

# Intel Corp

**S&P Recommendation** BUY ★★★★★

**Price**  
\$24.09 (as of Nov 8, 2013)

**12-Mo. Target Price**  
\$26.00

**Investment Style**  
Large-Cap Growth

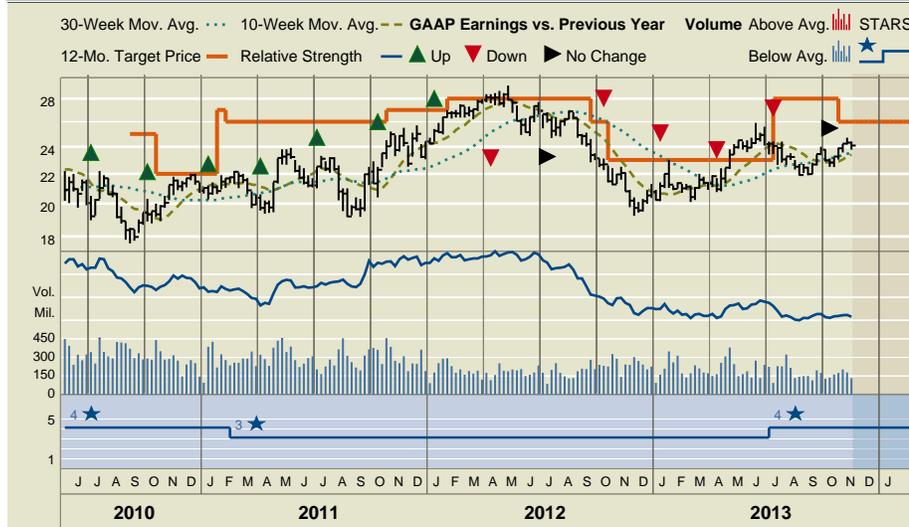
**GICS Sector** Information Technology  
**Sub-Industry** Semiconductors

**Summary** This company is the world's largest manufacturer of microprocessors, the central processing units of PCs, and also produces other semiconductor products.

**Key Stock Statistics** (Source S&P, Vickers, company reports)

52-Wk Range	<b>\$25.98–19.23</b>	S&P Oper. EPS 2013E	<b>1.89</b>	Market Capitalization(B)	<b>\$120.354</b>	Beta	<b>1.00</b>
Trailing 12-Month EPS	<b>\$1.85</b>	S&P Oper. EPS 2014E	<b>1.92</b>	Yield (%)	<b>3.74</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>3</b>
Trailing 12-Month P/E	<b>13.0</b>	P/E on S&P Oper. EPS 2013E	<b>12.7</b>	Dividend Rate/Share	<b>\$0.90</b>		
\$10K Invested 5 Yrs Ago	<b>\$19,538</b>	Common Shares Outstg. (M)	<b>4,996.0</b>	Institutional Ownership (%)	<b>63</b>		

**Price Performance**



**Qualitative Risk Assessment**

LOW MEDIUM HIGH

Our risk assessment reflects Intel's exposure to the sales cycles of the semiconductor industry and demand trends for personal computers, offset by its large size, long corporate history, and its low debt levels compared to peers.

**Quantitative Evaluations**

**S&P Quality Ranking** B+  
D C B- B B+ A- A A+

**Relative Strength Rank** MODERATE  
62  
LOWEST = 1 HIGHEST = 99

**Revenue/Earnings Data**

	1Q	2Q	3Q	4Q	Year
2013	12,580	12,811	13,483	--	--
2012	12,906	13,501	13,457	13,477	53,341
2011	12,847	13,032	14,233	13,887	53,999
2010	10,299	10,765	11,102	11,457	43,623
2009	7,145	8,024	9,389	10,569	35,127
2008	9,673	9,470	10,217	8,226	37,586

	1Q	2Q	3Q	4Q	Year
2013	0.40	0.39	0.58	E0.52	E1.89
2012	0.53	0.54	0.58	0.48	2.13
2011	0.56	0.54	0.65	0.64	2.39
2010	0.43	0.51	0.52	0.59	2.05
2009	0.12	-0.07	0.33	0.40	0.77
2008	0.25	0.28	0.35	0.04	0.92

Fiscal year ended Dec. 31. Next earnings report expected: Mid January. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

**Dividend Data** (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.225	01/23	02/05	02/07	03/01/13
0.225	03/21	05/03	05/07	06/01/13
0.225	07/25	08/05	08/07	09/01/13
0.225	09/25	11/05	11/07	12/01/13

Dividends have been paid since 1992. Source: Company reports.

Analysis prepared by Equity Analyst **Christin Armacost** on Oct 17, 2013, when the stock traded at **\$23.79**.

