

# Intel Corp

**S&P Capital IQ Recommendation**



**S&P Capital IQ Equity Analyst Angelo Zino, CFA**

**Price**

\$32.99 (as of May 15, 2015 4:00 PM ET)

**12-Mo. Target Price**

\$39.00

**Report Currency**

USD

**Investment Style**

Large-Cap Growth

**UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION**

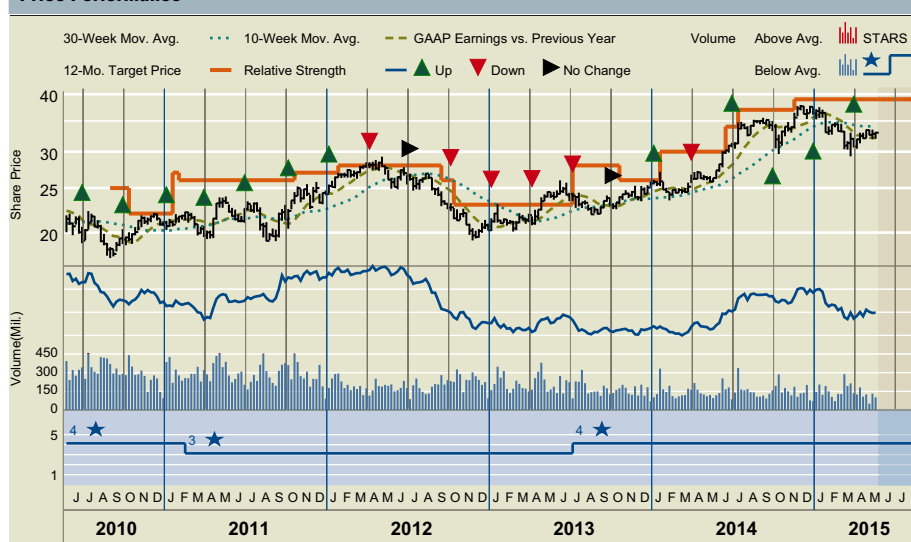
**GICS Sector** Information Technology  
**Sub-Industry** Semiconductors

**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 Capital IQ, Vickers, company reports)

52-Wk Range	<b>\$37.90–25.75</b>	S&P Oper. EPS 2015E	<b>2.16</b>	Market Capitalization(B)	<b>\$164.81B</b>	Beta	<b>0.97</b>
Trailing 12-Month EPS	<b>\$2.35</b>	S&P Oper. EPS 2016E	<b>2.42</b>	Yield (%)	<b>2.91</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>7</b>
Trailing 12-Month P/E	<b>14.0</b>	P/E on S&P Oper. EPS 2015E	<b>15.3</b>	Dividend Rate/Share	<b>\$0.96</b>	S&P Quality Ranking	<b>B+</b>
\$10K Invested 5 Yrs Ago	<b>\$17,836</b>	Common Shares Outstg. (M)	<b>4,996.0</b>	Institutional Ownership (%)	<b>62</b>		

**Price Performance**



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **Angelo Zino, CFA** on Apr 15, 2015 08:34 AM, when the stock traded at **\$31.49**.

**Highlights**

- Revenues likely will be flat in 2015, but anticipate 4.2% growth for 2016, following a 6.0% increase in 2014. Following a recent steep inventory correction across the PC supply chain, we see stabilization and share gain within the arena, which comprises the largest chunk of INTC's revenue. We see healthy growth for INTC's Data Center Group, driven by higher cloud investments by the enterprise space. INTC is expanding its chip offerings at lower price points to gain share in tablets and smartphones. We see a no-growth environment for PCs long term, but server growth, expansion into mobility/wearables and growth in the "Internet of Things" will help drive revenues higher, we think.
- We see gross margins of 61% in 2015 and 62% in 2016, which compares to a 64% margin in 2014. We see higher volume, but also higher near term start-up costs from the ramp-up of new process technologies. Also, we expect pricing pressure due to product mix and competition. We see EBITDA margins widening through 2016.
- We estimate EPS of \$2.16 in 2015 and \$2.42 in 2016. We note a dividend yield over 2.5%.

