

2Q Revenue Soft, Annual Guidance and Cap Ex Lowered Lowering Estimates, Reiterate Hold/Not Compelling

Diluted Shares(mil):	5,106	<i>Closing Price 7/17/13</i>	<i>fye Dec</i>	2012 act	2013	2014
Market Cap(\$mil):	\$123,310	\$24.15	Revenue(\$mil)	\$53,341	\$53,370	\$56,286
Avg Volume(,000):	43,219		EPS	\$2.13	\$1.92	\$2.10
Net Cash/Share:	\$1.82	<i>Recommendation/Target</i>	Price/Sales	2.3	2.3	2.2
Dividend Yield:	3.7%	Hold-Not Compelling/\$24	Price/EPS	11.3	12.6	11.5

Intel is the world's largest semiconductor manufacturer and supplies microprocessors and chipsets to PC and server markets.

Summary: INTC met 2Q EPS expectations on soft revenue, but lowered its annual guidance for sales and capital expenditures due to deteriorating PC market conditions. Nevertheless, its new CEO has reorganized the company to emphasize the Atom offering to ultra-mobile markets, and growth is expected 2H13 from new products on new technology into new markets amid seasonal and macroeconomic improvements. While I expect the company to sustain its profitability, I believe that revenues will be under pressure for at least the next few quarters. I am lowering my estimates and maintaining my 12-month target price of \$24 and Hold/Not Compelling recommendation. My target price is based on just over 2-times sales and 11-times expected 2014 EPS consistent with its large-cap technology peers.

New CEO: Long-time employee Brian Krzanich was named CEO two months ago and has already flattened the company in a reorganization to improve decision making for the current ultra-mobile market environment where he intends to 'bring the full weight of (Intel's) process and architectural leadership to the Atom family.' This was his first conference call. I am not surprised an insider was selected, and I agree that his emphasis is wholly appropriate and realistic for the company given its resource base and current market conditions—although it would have been nice to hear such a sense of urgency about it a couple of years ago so the company would have a fighting chance to offset the losses associated with deteriorating PC sales this year.

2Q Review: Revenue of \$12.6B grew by +1.8% and was below consensus and the mid-point of guidance (although slightly above my estimate) as customers built new Haswell PCs but kept inventories low due to market uncertainty. Gross margin of 58.3% was slightly above the mid-point of guidance and improved by +190 basis points due to the qualification for sale of Haswell products and higher volumes, while a reduction in excess capacity charges was offset by an increase in 14nm start-up costs. Operating expenses grew by +\$200M due to marketing the Haswell product launch as well as annual salary raises. EPS of \$0.39 met consensus but beat my estimate by a penny. Inventory increased by \$184M to \$4.5B, cash grew by \$277M to \$17.4B, and operating cash flow approximated \$4.7B with \$2.7B going to cap-ex, \$550M to repurchase 23M shares, and \$1.1B paid out in dividends.

FYE December in millions, GAAP	2Q13					
	Estimate	Actual	EPS Impact	Guidance	Consensus	Range
Revenue	\$12,750	\$12,811	\$0.01	\$12,400-13,400	\$12,890	\$12,700-13,000
Revenue Growth	1.4%	1.8%		-1.4%+6.5%	2.5%	+1.0%+3.3%
Gross Margin	58.0%	58.3%		56%-60%		
R&D + MG&A	\$4,676	\$4,681		\$4,700		
Restruct/Impairment	\$70	\$70		\$70		
Equity/Interest/Other	\$0	(\$26)		\$0		
Tax Rate	27.0%	25.7%		27.0%		
Diluted Shares	5,068	5,106				
Diluted EPS, GAAP	\$0.38	\$0.39	\$0.01		\$0.39	\$0.36-\$0.43

Core Business Posts Incremental Gains: PC Client sales of \$8.1B grew by +1.4% sequentially as a volume increase of +5% was partially offset by an ASP decrease of -3% on low-end share gains, and operating profit of 32.8% increased by 140 basis points. Compared with the prior year's quarter, notebook volumes declined by -7% and ASPs by -4%, while desktop volumes decreased by -3% and ASPs increased by +6%. Data Center sales of \$2.7B grew by +6.1% on volume growth of +6% and ASPs softening by -1%, while operating profit of 44.8% increased by 310 basis points. INTC's cloud and storage revenue each grew by 40% year-on-year, networking grew by 20%, and high-performance computing was well represented in the most recent Top 500 supercomputer ranking.

The rest of INTC's businesses are not profitable on an operating basis, including Other Intel Architecture (embedded, netbooks, smartphones and tablets) at \$942M that declined by -3.7%, Service and Software (McAfee and Wind River) at \$610M that grew by +3.7%, and Other (NAND and miscellaneous) at \$416M down by -4.8%.

2H Improvements: Management expects growth 2H13 as new processors enable new computing platform form factors and price points, and an improving economy and seasonality rejuvenates its data center enterprise business. PCs are down and netbooks are dying, but new computing form factors are ramping (Ultrabooks, convertibles, detachables, and tablets running on both Windows8 and Android) and management expects these different factors to net-out to flattish units this year. Haswell offers a significant improvement over Ivy Bridge in the notebook space, tablet product shipments are doubling by the quarter, and Silvertrail-architected Bay Trail processors for tablets will ship 2H. Haswell and Bay Trail are expected to enable these new form factors as well as lower system price points to \$499-\$599 for Ultrabooks, \$300-\$400 for touch-enabled thin and light notebooks, and \$300 tablets and \$200 Android tablets by Christmas. At Computex the company disclosed an Atom and LTE design win in the new Samsung Galaxy Tab 3. The price points will prove to be more successful than the performance or form factors, in my opinion. Management expects its data center enterprise business to improve with seasonality and the economy 2H, while significant growth from high-performance computing and cloud applications is expected to persist. The Atom Avoton product for microservers and Xeon Ivy Bridge are expected to ramp 2H.