**Highlights**

- We expect revenue to decline 1% in 2013 and increase 1% in 2014. Intel's outlook is being dragged down by the approximate 10% decline we forecast in PC sales this year, where it dominates and accounts for about 62% of revenue. INTC is seeing double-digit growth in its data center group (25%), driven by cloud computing, communications and storage. INTC continues to expand its chip offerings at lower price points to gain share in mobile devices. We believe success in tablets and smartphones will be key.
- We forecast gross margins of about 60% in 2013 and 61% in 2014. We see higher volume and lower start-up costs related to the ramp up of new process technologies as positives, but we expect pricing pressure due to product mix and competition. We see expenses for compensation and head count additions rising along with sales, resulting in estimated operating margins of 23.5% in 2013 and 24.2% in 2014.
- We estimate EPS of \$1.89 in 2013 and \$1.92 in 2014, assuming an effective tax rate of 25% and modestly lower share counts.

**Investment Rationale/Risk**

- Our buy opinion reflects our view of Intel's ability to execute its growth strategy across two key areas -- new products and its foundry business. We acknowledge the secular decline of the traditional PC, but believe that after hitting an "air pocket" in 2012, the decline is now more manageable. We think Intel's recent launch of its new Core chips, code-named Haswell, and its Atom system on a chip (SoC) significantly improves its competitiveness in the mobile device market, where it has significantly underperformed. We expect Intel to prudently manage expenses and continue to generate growing cash flows to enable it to continue to increase its dividend and repurchase its shares.
- Risks to our recommendation and target price include slowing growth in emerging markets, an inventory correction, faster price erosion due to product mix and increased competition from Advanced Micro Devices (AMD 4, Sell), and lack of traction in mobile.
- Our 12-month target price of \$26 is based on a multiple of about 13X our 2014 EPS estimate of \$1.92, which reflects our view of INTC's relative growth, risk and return as being similar to that of other technology leaders.

**Intel Corp****Business Summary** October 17, 2013

**CORPORATE OVERVIEW.** Intel is the world's largest chipmaker based on revenue and unit shipments, and is well known for its dominant market share in microprocessors for personal computers (PCs). The microprocessor is the central processing unit of the computer system, and acts like "the brain" of the computer. The company also sells chipsets, which it refers to as "the nervous system" in a PC or computing device, sending data between the microprocessor and input, display and storage devices.

Intel has three main operating segments: PC Client Group, Data Center Group, and Other Intel Architecture.

The PC Client Group (64% of 2012 sales) makes microprocessors and related chipsets for the notebook, netbook and desktop segments. It also includes motherboards designed for desktop and wireless connectivity products.

The Data Center Group (20%) makes products, including microprocessors, chipsets, motherboards and wired connectivity devices that are used in servers, storage, workstations, and other applications that are used in the data center and for cloud computing.

The Other Intel Architecture segment (8%) includes Intel's smaller businesses such as the Embedded and Communications Group, which makes scalable microprocessors and chipsets for various embedded applications, the Ultra-Mobility Group, which offers processors and chipsets for mobile Internet devices, and the Digital Home Group, which produces products for use in various consumer electronics devices. Lastly, the Software and Services group and other account for 8%.

**MARKET PROFILE.** The microprocessor market accounts for about 20% of the total semiconductor industry's revenues, and is dominated by two companies, Intel and Advanced Micro Devices (AMD). The two competitors have battled for preeminence in the segment for decades. Several years ago, as AMD improved its product line and cut prices, Intel lost market share and, in 2006, experienced notable earnings decreases. But later that year, Intel started to turn the tide by improving its product development, manufacturing, and cost structure. Regaining market share, Intel now ships over 80% of the world's microprocessors, and is still the clear leader in this space. It has accomplished this by extending its leadership in key technologies that have provided competitive advantages. Manufacturing technology enables it to produce chips with more transistors at a lower cost. As a result, the technology has led to improved profitability, which in 2010 was the highest in several years.

Intel's powerful chips have done well in devices connected to a power source by a cord, such as PCs, but it has not had the same success in mobile devices powered by a battery. As mobile handset and tablet computers become more feature-rich, the need for more powerful processing grows in importance. Semiconductor companies have been developing application processors (a chip in mobile devices with functions that are comparable to microprocessors) that reach speeds of over 1 Gigahertz (GHz). Although Intel's ATOM processor, which boasts speeds of over 1.8 GHz, is starting to compete against application processors in the smartphone and mobile device segments, its offerings have not been as competitive when it comes to power consumption, an important factor for gadgets that depend on a long battery life.