**Investment Rationale/Risk**

- Our Buy recommendation reflects our view of attractive valuation, belief that fundamentals will improve in the second half of 2015 and plans to return cash to shareholders. We see an aging PC landscape, market share gains and new innovative devices supporting PC sales, while higher cloud investments drive Data Center growth in the coming years. We see significant opportunities in wearables, and INTC's previously announced partnerships in Asia significantly improves its competitiveness in the mobile device market, we think, where it has substantially underperformed. INTC is likely to grow cash flows to enable it to continue to raise its dividend and repurchase shares.
- Risks to our opinion and target price include slowing growth in emerging markets, an inventory correction, faster price erosion due to product mix and greater competition from Advanced Micro Devices (AMD 3, Hold) and lack of traction in mobile.
- Our 12-month target price of \$39 is based on a multiple of about 16X our 2016 EPS estimate of \$2.42, which reflects our view of INTC's relative growth, risk and return as being similar to that of other comparable peers.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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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.

**Revenue/Earnings Data**

**Revenue (Million U.S. \$)**

	1Q	2Q	3Q	4Q	Year
2015	12,781	--	--	--	--
2014	12,764	13,831	14,554	14,721	55,870
2013	12,580	12,811	13,483	13,834	52,708
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

**Earnings Per Share (U.S. \$)**

	2015	2014	2013	2012	2011	2010
EPS	0.41	0.55	0.58	0.54	0.65	0.51
EPS	E0.49	0.66	0.58	0.48	0.64	0.56
EPS	E0.59	0.74	0.51	0.48	0.64	0.52
EPS	E0.64	2.31	1.89	2.13	2.39	2.01
EPS	E2.16	2.31	1.89	2.13	2.39	2.01

Fiscal year ended Dec. 31. Next earnings report expected: Mid July. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.225	Jul 24	Aug 5	Aug 7	Sep 1 '14
0.225	Sep 12	Nov 5	Nov 7	Dec 1 '14
0.240	Jan 23	Feb 4	Feb 7	Mar 1 '15
0.240	Mar 19	May 5	May 7	Jun 1 '15

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

Past performance is not an indication of future performance and should not be relied upon as such.

**Please read the Required Disclosures and Analyst Certification on the last page of this report.**

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**Intel Corp****Business Summary** April 15, 2015

**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. 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.

Through 2014, Intel reported its businesses in the following operating segments: PC Client Group, Data Center Group, Internet of Things Group, Mobile and Communications Group, Software and Services and other. In the first quarter of 2015, Intel announced that it was combining its PC Client Group and Mobile and Communications Group into a new segment called Client Computing Group.

The PC Client Group (62% of 2014 sales) makes microprocessors and related chipsets for the notebook, netbook and desktop segments. Also, it includes motherboards designed for desktop and wireless connectivity products.

The Data Center Group (26%) 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 Internet of Things Group represented 3.8% of sales in 2014. This segment focuses on delivering platforms designed for embedded market segments including retail, transportation, industrial and buildings and home, along with a broad range of other market segments.

The Mobile and Communications Group comprised less than 1% of total revenue in 2014. This segment concentrates on delivering platforms designed for the tablet and smartphone market segments, and mobile communications components such as baseband processors, radio frequency transceivers and global navigation satellite systems, among other things.

The Software and Services operating segments were 3.9% of sales, while all other operating segments represented about 4% of revenue in 2014.

**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.

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.** According to an unconfirmed Wall Street Journal report on March 27, 2015, INTC is in discussions to potentially acquire Altera. Such a deal would diversify INTC away from its heavy PC exposure. Specifically, it would give INTC increasing exposure to areas like communications, industrial, military and automotive. On April 9, CNBC reported that INTC had ended talks to acquire Altera after the two sides were unable to come to an agreement.

