

# Intel Corp

**S&P Capital IQ Recommendation**



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

**Price**

\$31.91 (as of Oct 10, 2014 4:00 PM ET)

**12-Mo. Target Price**

\$37.00

**Report Currency**

USD

**Investment Style**

Large-Cap Growth

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

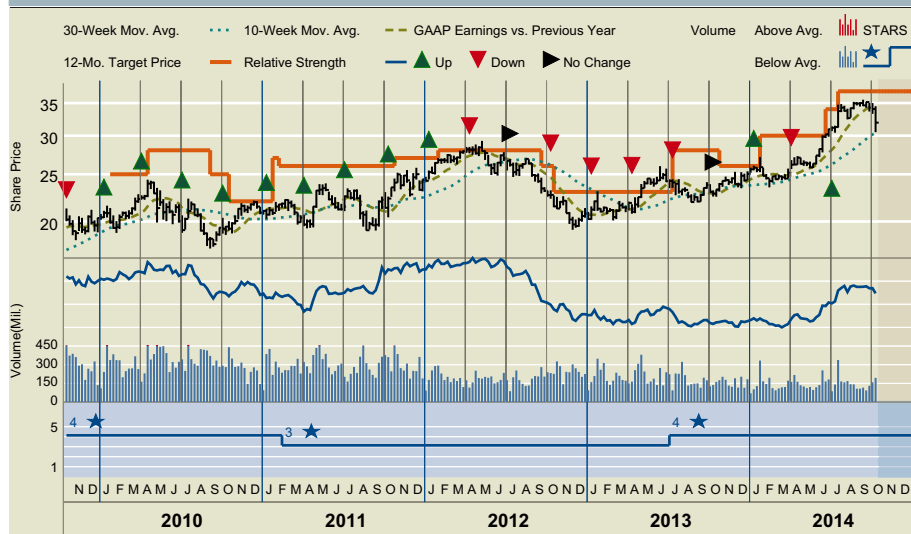
**GICS Sector** Information Technology  
**Sub-Industry** Semiconductors

**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>\$35.56– 23.03</b>	S&P Oper. EPS 2014E	<b>2.18</b>	Market Capitalization(B)	<b>\$159.422</b>	Beta	<b>0.94</b>
Trailing 12-Month EPS	<b>\$2.02</b>	S&P Oper. EPS 2015E	<b>2.24</b>	Yield (%)	<b>2.82</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>7</b>
Trailing 12-Month P/E	<b>15.8</b>	P/E on S&P Oper. EPS 2014E	<b>14.6</b>	Dividend Rate/Share	<b>\$0.90</b>	S&P Quality Ranking	<b>B+</b>
\$10K Invested 5 Yrs Ago	<b>\$18,750</b>	Common Shares Outstg. (M)	<b>4,996.0</b>	Institutional Ownership (%)	<b>65</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 Jul 16, 2014 09:41 AM, when the stock traded at **\$31.71**.

**Highlights**

- ▶ We expect revenues to rise 3.6% for 2014 and increase 2.4% in 2015. Our outlook for Intel reflects our view that the PC market, which comprises the largest chunk of INTC's revenue, is stabilizing. We see healthy growth for INTC's Data Center Group, 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 see a no growth environment for PCs long term, but we think server growth, expansion into mobility, and growth in the "Internet of Things" will help drive revenues higher.
- ▶ We see gross margins in the low 60% range for 2014 and 2015 compared to a 59.8% margin that was posted in 2013. 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 estimate EPS of \$2.18 for 2014 and \$2.24 in 2015. We see aggressive share repurchases following a new \$20 billion authorization announced in July. We note that INTC boasts an above peers dividend yield of nearly 3.0%.

**Investment Rationale/Risk**

- ▶ Our buy recommendation reflects our view of improving fundamentals, attractive valuation, and INTC's plan to return more cash to shareholders. We remain optimistic about stabilization in the PC space, as we see tailwinds including the expiration of Windows XP support and potential refresh of aging PCs. We see opportunities in both its server business and "Internet of Things" category. We think INTC's new Core chips and its Atom system on a chip (SoC) significantly improves its competitiveness in the mobile device market, where it has substantially underperformed. We expect INTC to grow cash flows to enable it to continue to raise its dividend and aggressively repurchase its stock.
- ▶ 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 4 Buy), and lack of traction in mobile.
- ▶ Our 12-month target price of \$37 is based on a multiple of about 16.5X our 2015 EPS estimate of \$2.24, 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
2014	12,764	13,831	--	--	--
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
2009	7,145	8,024	9,389	10,569	35,127