**IMPACT OF MAJOR DEVELOPMENTS.** In July 2012, Intel announced a \$4.1 billion commitment to accelerate the development and deployment of 450 millimeter wafers and associated technology called extreme ultra-violet (EUV) lithography with equipment provider ASML Holdings (ASML). The deal includes both a \$1.0 billion commitment to fund ASML's research and development and up to a 15% stake in the company, in two stages. While clearly a large transaction, Intel has a history of investing in the ecosystem.

**FINANCIAL TRENDS.** Intel's revenues are cyclical but less variable than the broader industry's because of its competitive position, a fairly stable computing end-market, and the relative size of its revenues, in our view. Annual gross margins have been in the mid-50% to mid-60% area over the past few years, fluctuating with the competitive and economic environments. With Intel's "tick-tock" strategy, gross margins generally dip every other year to reflect scheduled equipment and technology additions. Because of the high fixed cost structure in its business model, Intel depends on operating leverage for margin expansion. However, this has not been a problem for Intel, which has benefited from above-industry operating margins of around 26%, on average, over the past few years.

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**CEO**

B.M. Krzanich

**SVP & General****Counsel**

A.D. Melamed

**Pres**

R.J. James

**Board Members**

C. Barshefsky

A. D. Bryant

S. L. Decker

J. J. Donahoe

R. E. Hundt

A. P. Jansz

J. D. Plummer

D. S. Pottruck

F. D. Yearly

D. B. Yoffie

**Domicile**

Delaware

**Founded**

1968

**Employees**

105,000

**Stockholders**

150,000

# Intel Corp

## Quantitative Evaluations

<b>S&amp;P Fair Value Rank</b>	4	1	2	3	4	5
		LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

<b>Fair Value Calculation</b>	<b>\$25.30</b>	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that INTC is slightly undervalued by \$1.21 or 5.0%.
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<b>Investability Quotient Percentile</b>	<b>99</b>
LOWEST = 1 HIGHEST = 100	
INTC scored higher than 99% of all companies for which an S&P Report is available.	

<b>Volatility</b>	LOW	AVERAGE	HIGH
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<b>Technical Evaluation</b>	<b>BULLISH</b>	Since October, 2013, the technical indicators for INTC have been BULLISH.
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<b>Insider Activity</b>	UNFAVORABLE	NEUTRAL	FAVORABLE
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## Expanded Ratio Analysis

	2012	2011	2010	2009
Price/Sales	1.99	2.43	2.75	3.28
Price/EBITDA	4.80	5.60	5.85	8.41
Price/Pretax Income	7.15	7.38	7.47	20.19
P/E Ratio	9.67	10.14	10.45	26.36
Avg. Diluted Shares Outstg (M)	5,160.0	5,411.0	5,696.0	5,645.0

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	-1.22	15.80	8.81	5.53
Net Income	-14.97	33.55	18.45	6.58

## Ratio Analysis (Annual Avg.)

	2012	2011	2010	2009
Net Margin (%)	20.63	23.63	19.48	19.35
% LT Debt to Capitalization	20.42	12.60	9.42	7.04
Return on Equity (%)	22.66	25.12	19.82	19.26

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. \$)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tangible Book Value	7.13	6.08	7.99	6.59	6.18	6.51	5.70	5.46	5.57	5.26
Cash Flow	3.59	3.51	2.83	1.67	1.72	1.98	1.65	2.15	1.91	1.62
Earnings	2.13	2.39	2.01	0.77	0.92	1.18	0.86	1.40	1.16	0.85
S&P Core Earnings	2.15	2.37	2.01	0.94	0.96	1.18	0.77	1.22	0.99	0.83
Dividends	0.87	0.78	0.63	0.56	0.55	0.45	0.40	0.32	0.16	0.08
Payout Ratio	41%	33%	31%	73%	60%	38%	47%	23%	14%	9%
Prices:High	29.27	25.78	24.37	21.27	26.34	27.99	26.63	28.84	34.60	34.51
Prices:Low	19.23	19.16	17.60	12.05	12.06	18.75	16.75	21.94	19.64	14.88
P/E Ratio:High	14	11	12	28	29	24	31	21	30	41
P/E Ratio:Low	9	8	9	16	13	16	19	16	17	18