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. 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.

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**Domicile**

Delaware

**Auditor**

ERNST &amp; YOUNG

**Founded**

1968

**Employees**

106,700

**Stockholders**

140,000

# Intel Corp

## Quantitative Evaluations

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

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

**Fair Value Calculation** **\$35.10** Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that INTC is slightly undervalued by \$2.11 or 6.4%.

<b>Investability Quotient Percentile</b>	98
	LOWEST = 1 HIGHEST = 100

INTC scored higher than 98% of all companies for which an S&P Capital IQ Report is available.

<b>Volatility</b>	LOW	AVERAGE	HIGH
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**Technical Evaluation** **NEUTRAL** Since April, 2015, the technical indicators for INTC have been NEUTRAL.

<b>Insider Activity</b>	UNFAVORABLE	NEUTRAL	FAVORABLE
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For further clarification on the terms used in this report, please visit [www.standardandpoors.com/stockreportguide](http://www.standardandpoors.com/stockreportguide)

## Expanded Ratio Analysis

	2014	2013	2012	2011
Price/Sales	3.28	2.51	1.99	2.43
Price/EBITDA	7.58	6.43	4.80	5.60
Price/Pretax Income	11.61	10.49	7.15	7.38
P/E Ratio	15.68	13.75	9.67	10.14
Avg. Diluted Shares Outstg (M)	5,056.0	5,097.0	5,160.0	5,411.0

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	6.00	0.91	8.56	5.62
Net Income	21.66	-4.27	12.87	8.30

Ratio Analysis (Annual Avg.)	2014	2013	2012	2011
Net Margin (%)	20.95	19.94	22.02	18.78
% LT Debt to Capitalization	17.53	18.80	14.76	10.25
Return on Equity (%)	20.51	20.25	22.69	18.73

## Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. \$)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Tangible Book Value	8.54	8.58	7.13	6.08	7.99	6.59	6.18	6.51	5.70	5.46
Cash Flow	4.01	3.46	3.59	3.51	2.83	1.67	1.72	1.98	1.65	2.15
Earnings	2.31	1.89	2.13	2.39	2.01	0.77	0.92	1.18	0.86	1.40
S&P Capital IQ Core Earnings	NA	1.84	2.15	2.37	2.01	0.94	0.96	1.18	0.77	1.22
Dividends	0.90	0.90	0.87	0.78	0.63	0.56	0.55	0.45	0.40	0.32
Payout Ratio	39%	48%	41%	33%	31%	73%	60%	38%	47%	23%
Prices:High	37.90	26.04	29.27	25.78	24.37	21.27	26.34	27.99	26.63	28.84
Prices:Low	23.50	20.10	19.23	19.16	17.60	12.05	12.06	18.75	16.75	21.94
P/E Ratio:High	16	14	14	11	12	28	29	24	31	21
P/E Ratio:Low	10	11	9	8	9	16	13	16	19	16

Income Statement Analysis (Million U.S. \$)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue	55,870	52,708	53,341	53,999	43,623	35,127	37,586	38,334	35,382	38,826
Operating Income	24,191	20,563	22,160	23,444	20,488	13,691	14,283	13,643	10,861	16,685
Depreciation	8,549	8,032	7,522	6,064	4,638	5,052	4,619	4,798	4,654	4,595
Interest Expense	192	244	90.0	41.0	NA	1.00	8.00	15.0	1,202	19.0
Pretax Income	15,801	12,611	14,873	17,781	16,045	5,704	7,686	9,166	7,068	12,610
Effective Tax Rate	25.9%	23.7%	26.0%	27.2%	28.6%	23.4%	31.2%	23.9%	28.6%	31.3%
Net Income	11,704	9,620	11,005	12,942	11,464	4,369	5,292	6,976	5,044	8,664
S&P Capital IQ Core Earnings	NA	9,365	11,075	12,809	11,519	5,325	5,521	6,978	4,518	7,555

