



Technology Insights...

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Research, Analysis, Strategy, Insight

Intel Signs MediaTek for its Foundry Services

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Intel announced that the major Taiwanese fabless semiconductor supplier MediaTek has signed on to use its foundry services. There has been some speculation that Intel getting into the foundry business would be a difficult transition for them, and that perhaps they were not all that serious. But the new management has been pursuing this avenue and while there were some minor announcements previously, this one is different. It is a validation of the Intel Foundry Services (IFS) strategy, although with some caveats.

On the positive side, this is a major announcement for Intel for several reasons.

First, it's a validation of its strategy, as MediaTek is a major player selling millions of chips for mobile devices, IoT, etc. This is not just a bit player signing on for a few chips here and there. MediaTek obviously feels comfortable enough with Intel's strategy to take this step. Certainly Intel is not their only fab partner, but MediaTek does not take on partners lightly given its market position and volume needs.

Next, Intel already has a working relationship with MediaTek, as MediaTek is Intel's primary provider of 5G connectivity chips used in PC and similar products. This strategic relationship may now be extended to potentially partnering on other products as well. Ultimately, it's not all that farfetched to envision MediaTek and Intel co-designing a SoC and having it built in Intel's fab. And as the industry, and Intel in particular, expand their efforts for "chiplet" designs, having a major source of chiplets for Intel's own needs can prove very advantageous.

Signing a major player like MediaTek gives Intel a degree of credibility it wouldn't have with lesser players. But it also means that given the volume potential for a MediaTek relationship, Intel believes in its ability to act as a foundry service and to have enough capacity in place for high volume manufacturing for others. This has been a question for many as they have tried to assess the real capacity available at Intel for its foundry business and whether Intel was really serious.

"... This announcement between Intel and MediaTek demonstrates a strong commitment by Intel to its foundry service strategy, and that its IFS strategy is beginning to take hold. It also shows a need for Intel to do more to capture more leading edge designs in order to truly compete as a major service provider. Nevertheless, we expect that Intel's foundry strategy will expand over the next couple of years, particularly as it gains more credibility through major announcements such as this one...."

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While this agreement is currently limited to the more mature 16nm process node, there is no reason to expect it will remain at that node long term. It's more likely that 16nm was simply the place that Intel had the available capacity, and that MediaTek felt comfortable placing an order. This node is not for MediaTek's most leading edge products like cutting edge Smartphone SoCs, making it somewhat lower risk for MediaTek. And because 16 nm is proven technology for Intel, lower risk for Intel as well. But as Intel stabilizes its more leading edge fabs like 10nm and below that may not be at full capacity with its own products, there is every likelihood Intel will eventually offer foundry services at those nodes as well.

What is interesting is that even though Mediatek is a Chinese (Taiwanese) company, it's unlikely that Intel will be actually building any of the chips in its China fab. It's more likely that chips will be produced in Intel fabs in Oregon, Arizona, Ireland and Israel, based on their available capacity. From a MediaTek perspective, this expands their supply chain beyond the traditional Far East suppliers (e.g., TSMC) and provides some amount of protection against any potential geographical disruptions.

On the negative side for Intel, this supply agreement is at a more mature node and not the leading edge where its competition is making strides. This means that Intel foundry service is still relegated to more mature chips than the more expensive leading edge devices used in high end products which would provide Intel with higher revenues. While we expect this to change in the coming 1-2 years, it does indicate that Intel still has much work to do to become a leading edge node provider of foundry services and thereby improve its IFS revenue potential.

Bottom Line: This announcement between Intel and MediaTek demonstrates a strong commitment by Intel to its foundry service strategy, and that its IFS strategy is beginning to take hold. It also shows a need for Intel to do more to capture more leading edge designs in order to truly compete as a major service provider. Nevertheless, we expect that Intel's foundry strategy will expand over the next couple of years, particularly as it gains more credibility through major announcements such as this one.



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