## Income Statement Analysis (Million U.S. \$)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue	53,341	53,999	43,623	35,127	37,586	38,334	35,382	38,826	34,209	30,141
Operating Income	22,160	23,444	20,488	13,691	14,283	13,643	10,861	16,685	15,019	13,225
Depreciation	7,522	6,064	4,638	5,052	4,619	4,798	4,654	4,595	4,889	5,070
Interest Expense	90.0	41.0	NA	1.00	8.00	15.0	1,202	19.0	50.0	62.0
Pretax Income	14,873	17,781	16,045	5,704	7,686	9,166	7,068	12,610	10,417	7,442
Effective Tax Rate	26.0%	27.2%	28.6%	23.4%	31.2%	23.9%	28.6%	31.3%	27.8%	24.2%
Net Income	11,005	12,942	11,464	4,369	5,292	6,976	5,044	8,664	7,516	5,641
S&P Core Earnings	11,075	12,809	11,519	5,325	5,521	6,978	4,518	7,555	6,374	5,467

## Balance Sheet & Other Financial Data (Million U.S. \$)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cash	18,162	14,837	21,885	13,920	11,843	15,363	6,598	7,324	8,407	7,971
Current Assets	31,358	25,872	31,563	21,157	19,871	23,885	18,280	21,194	24,058	22,882
Total Assets	84,351	71,119	63,186	53,095	50,715	55,651	48,368	48,314	48,143	47,143
Current Liabilities	12,898	12,028	9,070	7,591	7,818	8,571	8,514	9,234	8,006	6,879
Long Term Debt	13,136	7,084	2,077	2,049	1,886	1,980	1,848	2,106	703	936
Common Equity	51,203	45,911	49,638	41,704	39,088	42,762	36,752	36,182	38,579	37,846
Total Capital	64,339	52,995	51,715	43,753	41,020	45,153	38,865	38,991	40,137	40,264
Capital Expenditures	11,027	10,764	5,207	4,515	5,197	5,000	5,779	5,818	3,843	3,656
Cash Flow	18,527	19,006	16,102	9,421	9,911	11,774	9,698	13,259	12,405	10,711
Current Ratio	2.4	2.2	3.5	2.8	2.5	2.8	2.1	2.3	3.0	3.3
% Long Term Debt of Capitalization	20.4	13.4	4.0	4.7	4.6	4.4	4.8	5.4	1.8	2.3
% Net Income of Revenue	20.6	24.0	26.8	12.4	14.1	18.2	14.3	22.3	22.0	18.7
% Return on Assets	14.2	19.3	19.7	8.4	10.0	13.4	10.4	18.0	15.8	12.3
% Return on Equity	22.7	27.2	25.6	10.8	12.9	17.6	13.8	23.2	19.7	15.4

# Intel Corp

## Sub-Industry Outlook

We have a positive fundamental outlook for the semiconductors sub-industry for the next 12 months. We expect stabilizing economic conditions to result in 3.7% revenue growth in 2013, up from a decline of about 3% in 2012, and forecast 3.9% growth in 2014. Following a weak 2012 end and 2013 first quarter, we see sequentially improving sales through the year. We expect a fairly lean inventory supply chain to leave the supply-demand balance even to slightly favorable for inventory replenishment, which should contribute to potential upside as demand improves.

Based on forecasts from Standard & Poor's Economics, research from industry and trade groups, and our own bottom-up analysis for semiconductor companies within our coverage universe, we see the various end markets performing differently. We see the structural shift toward tablets in the PC sector being the biggest drag on the sub-industry. We believe the communications and consumer end markets will be the strongest, as carrier comments suggest to us an improved spending outlook, and continued growth in smartphones. We believe the automotive sector has some favorable tailwinds despite weak global trends. We think industrial will remain weak. Given the high exposure to this end market, analog semiconductors are particularly exposed to this trend. All of this is against the backdrop of the proliferation of semiconductors across a range of electronic products and markets.

Industry margins continue to be a function of manufacturing utilization and inventory supply-demand imbalances. While companies that outsource manufacturing typically have more stability in gross margins (a trade-off for capped upside), others that have their own manufacturing see more variability. We believe some companies, especially in analog, have slightly elevated inventory

levels, reducing potential leverage. However, it is becoming clear to us that the cost of moving to leading-edge manufacturing is reaching a tipping point as the cost benefits of moving to more advanced nodes diminishes. Intel believes that a vendor needs to generate two times the amount of revenue generated annually per dollar of R&D. As such, we expect a continued shift toward outsourcing and market share shifts between the companies with sufficient resources to move ahead.

Long term, growth in semiconductors is highly correlated to global GDP, due to changes in inventory levels.