Balance Sheet & Other Financial Data (Million U.S. \$)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Cash	14,401	20,216	18,162	14,837	21,885	13,920	11,843	15,363	6,598	7,324
Current Assets	27,730	32,084	31,358	25,872	31,563	21,157	19,871	23,885	18,280	21,194
Total Assets	91,956	92,358	84,351	71,119	63,186	53,095	50,715	55,651	48,368	48,314
Current Liabilities	16,019	13,568	12,898	12,028	9,070	7,591	7,818	8,571	8,514	9,234
Long Term Debt	12,107	13,194	13,136	7,084	2,077	2,049	1,886	1,980	1,848	2,106
Common Equity	55,865	58,256	51,203	45,911	49,638	41,704	39,088	42,762	36,752	36,182
Total Capital	69,060	71,450	64,339	52,995	51,715	43,753	41,020	45,153	38,865	38,991
Capital Expenditures	10,105	10,711	11,027	10,764	5,207	4,515	5,197	5,000	5,779	5,818
Cash Flow	20,253	17,652	18,527	19,006	16,102	9,421	9,911	11,774	9,698	13,259
Current Ratio	1.7	2.4	2.4	2.2	3.5	2.8	2.5	2.8	2.1	2.3
% Long Term Debt of Capitalization	17.5	18.5	20.4	13.4	4.0	4.7	4.6	4.4	4.8	5.4
% Net Income of Revenue	21.0	18.3	20.6	24.0	26.8	12.4	14.1	18.2	14.3	22.3
% Return on Assets	12.7	10.9	14.2	19.3	19.7	8.4	10.0	13.4	10.4	18.0
% Return on Equity	20.5	17.6	22.7	27.2	25.6	10.8	12.9	17.6	13.8	23.2

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

**Sub-Industry Outlook**

We have a positive fundamental outlook for the semiconductors sub-industry for the next 12 months. We think stabilizing economic conditions resulted in revenue growth of about 10% in 2014 following a mediocre increase of 3% in 2014. We see improving sales through 2016, albeit at a slower low-to-mid single digit pace. 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 PC stabilization as tablet cannibalization concerns alleviate and no longer acting as a drag on the sub-industry. We believe the communications and consumer end markets will remain healthy despite periods of lumpiness, as carrier comments in China suggest to us an improved spending outlook, and continued growth in smartphones. We believe the automotive sector has some favorable tailwinds despite soft global trends. We think industrial will improve. 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, maintain higher 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 among 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.

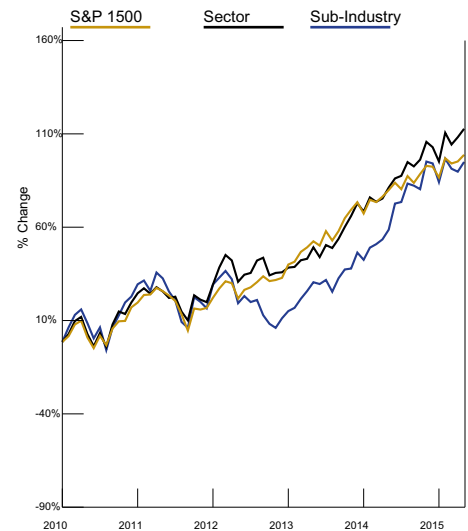
Year to date through March 6, 2015, the S&P Semiconductors sub-industry index increased 0.4%, versus a 0.7% rise for the S&P 1500 Index.

--Angelo Zino, CFA

**Industry Performance**

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

Based on S&P 1500 Indexes  
Five-Year market price performance through May 16, 2015



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

Past performance is not an indication of future performance and should not be relied upon as such.