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

2014	0.38	0.55	E0.64	E0.61	E2.18
2013	0.40	0.39	0.58	0.51	1.89
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	0.56	2.01
2009	0.12	-0.07	0.33	0.40	0.77

Fiscal year ended Dec. 31. Next earnings report expected: Mid October. 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	Jan 23	Feb 5	Feb 7	Mar 1 '14
0.225	Mar 19	May 5	May 7	Jun 1 '14
0.225	Jul 24	Aug 5	Aug 7	Sep 1 '14
0.225	Sep 12	Nov 5	Nov 7	Dec 1 '14

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 July 16, 2014**

**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 (63% of 2013 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 (21%) 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 accounted for 8% of sales in 2013.

**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.

**Corporate Information****Investor Contact**

R. Gallegos (408-765-5374)

**Office**

2200 Mission College Boulevard, Santa Clara, CA 95054.

**Telephone**

408-765-8080.

**Fax**

408-765-9904.

**Website**

<http://www.intel.com>

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J. D. Plummer  
F. D. Yeary

**Domicile**

Delaware

**Founded**

1968

**Employees**

107,600

**Stockholders**

144,000

# Intel Corp

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		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** **\$33.20** Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that INTC is slightly undervalued by \$1.29 or 4.0%.

<b>Investability Quotient Percentile</b>	<b>98</b>
	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>	<b>LOW</b>	<b>AVERAGE</b>	<b>HIGH</b>
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**Technical Evaluation** **NEUTRAL** Since September, 2014, the technical indicators for INTC have been NEUTRAL.

<b>Insider Activity</b>	<b>UNFAVORABLE</b>	<b>NEUTRAL</b>	<b>FAVORABLE</b>
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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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Price/Sales	2.51	1.99	2.43	2.75
Price/EBITDA	6.43	4.80	5.60	5.85
Price/Pretax Income	10.49	7.15	7.38	7.47
P/E Ratio	13.75	9.67	10.14	10.45
Avg. Diluted Shares Outstg (M)	5,097.0	5,160.0	5,411.0	5,696.0

Figures based on calendar year-end price

## Key Growth Rates and Averages

<b>Past Growth Rate (%)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>9 Years</b>
Sales	-1.19	5.71	9.44	5.32
Net Income	-12.59	-6.65	18.30	6.19

## Ratio Analysis (Annual Avg.)

Net Margin (%)	18.25	20.95	20.31	18.94
% LT Debt to Capitalization	18.47	17.42	12.19	8.90
Return on Equity (%)	17.58	22.46	20.75	19.03

## Company Financials Fiscal Year Ended Dec. 31

<b>Per Share Data (U.S. \$)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Tangible Book Value	8.58	7.13	6.08	7.99	6.59	6.18	6.51	5.70	5.46	5.57
Cash Flow	3.46	3.59	3.51	2.83	1.67	1.72	1.98	1.65	2.15	1.91
Earnings	1.89	2.13	2.39	2.01	0.77	0.92	1.18	0.86	1.40	1.16
S&P Capital IQ Core Earnings	1.84	2.15	2.37	2.01	0.94	0.96	1.18	0.77	1.22	0.99
Dividends	0.90	0.87	0.78	0.63	0.56	0.55	0.45	0.40	0.32	0.16
Payout Ratio	48%	41%	33%	31%	73%	60%	38%	47%	23%	14%
Prices:High	26.04	29.27	25.78	24.37	21.27	26.34	27.99	26.63	28.84	34.60
Prices:Low	20.10	19.23	19.16	17.60	12.05	12.06	18.75	16.75	21.94	19.64
P/E Ratio:High	14	14	11	12	28	29	24	31	21	30
P/E Ratio:Low	11	9	8	9	16	13	16	19	16	17

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

Revenue	52,708	53,341	53,999	43,623	35,127	37,586	38,334	35,382	38,826	34,209
Operating Income	20,563	22,160	23,444	20,488	13,691	14,283	13,643	10,861	16,685	15,019
Depreciation	8,032	7,522	6,064	4,638	5,052	4,619	4,798	4,654	4,595	4,889
Interest Expense	244	90.0	41.0	NA	1.00	8.00	15.0	1,202	19.0	50.0
Pretax Income	12,611	14,873	17,781	16,045	5,704	7,686	9,166	7,068	12,610	10,417
Effective Tax Rate	23.7%	26.0%	27.2%	28.6%	23.4%	31.2%	23.9%	28.6%	31.3%	27.8%
Net Income	9,620	11,005	12,942	11,464	4,369	5,292	6,976	5,044	8,664	7,516
S&P Capital IQ Core Earnings	9,365	11,075	12,809	11,519	5,325	5,521	6,978	4,518	7,555	6,374