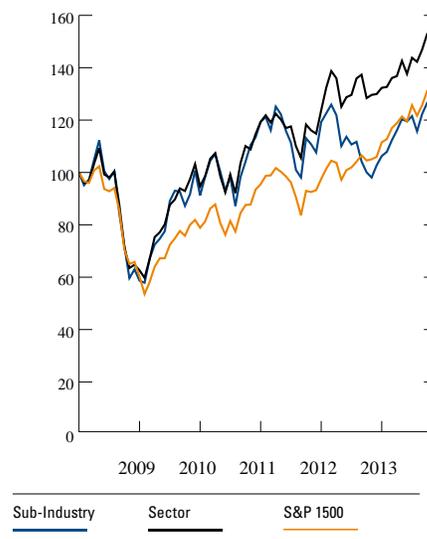
Year to date through October 18, 2013, the S&P Semiconductors sub-industry index increased 22.2%, versus a 23.0% advance for the S&P 1500 Index.

--Christin Armacost, CFA

## Stock Performance

**GICS Sector: Information Technology**  
**Sub-Industry: Semiconductors**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 10/31/13



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

## Sub-Industry : Semiconductors Peer Group\*: Semiconductors - Logic - Larger Cos.

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Intel Corp</b>	<b>INTC</b>	<b>120,354</b>	<b>24.09</b>	<b>25.98/19.23</b>	<b>1.00</b>	<b>3.7</b>	<b>13</b>	<b>25.30</b>	<b>B+</b>	<b>99</b>	<b>20.6</b>	<b>20.4</b>
Advanced Micro Dev	AMD	2,336	3.27	4.65/1.81	2.27	Nil	NM	1.90	C	10	NM	79.0
Altera Corp	ALTR	10,667	33.39	39.18/29.89	1.08	1.8	23	31.20	B+	96	31.2	13.0
Atmel Corp	ATML	3,217	7.14	8.40/4.37	0.97	Nil	NM	8.30	C	53	2.1	0.6
Fairchild Semiconductor Intl	FCS	1,543	12.15	15.75/11.39	2.41	Nil	NM	11.20	C	83	1.8	15.4
Infineon Technologies ADR	IFNNY	10,223	9.51	10.35/6.55	NM	1.5	30	9.30	NR	9	11.1	6.2
Integrated Device Tech	IDTI	1,441	9.77	11.36/5.36	1.57	Nil	22	10.10	C	81	NM	NA
LSI Corp	LSI	4,513	8.25	8.53/5.99	1.64	1.5	46	7.60	B-	19	7.8	NA
STMicroelectronics N.V.	STM	6,687	7.51	10.05/5.31	1.72	4.5	NM	7.10	NR	15	NA	9.3
Xilinx Inc	XLNX	11,885	44.63	48.12/32.13	1.00	2.2	23	41.20	B	97	22.5	23.7

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**S&P Analyst Research Notes and other Company News****October 24, 2013**

On October 18, 2013, David Perlmutter, Executive Vice President and General Manager, Intel Architecture Group, notified Intel Corporation of his intention to leave Intel effective February 20, 2014, the 34th anniversary of his start of employment at Intel, to pursue other opportunities in his life and professional career. Throughout his career at Intel, Mr. Perlmutter led many of the product, technology and business transformations at Intel. Until his departure in February 2014, Mr. Perlmutter will provide transition assistance to Intel's Platform Engineering Group and on other matters as requested by management and will continue to participate in all applicable Intel compensation and benefit plans and arrangements.

**October 16, 2013**

10:25 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF INTEL CORP. (INTC 23.35\*\*\*\*): We lower our P/E based target price by \$2 to \$26. We raise our 2013 EPS estimate \$0.03 to \$1.89 and cut '14's by \$0.09 to \$1.92. It appears that the rate of decline in traditional PCs is decelerating, while its Data Center Group, 22% of revenue, should grow double-digits in 2013. Key catalysts such as new PC form factors and handsets remain on track, but are somewhat less robust than our prior expectations. We look to the Nov. 21 analyst day for a deeper dive into its 2014 outlook. INTC reported Q3 EPS of \$0.58, vs. \$0.58, \$0.07 above our forecast on better margins. /C Armacost, CFA

**July 18, 2013**

INTC posts \$0.39 vs. \$0.40 Q2 EPS despite 3% lower revenue. For '13, expects revenue to be about flat year-over-year, down from prior expectations of low single digit percentage increase.

**July 18, 2013**

08:24 am ET ... S&P MAINTAINS BUY OPINION ON SHARES OF INTEL CORP. (INTC 24.15\*\*\*\*): We lower our 2013 EPS estimate \$0.06 to \$1.86 and '14's by \$0.07 to \$2.01. The new CEO lowered '13's revenue outlook to flat from up low single-digits and cut '13's gross margin outlook by 1 percentage point, not entirely unexpected given recent negative datapoints. That said, INTC is doing what it can control, cutting costs and capex spending plans. We believe a sub-seasonal Q3 guide, lean channel inventory, and more compelling products continue to make the shares attractive. INTC reported Q2 EPS of \$0.39, vs. \$0.54, \$0.01 below our estimate. /C Armacost, CFA

**July 8, 2013**

DOWN 0.92 to 23.14... Evercore Partners downgrades INTC to underweight from equal-weight. INTC unavailable. ...