**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>164,818</b>	<b>32.99</b>	<b>37.90/25.75</b>	<b>0.97</b>	<b>2.9</b>	<b>14</b>	<b>35.10</b>	<b>B+</b>	<b>98</b>	<b>20.9</b>	<b>17.5</b>
Advanced Micro Dev	AMD	1,803	2.32	4.80/2.14	2.22	Nil	NM	NA	C	12	NM	91.6
Altera Corp	ALTR	13,540	44.42	46.50/30.47	1.26	1.6	30	39.80	B	96	24.5	31.2
Atmel Corp	ATML	3,847	8.53	9.76/6.32	1.94	1.9	78	7.90	B-	76	2.3	7.9
Fairchild Semiconductor Intl	FCS	2,544	20.39	20.65/12.01	2.11	Nil	NM	19.50	C	87	NM	14.3
Infineon Technologies ADR	IFNNY	14,684	13.09	13.09/8.73	1.69	1.5	22	13.30	NR	34	11.3	3.5
Integrated Device Tech	IDTI	3,281	21.98	22.06/11.94	2.09	Nil	36	26.70	C	81	23.0	NA
STMicroelectronics N.V.	STM	7,097	8.12	10.00/6.27	1.44	4.2	58	8.10	NR	79	1.7	23.2
Xilinx Inc	XLNX	11,818	45.70	49.50/36.24	1.39	2.7	19	43.10	A-	99	26.5	23.1

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 Capital IQ Analyst Research Notes and other Company News****April 16, 2015**

12:57 pm ET ... S&P CAPITAL IQ REDUCES VIEW ON APPLIED MATERIALS SHARES TO BUY FROM STRONG BUY (AMAT 21.81\*\*\*\*): We cut our 12-month target price by \$2 to \$26, on lower revised peer-premium P/E to reflect AMAT's superior market share position. While we remain optimistic about long term opportunities and potential earnings leverage from the pending acquisition of Tokyo Electron, we are growing more wary about the prospects of the semiconductor equipment arena near term. We note that this week both Intel (INTC 33\*\*\*\*) and Taiwan Semiconductor (TSM 23\*\*\*\*) announced plans to reduce '15 capital spending by about 13% and 9%, respectively. We see potential for reductions by other chipmakers. /A. Zino-CFA

**April 16, 2015**

12:58 pm ET ... S&P CAPITAL IQ DOWNGRADES OPINION ON SHARES OF KLA-TENCOR TO SELL FROM HOLD (KLAC 59.14\*\*): We cut our 12-month target price to \$56 from \$72, on lower revised peer-average P/E multiple. Our downgrade primarily reflects recent capital spending budget reductions this year by key customers and our belief that consensus estimates for FY 15 (Jun.) and FY 16 will need to be reset lower. Capital IQ consensus estimates are \$2.86 for FY 15 and \$4.34 for FY 16. We note that this week both Intel (INTC 33\*\*\*\*) and Taiwan Semiconductor (TSM 23\*\*\*\*) announced plans to reduce '15 capital spending by about 13% and 9%, respectively. We see potential for reductions by other chipmakers. /A. Zino-CFA

**April 15, 2015**

08:29 am ET ... S&P CAPITAL IQ MAINTAINS BUY RECOMMENDATION ON SHARES OF INTEL CORP. (INTC 31.49\*\*\*\*): We keep our '15 operating EPS estimate at \$2.16 and '16's at \$2.42. We reiterate our 12-month target price at \$39, on P/E near peers. INTC posts Q1 operating EPS of \$0.41 vs. \$0.38, beating our \$0.38 estimate. Sales were flat but down 13% from Q4, largely due to a steep inventory correction across the PC supply chain. Margins narrowed, on lower volume and costs from product ramps, but we see Q1 as the trough. We see improving PC conditions in the second half, remain optimistic about Data Center as well as wearables growth, and anticipate improving mobility bottom-line results. /A. Zino-CFA