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

Cash	20,216	18,162	14,837	21,885	13,920	11,843	15,363	6,598	7,324	8,407
Current Assets	32,084	31,358	25,872	31,563	21,157	19,871	23,885	18,280	21,194	24,058
Total Assets	92,358	84,351	71,119	63,186	53,095	50,715	55,651	48,368	48,314	48,143
Current Liabilities	13,568	12,898	12,028	9,070	7,591	7,818	8,571	8,514	9,234	8,006
Long Term Debt	13,194	13,136	7,084	2,077	2,049	1,886	1,980	1,848	2,106	703
Common Equity	58,256	51,203	45,911	49,638	41,704	39,088	42,762	36,752	36,182	38,579
Total Capital	71,450	64,339	52,995	51,715	43,753	41,020	45,153	38,865	38,991	40,137
Capital Expenditures	10,711	11,027	10,764	5,207	4,515	5,197	5,000	5,779	5,818	3,843
Cash Flow	17,652	18,527	19,006	16,102	9,421	9,911	11,774	9,698	13,259	12,405
Current Ratio	2.4	2.4	2.2	3.5	2.8	2.5	2.8	2.1	2.3	3.0
% Long Term Debt of Capitalization	18.5	20.4	13.4	4.0	4.7	4.6	4.4	4.8	5.4	1.8
% Net Income of Revenue	18.3	20.6	24.0	26.8	12.4	14.1	18.2	14.3	22.3	22.0
% Return on Assets	10.9	14.2	19.3	19.7	8.4	10.0	13.4	10.4	18.0	15.8
% Return on Equity	17.6	22.7	27.2	25.6	10.8	12.9	17.6	13.8	23.2	19.7

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.

# Intel Corp

## 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 in excess of 3% last year, up from a decline of about 3% in 2012, and we forecast 5% growth in 2014. Following a weak 2012 end and a mixed 2013, we see improving sales through 2015. 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, 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.

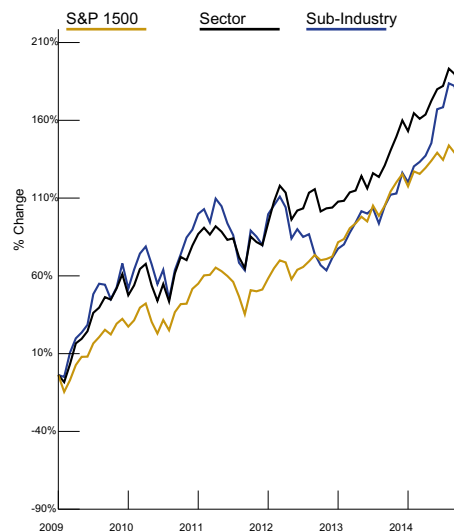
Year to date through September 26, 2014, the S&P Semiconductors sub-industry index increased 24.1%, versus a 6.6% rise for the S&P 1500 Index.

--Angelo Zino, CFA

## Industry Performance

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

Based on S&P 1500 Indexes  
Five-Year market price performance through Oct 11, 2014



**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>159,422</b>	<b>31.91</b>	<b>35.56/23.03</b>	<b>0.94</b>	<b>2.8</b>	<b>16</b>	<b>33.20</b>	<b>B+</b>	<b>98</b>	<b>18.2</b>	<b>18.5</b>
Advanced Micro Dev	AMD	2,073	2.72	4.80/2.71	2.68	Nil	25	2.00	C	14	NM	78.5
Altera Corp	ALTR	9,643	31.21	38.00/30.47	1.25	2.3	22	32.00	B	96	25.4	29.8
Atmel Corp	ATML	3,026	6.71	9.76/6.45	1.96	Nil	84	7.40	C	70	NM	0.7
Fairchild Semiconductor Intl	FCS	1,538	12.33	18.23/12.01	2.15	Nil	73	14.20	C	90	0.4	12.8
Infineon Technologies ADR	IFNNY	10,064	8.97	12.84/8.97	1.92	1.7	15	9.40	NR	50	7.4	4.1
Integrated Device Tech	IDTI	1,894	12.69	17.32/9.18	1.99	Nil	17	NA	C	87	23.0	NA
STMicroelectronics N.V.	STM	6,216	6.96	10.00/6.93	1.69	4.9	NM	6.90	NR	65	NA	13.8
Xilinx Inc	XLNX	9,888	36.83	55.59/36.58	1.32	3.1	16	37.60	B+	97	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****July 28, 2014**