**July 8, 2013**

01:12 pm ET ... INTEL CORPORATION (INTC 23.12) DOWN 0.94, EVERCORE PRTRNSR DOWNGRADES INTEL (INTC) TO UNDERWEIGHT FROM EQUAL-WEIGHT... Analyst Patrick Wang says following his recent trip to Asia he now sees unfavorable risk/reward at current levels. Notes shares peaked in June along with HSW launch at Computex, but looking ahead he has 3 concerns: 1) NT PC trends continue to weaken, 2) ASPs likely to peak this year, and 3) he sees a scenario where Atom could in fact accelerate the cannibalization of its "Core" business, resulting in lower profitability. Moves to sidelines, awaits signs of a turn-around. Cuts target to \$20 from \$22. S.Trombino

**July 3, 2013**

Intel's CTO and director of its labs Justin Rattner is stepping down to meet a requirement under the company's bylaws that employees cannot serve as corporate officers after the age of 65. Rattner will, however, return to Intel at a later date in an as yet undetermined role after taking personal leave immediately to deal with a pressing family matter. The company did not immediately announce a successor to Rattner, whose exit on account of the age limit would have been expected within the company. Intel Labs will report to Intel president Renee James until further decisions related to its leadership are made. After Rattner's return, he and the management team will decide what role he will play.

**July 2, 2013**

11:55 am ET ... S&P UPGRADES OPINION ON SHARES OF INTEL TO BUY FROM HOLD (INTC 23.91\*\*\*\*): We are raising our target price to \$28 from \$23, applying a slightly higher P/E multiple of about 13.3X our 2014 EPS estimate, within its

historical trading range. We raise our 2013 EPS estimate \$0.03 to \$1.92 and '14's by \$0.05 to \$2.09. We believe Intel's new chips launched in Q2 significantly improve its competitiveness in mobile devices, an area INTC has underperformed. We also view favorably its strategy to provide foundry services to the industry. Lastly, our estimates indicate a return to year-over-year revenue growth as the year progresses. /C Armacost, CFA

**May 3, 2013**

Intel Corporation announced that the board of directors has unanimously elected Brian Krzanich as its next chief executive officer (CEO), succeeding Paul Otellini. Krzanich will assume his new role at the company's annual stockholders' meeting on May 16, 2013. Krzanich, company's chief operating officer since January 2012. Otellini will step down as CEO and from the board of directors on May 16, 2013. The board of directors elected Renee James, 48, to be president of the company. She will also assume her new role on May 16, joining Krzanich in the company's executive office. James also currently serves on the board of directors of Vodafone Group Plc and VMware Inc. and was chief of staff for former Intel CEO Andy Grove.

**May 2, 2013**

09:54 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF INTEL CORP. (INTC 23.99\*\*\*\*): Today, INTC announced successors to out-going CEO Paul Otellini. Replacing him is Brian Krzanich as CEO and Renee James as President. Krzanich was formerly COO and with INTC since 1982. James was SVP, GM of the software and services group. We view these appointments positively as they underscores the established, strategic steps INTC is taking to expand its addressable market. Krzanich was responsible for the foundry business and presented a business model at investor day last year. James is likely to keep the focus of adding higher margin recurring revenue sources to the firm. /C Armacost, CFA