**April 9, 2015**

11:21 am ET ... S&P CAPITAL IQ MAINTAINS BUY RECOMMENDATION ON SHARES OF INTEL CORP. (INTC 31.25\*\*\*\*): According to an unconfirmed CNBC report, INTC has ended talks to acquire Altera (ALTR 42\*\*\*\*) after the two sides were unable to come to an agreement. The report cites that INTC offered a price north of \$50 per share, which would mark at least a 45% premium to ALTR's stock price prior to the WSJ report about a potential deal on March 26. Despite an inability to come to a deal, we still see a possibility of a combination at a later date. While we like ALTR's end-market exposure and margin profile, we believe a per share price over \$50 is too steep a price to pay for ALTR. /A. Zino-CFA

**April 9, 2015**

11:18 am ET ... S&P CAPITAL IQ MAINTAINS HOLD RECOMMENDATION ON SHARES OF ALTERA CORP. (ALTR 41.92\*\*\*\*): According to an unconfirmed CNBC report, Intel (INTC 31\*\*\*\*) has ended talks to acquire ALTR after the two sides were unable to come to an agreement. The report cites that INTC offered a price north of \$50 per share, which would mark at least a 45% premium to ALTR's stock price prior to the WSJ report about a potential deal on March 26. Despite the inability of the two sides to come to an agreement, we believe ALTR will remain a target and still see a possibility of a combination between the two at a later date. We expect M&A to remain an area of focus for many chipmakers. /A. Zino-CFA

**March 30, 2015**

09:06 am ET ... S&P CAPITAL IQ MAINTAINS BUY RECOMMENDATION ON SHARES OF INTEL CORP. (INTC 32.00\*\*\*\*): We keep our 12-month target price at \$39, on P/E near peers. According to an unconfirmed Wall Street Journal report late Friday afternoon, INTC is in discussions to potentially acquire Altera (ALTR 43\*\*\*\*). We think a deal would be viewed positively as it would help diversify INTC's heavy PC exposure. Specifically, it gives INTC increasing exposure to areas like communications, industrial, military, and automotive. We note ALTR's superior margins and growth prospects. We believe a deal would leverage INTC's balance sheet, after adding more than \$12B in debt in recent years. /A. Zino-CFA

**March 30, 2015**

09:07 am ET ... S&P CAPITAL IQ MAINTAINS HOLD RECOMMENDATION ON SHARES OF ALTERA CORP. (ALTR 44.39\*\*\*\*): We raise our 12-month target price by \$10 to \$45, on P/E well above peers to reflect the possibility of ALTR being acquired. Shares were up sharply Friday afternoon after an unconfirmed WSJ report said Intel (INTC 32\*\*\*\*) in talks to acquire ALTR. While ALTR has seen some lumpiness in its businesses, we still believe its growth prospects and gross margins (high 60% range) are superior to peers. We like its diversified exposure, with presence in attractive areas like mobile infrastructure and data centers. We note ALTR uses INTC as a foundry partner (among the first to do so). /A. Zino-CFA