09:36 am ET ... S&P CAPITAL IQ ADDS INTEL TO ITS TOTAL RETURN PORTFOLIO (INTC 34.25\*\*\*\*): We see opportunities for INTC in both its server business and "Internet of Things" category. We think INTC's new Core chips and its Atom system on a chip (SoC) significantly improves its competitiveness in the mobile device market, where it has substantially underperformed. We expect INTC to grow cash flows to enable it to continue to raise its dividend and aggressively repurchase its stock. The stock yields an above-average 2.6% dividend yield. INTC replaces Xilinx (XLNX 41 \*\*\*\*\*) in S&P Capital IQ's Total Return Portfolio. /Todd Rosenbluth

**July 25, 2014**

11:47 am ET ... S&P CAPITAL IQ MAINTAINS HOLD RECOMMENDATION ON SHARES OF QLOGIC CORP. (QLGC 9.49\*\*\*\*): We keep our FY 15 (Mar.) operating EPS estimate at \$0.93 and FY 16 at \$1.03. We maintain our 12-month target price at \$12, on P/E near peers. QLGC posts Jun-Q operating EPS of \$0.21 vs. \$0.18, missing our \$0.22 estimate. Sales rose 5.6%, near expectations, on growth from Advanced Connectivity Platforms and the addition of NetXtreme II products. The gross margin narrowed, due to less favorable mix. We are encouraged by recent share gain and opportunities ahead of the upcoming Intel (INTC 35\*\*\*\*) Grantley server cycle. We expect net cash per share of nearly \$3 to support shares. /A. Zino-CFA

**July 16, 2014**

08:22 am ET ... S&P CAPITAL IQ MAINTAINS BUY RECOMMENDATION ON SHARES OF INTEL CORP. (INTC 31.71\*\*\*\*): We raise our '14 EPS estimate by \$0.14 to \$2.18 and '15's by \$0.09 to \$2.22. We up our 12-month target price by \$3 to \$37, on P/E near peers. INTC posts Q2 EPS of \$0.55 vs. \$0.39, beating our \$0.53 estimate. Sales rose 8%, driven by growth in its PC and server businesses. Margins widened, aided by higher volume and lower 14nm ramp costs. We remain optimistic about PC stabilization and growth potential for its server business. While mobility remains lackluster, we see improvement on the horizon. We expect aggressive share repurchases given a new \$20 billion authorization. /A. Zino-CFA

**July 15, 2014**

04:59 pm ET ... SNAPSHOT - CORPORATE EARNINGS - INTEL (INTC 31.71\*\*\*\*): INTC reports Q2 EPS of \$0.55 vs. \$0.39 a year ago. The last S&P Capital IQ consensus estimate was \$0.52. Revenues came in at \$13.83 billion, beating estimates by \$111 million, and growing 8% from Q2 2013. The company notes that strength comes from a continued expansion into new segments such as Chrome-based systems, and are track to meet a 40 million unit tablet goal. The company also announced that they "intend to return more cash to shareholders by lowering its cash balance further through increased share repurchases." /Global Markets Intelligence

**June 26, 2014**

04:12 pm ET ... INTEL CORPORATION (INTC 30.755) DOWN 0.12, BERNSTEIN UPGRADES INTEL CORPORATION TO MARKET PERFORM... Bernstein upgrades Intel Corporation (NASDAQ: INTC) from Underperform to Market Perform. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved. Acquire Media

**June 24, 2014**

Intel Corporation announced that Aneel Bhusri has been elected to serve on the company's board of directors. Bhusri co-founded Workday Inc., in 2005 and served as its co-chief executive officer from 2009 and chairman from 2012 until May 2014, when he was named chief executive officer. In addition, Bhusri serves as a partner at Greylock Partners.

