

Intel 1Q Preview—Not Good, Company Briefs

Intel (*INTC*, \$21.67 -0.15, Hold/Not Compelling, Target \$24, CY13: \$1.91 on \$52.98B, CY14: \$2.24 on \$57.48B)

Low Expectations for 1Q13: INTC is scheduled to announce 1Q earnings after the close on Tuesday and I believe the company will miss published estimates as the weak market for PCs enters its 2Q seasonal trough. Specifically, I expect reported 1Q revenue to miss consensus and trend to the low-end of guidance and published estimates; 1Q EPS may meet consensus expectations on operating expense control; and 2Q revenue guidance to miss consensus and trend to the low-end of published estimates. Management guidance going into the period called for revenue of \$12.7B +/-500M, or -5.8% sequentially with a range of -9.5% to -2.1%, and my revenue and EPS estimates, consensus and range are detailed in the tables below. About the best thing INTC has going for it at this point is low expectations, in my opinion, and the potential lack of share price weakness after the announcement may indicate support for an issue offering a 4.2% annual dividend yield at current price levels. I consider downside risk fairly limited and potential upside to my target price of \$24 to be fairly incremental and less than compelling, hence my Hold/Not Compelling recommendation. Nevertheless, the dividend isn't bad for a range-bound stock.

<i>Diluted EPS</i>	1Q13	2013	2014	<i>Revenue, 4Q estimates</i>	1Q13	2013	2014
<i>Tokeneke</i>	\$0.40	\$1.91	\$2.24	<i>Tokeneke</i>	\$12,668	\$52,980	\$57,481
Consensus	\$0.41	\$1.90	\$2.05	Consensus	\$12,610	\$53,710	\$56,160
Highest Estimate	\$0.46	\$2.13	\$2.50	Highest Estimate	\$13,020	\$56,300	\$63,000
Lowest Estimate	\$0.35	\$1.58	\$1.65	Lowest Estimate	\$12,250	\$51,200	\$51,000

COMPANY BRIEFS over the last two weeks

- AVGO to acquire CyOptics making InP optical chips for \$400M in cash. Sales +21% to \$210M in 2012.
- NVDA analyst day last Thursday. It expects to return \$1B to shareholders this fiscal year.
- VSH to acquire high-rel resistor maker MCB Industrie for an undisclosed amount. 23M-euro annual sales.
- NXPI realigned the way it will report its business segments and will exclude stock comp in pro forma EPS.
- INTC held a developers forum in China this last week.
- VIMC hired a Chief Controller and moved the CFO to Chief Strategy Officer (*but still no 4Q earnings*).
- SMTC added Sylvia Summers and Dr. Carmelo Santoro to its board that now totals 10.
- ATML CFO is leaving and Steve Skaggs will assume the interim role pending a search—no disagreements.
- PSEM added John East to its board.

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