**March 13, 2015**

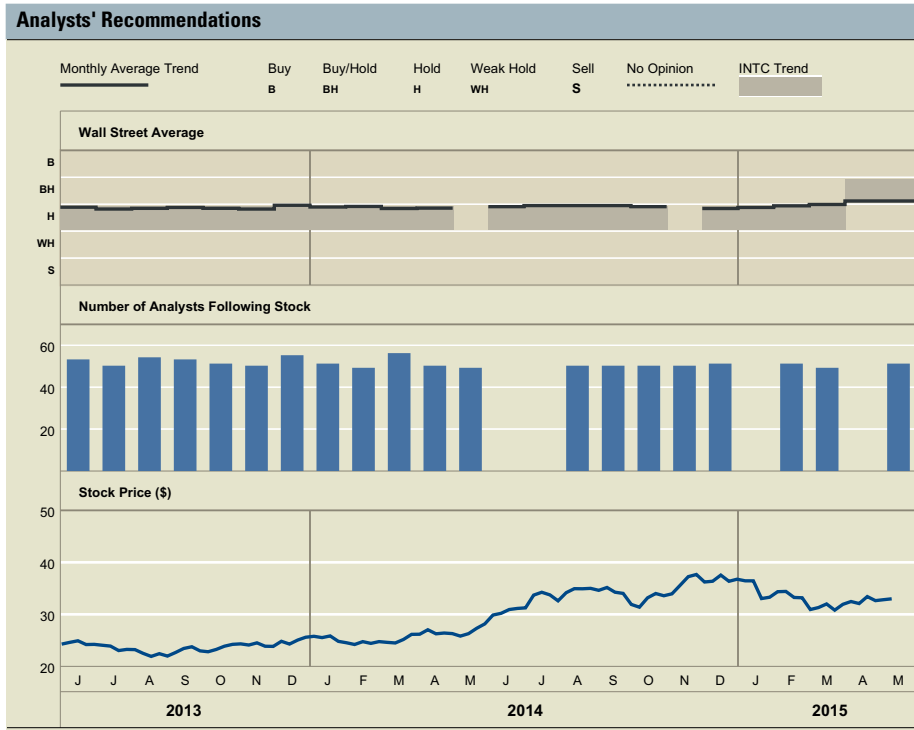
09:08 am ET ... S&P CAPITAL IQ REITERATES BUY RECOMMENDATION ON SHARES OF INTEL CORP. (INTC 30.8\*\*\*\*): We cut our '15 operating EPS estimate to \$2.16 from \$2.40 and '16's to \$2.42 from \$2.68. We keep our 12-month target price at \$39, on P/E near peers and shifting to our '16 estimate. We believe INTC's pre-announcement yesterday was disappointing but think it will help reset PC expectations and anticipate much leaner customer inventory levels, providing a potential rebound in the second half. In addition, we see gross margins remaining steady and remain optimistic about data center opportunities as well as mobility share gain in '16 and beyond. We believe valuation is attractive. /A. Zino-CFA

**March 12, 2015**

09:53 am ET ... S&P CAPITAL IQ REITERATES BUY RECOMMENDATION ON SHARES OF INTEL CORP. (INTC 30.82\*\*\*\*): INTC provides Q1 update and now sees revenue of \$12.8 billion (plus or minus \$300 million), below its prior outlook of \$13.7 billion (plus or minus \$500 million). INTC attributes the lower forecast to softer PC demand related to softer business desktop sales and lower than expected customer inventory levels. We note that INTC's outlook for the data center business remains unchanged as does its 60% gross margin view. Despite the lower guidance, we think the PC supply chain will be better positioned/leaner exiting the quarter and see a more stable landscape as the year progresses. /A. Zino-CFA