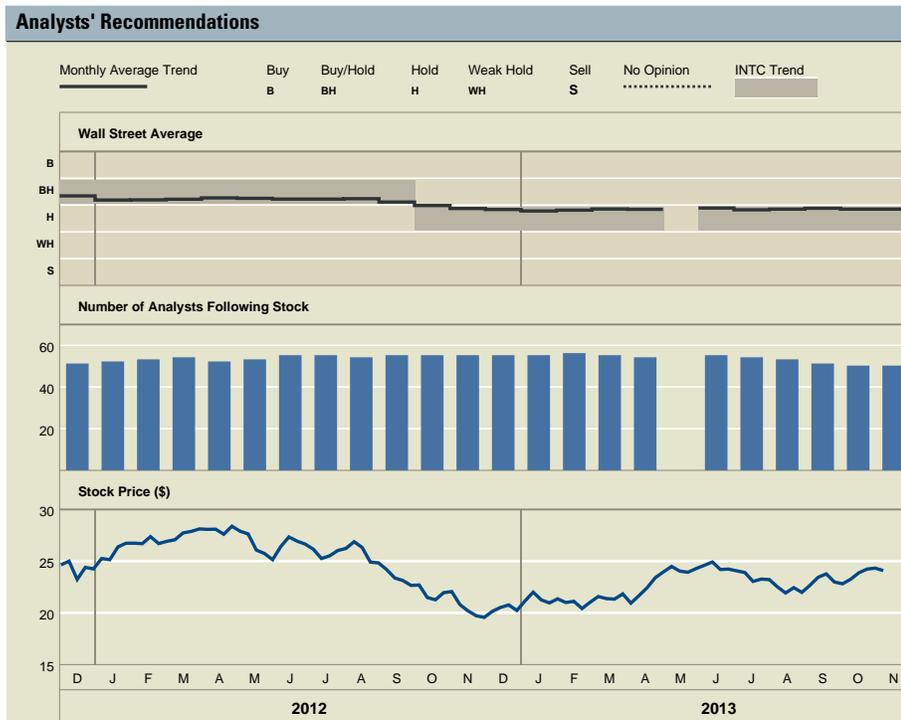
**April 18, 2013**

02:29 pm ET ... S&P DOWNGRADES OPINION ON SHARES OF APPLIED MATERIALS TO BUY FROM STRONG BUY (AMAT 13.015\*\*\*\*): We keep our FY 13 (Oct.) operating EPS estimate at \$0.66, FY 14's at \$1.02, and FY 15's at \$1.19. We cut our target price by \$2 to \$15, on a revised blend of peer-premium P/E and price-to-sales. While we see improving prospects for its chip equipment and display segments, we think visibility in the second half of calendar '13 remains low. We positively view plans by Taiwan Semiconductor (TSM 18.11\*\*\*\*) to increase spending, but see greater risks to Intel's (INTC 22.35\*\*\*\*) '13 spending forecast. Also, we think memory orders could prove to be less than we previously thought. /A. Zino-CFA

**April 17, 2013**

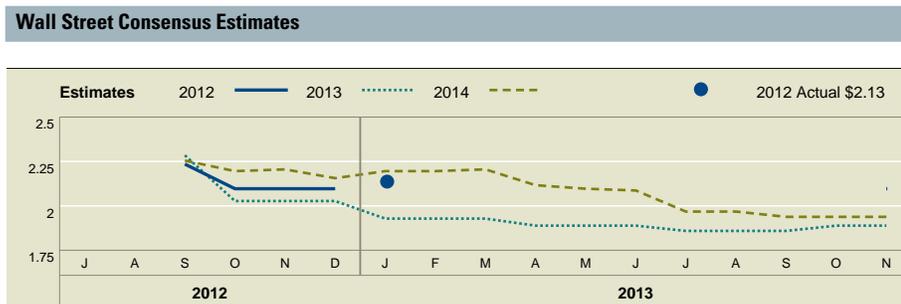
INTC posts \$0.40 vs. \$0.53 Q4 EPS on 2.5% revenue drop. Capital IQ consensus forecast was \$0.40. Sees Q2 revenue of \$12.9B, plus or minus \$500M; '13 revenue of low single-digit percentage increase, unchanged from prior expectations.

# Intel Corp



Of the total 74 companies following INTC, 50 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	12	24	12	12
Buy/Hold	5	10	5	6
Hold	23	46	23	25
Weak Hold	6	12	6	6
Sell	3	6	3	3
No Opinion	1	2	1	1
<b>Total</b>	<b>50</b>	<b>100</b>	<b>50</b>	<b>53</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2014	1.94	2.37	1.60	35	12.4
2013	1.89	1.89	1.89	1	12.7
<b>2014 vs. 2013</b>	<b>▲ 3%</b>	<b>▲ 25%</b>	<b>▼ -15%</b>	<b>▲ 3400%</b>	<b>▼ -2%</b>

### Wall Street Consensus Opinion

**HOLD**

### Companies Offering Coverage

Over 30 firms follow this stock; not all firms are displayed.

- Arete Research Services LLP
- Argus Research Company
- Auriga USA LLC
- Axia Financial research
- B. Riley Caris
- BMO Capital Markets, U.S. Equity Research
- BNY Jaywalk LLC
- Barclays
- BofA Merrill Lynch
- CA Cheuvreux
- CLSA
- CLSA Americas LLC
- Canaccord Genuity
- Caris & Company
- Citadel Securities, LLC
- Citigroup Inc
- Collins Stewart LLC
- Cowen and Company, LLC
- Credit Suisse
- Crowell, Weedon & Co.
- Daiwa Capital Markets America Inc.
- Daiwa Securities Co. Ltd.
- Davenport & Company
- Deutsche Bank
- Drexel Hamilton
- Erste Group Bank AG
- Evercore Partners Inc.
- FBR Capital Markets & Co.
- First Global Stockbroking (P) Ltd.
- Gabelli & Company, Inc.

### Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that INTC will earn \$1.89. For fiscal year 2014, analysts estimate that INTC's earnings per share will grow by 3% to \$1.94.

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

## Glossary

### S&P STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has used STARS® methodology to rank Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P 12 Month Target Price

The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

### Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

### S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### S&P Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

### Qualitative Risk Assessment

The S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P Capital IQ U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

### Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P Capital IQ analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P Capital IQ analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

### S&P Quality Ranking (also known as S&P Earnings & Dividend Rankings)

Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's Earnings and Dividend Rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B- Below Average
A High	C Lower
A- Above Average	D Lowest
B+ Average	NR In Reorganization
B Below Average	

### S&P Fair Value Rank

Using S&P Capital IQ's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

### S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P Capital IQ's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

### Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

### Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

### Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P Capital IQ proprietary measures.

### S&P's IQ Rationale

#### Intel Corp

	Raw Score	Max Value
Proprietary S&P Measures	37	115
Technical Indicators	26	40
Liquidity/Volatility Measures	15	20
Quantitative Measures	69	75
<b>IQ Total</b>	<b>147</b>	<b>250</b>

### Volatility

Rates the volatility of the stock's price over the past year.

### Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P Capital IQ's computer models apply special technical methods and formulas to identify and project price trends for the stock.

### Relative Strength Rank

# Intel Corp

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P Capital IQ's universe on a rolling 13-week basis.

## Global Industry Classification Standard (GICS)

An industry classification standard, developed by S&P Capital IQ in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

## S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

## Exchange Type

ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

## S&P Capital IQ Equity Research

S&P Capital IQ Equity Research U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as Standard & Poor's; Standard & Poor's Equity Research Services Asia includes McGraw-Hill Financial Singapore Pte. Limited's offices in Singapore, Standard & Poor's Investment Advisory Services (HK) Limited in Hong Kong, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

## Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate  
 CAPEX - Capital Expenditures  
 CY - Calendar Year  
 DCF - Discounted Cash Flow  
 DDM - Dividend Discount Model  
 EBIT - Earnings Before Interest and Taxes  
 EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization  
 EPS - Earnings Per Share  
 EV - Enterprise Value  
 FCF - Free Cash Flow  
 FFO - Funds From Operations  
 FY - Fiscal Year  
 P/E - Price/Earnings  
 P/NAV - Price to Net Asset Value  
 PEG Ratio - P/E-to-Growth Ratio  
 PV - Present Value  
 R&D - Research & Development  
 ROCE - Return on Capital Employed  
 ROE - Return on Equity  
 ROI - Return on Investment  
 ROIC - Return on Invested Capital  
 ROA - Return on Assets  
 SG&A - Selling, General & Administrative Expenses  
 SOTP - Sum-of-The-Parts  
 WACC - Weighted Average Cost of Capital

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).**

## Required Disclosures

In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P Capital IQ equity analysts, S&P Capital IQ ranks stocks in accordance with three other ranking methodologies: (a) S&P's Capital IQ's quantitative evaluations are derived from S&P Capital IQ's proprietary Fair Value quantitative ranking model. The Fair Value Ranking methodology is a relative ranking methodology. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity. (b) Global Markets Intelligence uses two different quantitative methodologies to determine recommendations for the Trade Detector research report. One methodology is based on a target price model, while the other methodology is based on four separate quantitative strategies. The STARS, quantitative evaluations and Trade Detector methodologies reflect different criteria, assumptions and analytical methods and may have differing recommendations.

### S&P Capital IQ Global STARS Distribution as of September 30, 2013

Ranking	North America	Europe	Asia	Global
Buy	36.5%	33.5%	32.3%	35.6%
Hold	54.2%	43.5%	59.5%	53.1%
Sell	9.3%	23.0%	8.2%	11.3%
Total	100%	100%	100%	100%

**5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

**4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

**3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

**2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

**1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

#### For All Regions:

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. Analysts generally update stock reports at least four times each year.

### S&P Capital IQ Global Quantitative Model Recommendations Distribution as of September 30, 2013

Ranking	North America	Europe	Asia	Global
Buy	40.1%	36.8%	55.1%	46.3%
Hold	20.0%	22.9%	17.4%	19.5%
Sell	39.9%	40.3%	27.5%	34.2%
Total	100%	100%	100%	100%

#### Trade Detector Recommendations Distribution as of March 31, 2013

The Trade Detector research report was published after March 31, 2013. Ranking distributions will be provided as of June 30, 2013.

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