

INTC 4Q Preview

Intel (INTC, \$36.60 -0.16, Hold, Target Price \$30, 2015: \$2.34 on \$58.35B, 2016: \$2.44 on \$60.96B)

4Q Preview: INTC is scheduled to announce 4Q earnings after the close on Thursday of this week. I expect the company to meet or slightly exceed consensus expectations in terms of both 4Q results and 1Q guidance that will likely result in a fine-tuning to existing expectations.

I am concerned that PC market weakness will continue to constrain growth given that it accounts for over 60% of sales, but am encouraged by the restraint reflected in consensus expectations that is at the mid-point of revenue guidance reflecting +1% sequential growth—and especially the spread of the range that skews to the downside of guidance. I am also encouraged by the restraint reflected in expectations for the seasonally weak 1Q. As usual, I am more confident in the company’s ability to preserve and extend EPS via factors it can control that include gross margin, operating expenses, interest and other income, taxes, and share count.

In the meantime I remain ambivalent about the shares at current price levels where it trades above the average fundamental valuation metrics of its peers. My recommendation remains Hold/Not Compelling.

<i>Diluted EPS, GAAP</i>	4Q14	1Q15	2014	2015
<i>Tokeneke</i>	\$0.64	\$0.48	\$2.22	\$2.34
Consensus	\$0.66	\$0.51	\$2.24	\$2.37
Highest Estimate	\$0.69	\$0.66	\$2.28	\$2.70
Lowest Estimate	\$0.62	\$0.44	\$2.21	\$1.64

<i>Revenue, 39 estimates</i>	4Q14	1Q15	2014	2015
<i>Tokeneke</i>	\$14,600	\$13,578	\$55,749	\$58,345
Consensus	\$14,700	\$13,770	\$55,880	\$58,190
Highest Estimate	\$15,000	\$14,280	\$56,850	\$60,180
Lowest Estimate	\$13,810	\$13,150	\$55,260	\$54,200

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