**June 17, 2014**

12:56 pm ET ... S&P CAPITAL IQ MAINTAINS BUY RECOMMENDATION ON SHARES OF INTEL CORP. (INTC 29.96\*\*\*\*): We raise our '14 operating EPS estimate by \$0.17 to \$2.04 and '15's by \$0.12 to \$2.14. We up our 12-month target price by \$4 to \$34, on higher revised P/E near peers. As we have previously stated, we believe that INTC is benefiting from PC stabilization in the more mature U.S./Europe markets, which is driving sales/earnings growth. We think INTC will also see multiples expand and trade closer to other semiconductor companies given an improving PC outlook and our view that it will witness greater momentum for its foundry/mobility businesses. We note INTC's 3% dividend yield.

/A. Zino-CFA

**June 13, 2014**

06:45 am ET ... INTEL CORPORATION (INTC 27.96) UNCHANGED, DREXEL HAMILTON UPGRADES INTEL CORPORATION TO BUY... Drexel Hamilton upgrades Intel Corporation (NASDAQ: INTC) from Hold to Buy. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved. Acquire Media

**June 13, 2014**

06:43 am ET ... INTEL CORPORATION (INTC 27.96) UNCHANGED, ROTH CAPITAL UPGRADES INTEL CORPORATION TO BUY, RAISES PT TO \$35.00... Roth Capital upgrades Intel Corporation (NASDAQ: INTC) from Neutral to Buy and raises the price target from \$28.00 to \$35.00. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved. Acquire Media

**June 13, 2014**

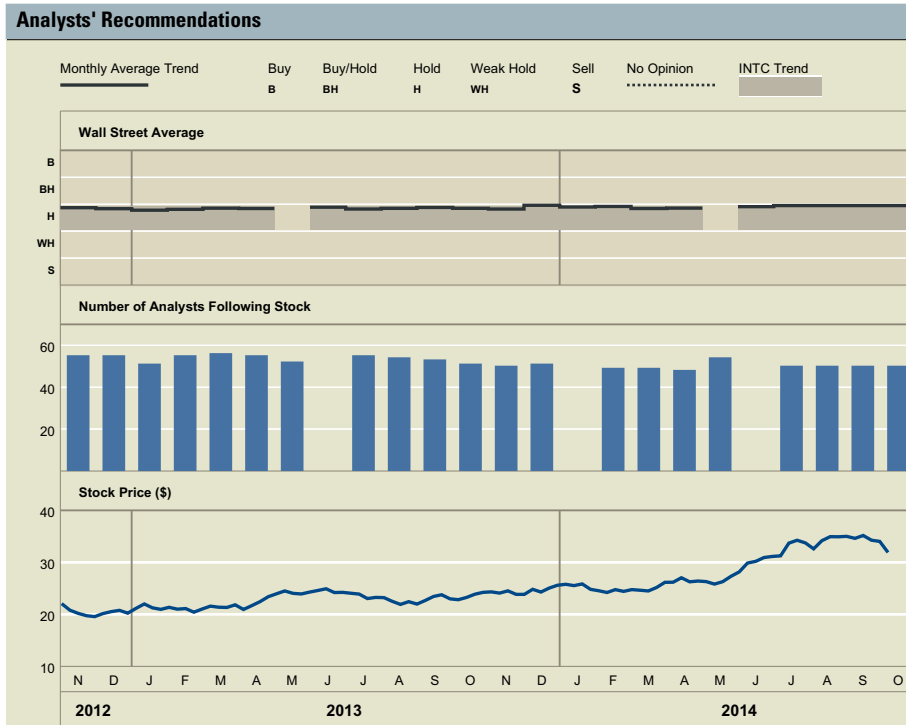
04:06 am ET ... S&P CAPITAL IQ MAINTAINS BUY RECOMMENDATION ON SHARES OF INTEL CORP. (INTC 27.96\*\*\*\*): INTC provides preliminary Q2 revenue update of \$13.7 billion vs. \$13 billion previously. It also raises gross margin view to 64%. The better outlook primarily reflects higher than anticipated PC unit volume. INTC now sees sales growth for '14 vs. flat prior and gross margin in the upper half of guidance (61% +/- a few percentage points). We are not surprised by the revision, given our view of PC demand stabilization/improvement in the U.S./Europe markets. We see more upside from Windows 7 adoption and believe tablet cannibalization is moderating. We await Q2 result on July 15. /A. Zino-CFA

