

Intel Hadoops Cloudera, Tessera and Qualcomm Play Nice

Intel (*INTC*, \$25.31 -0.07, *Hold/Not Compelling*, Target \$27, 2014: \$1.79 on \$52.6B, 2015: \$2.09 on \$55.0B)

Big Data Investment: Yesterday INTC announced a major investment and strategic partnership with privately-held Cloudera, the leading supplier of Hadoop big-data enterprise software. This looks like pretty good news for both players to me as Hadoop gets to optimize its roadmap on the INTC server processor platform that makes up over 90% of the market, and INTC deeply embeds itself into a leading big-data player that appears to be where servers are heading as cloud data warehouses in the Internet-of-Things era.

Two days ago when I dismissed INTC's acquisition of a wrist-band maker I noted that the company's best play on IoT would be where it is already strong in the server space—and this Cloudera deal is just that. That's the good news. Unfortunately, this does not appear to be incremental to the existing growth expectations for INTC's server business, but is rather embedded into that +15% CAGR as noted during yesterday's video cast.

As I noted two days ago, my position on the shares is nuanced: my official rating is *Hold/Not Compelling*, although I have it listed as *Long—But Upside Incremental* in my latest *Semiconductor Investment Ideas* update. I argue this is not inconsistent given the current share price of \$25.31 and my target price of \$27. While I do not consider upside potential significantly more likely than downside risk at current price levels due to the lack of growth from the company's core PC markets, I also believe that downside risk is fairly limited given its long history of secured earnings. In the meantime investors can enjoy its quarterly dividend of \$0.225 yielding 3.6%.

Tessera (*TSRA*, \$23.15 +0.34, *Hold/Not Compelling* in my latest *Semiconductor Investment Ideas*)

Qualcomm (*QCOM*, \$79.05 +0.74, *Hold/Not Compelling* in my latest *Semiconductor Investment Ideas*)

TSRA and QCOM Make Up: TSRA withdrew its patent infringement lawsuit against QCOM and both companies agree to work together on mobile cameras. This is good news for TSRA to withdraw from confrontation from such a financial and IP goliath as QCOM. However, it even further lessens its participation in imaging by occurring so soon after TSRA announced a buyer for its DigitalOptics business. The value of that IP is now dropping by the day.

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