need for Intel management to focus on the emerging markets, a separation of McAfee (whether via sell-off or spin out) makes a good deal of sense. Any technology Intel needs to maintain within the company it already has access to. But it doesn’t need to run a major subsidiary operation like McAfee that isn’t closely aligned with its longer term strategy. So it’s likely that the Intel/McAfee rumors are accurate. The remaining question is, what will the Intel McAfee separation look like?

*Jack Gold is the founder and principal analyst at J.Gold Associates, LLC., an information technology analyst firm based in Northborough, MA., covering the many aspects of business and consumer computing and emerging technologies. Follow him on Twitter @jckgld or LinkedIn at <https://www.linkedin.com/in/jckgld>.*

---

*“...Based on the realignment of Intel strategy, the lack of strong synergies going forward, and the need for Intel management to focus on the emerging markets, a separation of McAfee (whether via sell-off or spin out) makes a good deal of sense....”*

---



**J.Gold Associates, LLC**  
6 Valentine Road  
Northborough, MA 01532 USA

**Phone:**  
+1-508-393-5294

**Web:**  
[www.jgoldassociates.com](http://www.jgoldassociates.com)

**Research, Analysis,  
Strategy, Insight**

Contents Copyright 2016  
J.Gold Associates, LLC  
All rights reserved