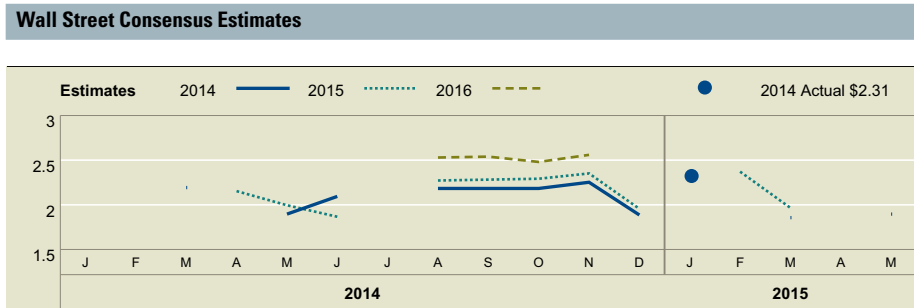
**January 15, 2015**

05:41 pm ET ... S&P CAPITAL IQ MAINTAINS BUY RECOMMENDATION ON SHARES OF INTEL CORP. (INTC 36.19\*\*\*\*): We trim our '15 operating EPS estimate by \$0.05 to \$2.40 and initiate '16's at \$2.68. We keep our 12-month target price at \$39, on P/E near peers and note a 2.5% dividend yield. INTC posts Q4 operating EPS of \$0.74 vs. \$0.52, beating our \$0.67 estimate. Sales rose 6%, on higher PC/Data Center growth. While margins were above our view, we see product ramps pressuring near term margins. We see an upcoming Windows 10 launch and aging PC landscape aiding PC sales while cloud investments drive Data Center growth. We expect better mobility results and see opportunities in wearables. /A. Zino-CFA



Of the total 51 companies following INTC, 50 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	17	34	0	14
Buy/Hold	7	14	0	6
Hold	19	38	0	20
Weak Hold	4	8	0	5
Sell	3	6	0	5
No Opinion	0	0	0	1
<b>Total</b>	<b>50</b>	<b>100</b>	<b>0</b>	<b>51</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2016	2.42	2.42	2.42	1	13.6
2015	2.16	2.16	2.16	1	15.3
<b>2016 vs. 2015</b>	<b>▲ 12%</b>	<b>▲ 12%</b>	<b>▲ 12%</b>	<b>0%</b>	<b>▼ -11%</b>

### Wall Street Consensus Opinion

**BUY/HOLD**

### Companies Offering Coverage

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

- Aegis Capital Corporation
- Arete Research Services LLP
- Argus Research Company
- Ascendant Capital Markets LLC
- Axia Financial Research
- B. Riley Caris
- BMO Capital Markets Equity Research
- Barclays
- BofA Merrill Lynch
- CLSA
- Canaccord Genuity
- Citigroup Inc
- Cleveland Research Company
- Cowen and Company, LLC
- Credit Suisse
- Daiwa Securities Co. Ltd.
- Deutsche Bank
- Drexel Hamilton
- Erste Group Bank AG
- Evercore ISI
- Exane BNP Paribas
- FBR Capital Markets & Co.
- Gleacher & Company, Inc.
- Goldman Sachs
- Hamburger Sparkasse AG
- JMP Securities
- JP Morgan
- Jefferies LLC
- KeyBanc Capital Markets Inc.
- MKM Partners LLC

### Wall Street Consensus vs. Performance

For fiscal year 2015, analysts estimate that INTC will earn US\$ 2.16. For fiscal year 2016, analysts estimate that INTC's earnings per share will grow by 12% to US\$ 2.42.

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

## Glossary

### S&P Capital IQ 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 ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ 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 Capital IQ Quality Ranking

(also known as **S&P Capital IQ 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	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

### 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 Capital IQ 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.

### S&P Capital IQ 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 Capital IQ Fair Value.

### S&P Capital IQ Equity Research

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### 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).

### S&P Capital IQ Qualitative Risk Assessment

Reflects an 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 S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P 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. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 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 not anticipated to show a gain.

#### ★☆☆☆☆ 1-STAR (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.

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S&P 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. Some Quantitative Stock Reports contain Buy, Hold and Sell recommendations. Reports that do not contain a recommendation may or may not contain ranking information. For reports containing a recommendation or ranking information refer to the Glossary Section of this report for more information, including a detailed description of the methodology and definition of S&P Quality Ranking and S&P Fair Value Rank.

### STARS Stock Reports and Quantitative Stock Reports:

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### STARS Stock Reports:

#### S&P Capital IQ Global STARS Distribution as of March 31, 2015

Ranking	North America	Europe	Asia	Global
Buy	37.6%	21.0%	33.7%	34.4%
Hold	50.0%	48.0%	38.8%	48.4%
Sell	12.4%	31.0%	27.5%	17.2%
Total	100%	100%	100%	100%

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