**June 13, 2014**

04:06 pm ET ... INTEL CORPORATION (INTC 29.85) UP 1.89, INTEL ANALYSTS SEE HIGHER DEMAND FOR BUSINESS-GRADE PCS... Intel (NASDAQ: INTC) shares bounced 6.7 percent Friday following the company's boost to its outlook. Short-term results will benefit from higher-than-expected demand for chips used by business-grade personal computers, the company said, adding it now expects "some revenue growth" for 2014. Previously, it expected flat revenue for the period. In a research note, Baird analyst Blayne Curtis said chip demand generally may also gain from the Windows XP upgrade cycle, and "potentially early back-to-school shopping." Baird is Neutral on the shares, but raised its... Acquire Media

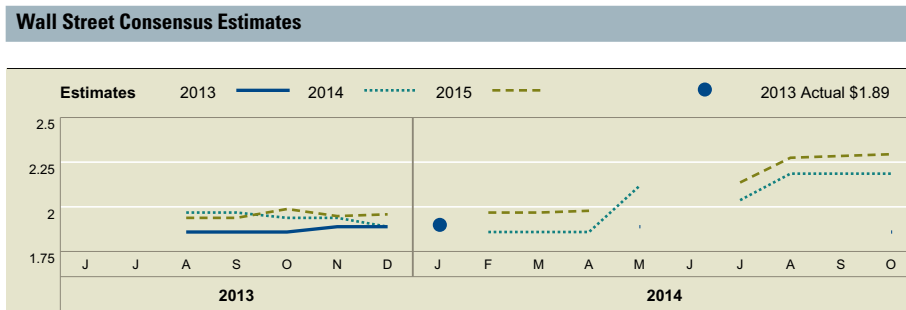
**June 13, 2014**

UP 1.81 to 29.77... In a report published Friday, FBR Capital Markets analyst Christopher Rolland reiterated an Outperform rating on Intel (NASDAQ: INTC), and raised the price target from \$30.00 to \$32.00. In the report, FBR Capital Markets noted, "On Thursday, June 12, Intel positively preannounced, raising both revenue and gross margin guidance for 2014 and the year. Management now expects 'some' revenue growth in 2014 as the change in outlook was driven mostly by demand for business P..



Of the total 52 companies following INTC, 50 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	13	26	13	11
Buy/Hold	6	12	6	6
Hold	23	46	23	26
Weak Hold	4	8	4	4
Sell	3	6	3	2
No Opinion	1	2	0	0
<b>Total</b>	<b>50</b>	<b>100</b>	<b>49</b>	<b>49</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2015	2.30	2.87	1.57	44	13.9
2014	2.19	2.30	2.11	43	14.6
<b>2015 vs. 2014</b>	<b>▲ 5%</b>	<b>▲ 25%</b>	<b>▼ -26%</b>	<b>▲ 2%</b>	<b>▼ -5%</b>
Q3'15	0.63	0.79	0.49	35	50.7
Q3'14	0.65	0.68	0.62	38	49.1
<b>Q3'15 vs. Q3'14</b>	<b>▼ -3%</b>	<b>▲ 16%</b>	<b>▼ -21%</b>	<b>▼ -8%</b>	<b>▲ 3%</b>

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.

**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
- Ascendant Capital Markets LLC
- Axia Financial Research
- B. Riley Caris
- BMO Capital Markets, Canadian Equity Research
- Barclays
- BofA Merrill Lynch
- CLSA
- Canaccord Genuity
- Cleveland Research Company
- Cowen and Company, LLC
- Credit Suisse
- Daiwa Securities Co. Ltd.
- Deutsche Bank
- Drexel Hamilton
- Erste Group Bank AG
- FBR Capital Markets & Co.
- Gleacher & Company, Inc.
- Goldman Sachs
- HM Global Capital LLC
- Hamburger Sparkasse AG
- ISI Group Inc.
- Imperial Capital
- JMP Securities
- JP Morgan
- Jefferies LLC
- MKM Partners LLC
- Macquarie Research
- Morgan Stanley

**Wall Street Consensus vs. Performance**

For fiscal year 2014, analysts estimate that INTC will earn US\$ 2.19. For the 2nd quarter of fiscal year 2014, INTC announced earnings per share of US\$ 0.55, representing 25% of the total annual estimate. For fiscal year 2015, analysts estimate that INTC's earnings per share will grow by 5% to US\$ 2.30.

## 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 September 30, 2014

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Buy	37.0%	25.7%	32.9%	34.7%
Hold	51.8%	57.3%	45.3%	52.1%
Sell	11.2%	17.0%	21.8%	13.2%
Total	100%	100%	100%	100%

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