Longer-term potential growth opportunities exist from smartphones and foundry business. The company's Clover Trail baseband product for LTE smartphones is currently being designed-in for production next year, and the next-generation Merrifield will launch by year-end. While its foundry business is expected to have enduring lifecycles, management does not expect significant revenue for another 2-3 years and is only using it to fill otherwise unused manufacturing capacity. The strategy remains to pursue value-based opportunities (i.e. high-priced) for non-competitive products from strategic customers.

The 22nm Haswell processor has launched into the notebook space with significant performance advantages over its Ivy Bridge predecessor, 22nm Xeon and Atom processors will roll into the server market mid-year, and Bay Trail 22nm parts for tablets and smart phones will also be introduced to succeed Clover Trail offerings. Next-generation 14nm-technology products will begin shipping towards the end of the year with Broadwell and subsequent generation 10nm is slotted for 2015. I trust the company to make money and pay its dividend for many years to come, although I think revenue growth will be challenging for the foreseeable future due to PC market maturation.

Guidance: Management guidance for 3Q13 includes: revenue of \$13.5B +/- \$500M as customers continue to manage lean inventories; gross margin of 61% +/- a couple of points; R&D and MG&A at \$4.8B; amortization of \$70M; interest and other income at \$400M due to gains from the sale of its investment in Clearwire; and depreciation at \$1.7B. Gross margin is expected to increase by 300 basis points due to the qualification for sale of Bay Trail devices that lowers inventory write-offs, increasing volume shipments, and lower start-up costs associated with next-generation 14nm technology. Op ex spending is expected to grow some \$100M as process engineering spend shifts to R&D from COGS.

Revised guidance for 2013 now includes: flat annual sales, down from growth in the low-single-digit percentage and due to weaker than previously expected PC sales; gross margin of 59% +/- a couple of points, down from 60% +/- a few points; R&D and MG&A at \$18.7B +/- \$200M, down by \$200M; amortization of \$300M; depreciation at \$6.8B +/- \$100M; a tax rate of 26% for each of the next two quarters, down from 27%; and capital expenditures dropping another billion to \$11B +/- \$500M due to a variety of factors. 450mm wafer development costs have rounded-down to \$1.5B instead of rounding-up to \$2B.

Lowering Estimates: My revised 3Q estimate is slightly below the mid-point of guidance and my revised 2013 estimate is only very-slightly above the mid-point of guidance. While it appears from the table below that I have only fine-tuned revenue and raised my EPS estimates for those periods, I have actually lowered 2013 sales by over \$70M and the ONLY reason EPS is going up is due to the \$400M gain from the sale of Clearwire this quarter as well as a lower expected tax rate for the year. Please note this is wholly consistent with the 'EPS sheltering' argument I addressed in yesterday's earnings preview. My lower estimates are more clearly pronounced in 2014.

<i>in millions, GAAP</i>	3Q13		2013		2014	
	Previous	Update	Previous	Update	Previous	Update
Revenue	\$13,388	\$13,452	\$53,444	\$53,370	\$57,928	\$56,286
Revenue Growth	5.0%	5.0%	0.2%	0.1%	8.4%	5.5%
Gross Margin	60.0%	60.5%	59.2%	59.2%	59.3%	59.3%
R&D + MG&A	\$4,803	\$4,793	\$18,863	\$18,740	\$19,849	\$19,036
Restruct/Impairment	\$75	\$70	\$293	\$283	\$300	\$280
Equity/Interest/Other	\$0	\$400	(\$76)	\$298	\$100	\$200
Tax Rate	27.0%	26.0%	24.9%	24.1%	25.0%	25.0%
Diluted Shares	5,068	5,108	5,071	5,101	5,068	5,108
Diluted EPS, GAAP	\$0.45	\$0.53	\$1.84	\$1.92	\$2.12	\$2.10

Reiterate Hold: INTC is a screaming Buy that could almost double in share price based on historical average price-earnings, price-sales and price-book fundamental valuation ratios. However, this upside largely disappears when considering valuation relative to its peers in the current equity market environment. I have two peer groups for INTC on Page 7: the first is a set of large-cap, technology-related companies that includes AAPL, AMAT, CSCO, DELL, GE, HPQ, IGM, MSFT and ORCL; and the second peer group consists of large semiconductor companies that includes AMD, BRCM, MU, NVDA, QCOM, SNDK, STM, TSM and TXN.

INTC is very much trading consistent with the average of price-sales and price-earnings of its large-cap technology peers. However, it is trading at a slight discount compared to its semiconductor peers across both metrics, and it is very attractive in terms of dividend yield at 3.7% as the second highest of all peers on both lists. Unfortunately in this case, INTC tends to trade more consistent with its technology peers rather than its semiconductor peers, in my opinion—hence my Hold/Not Compelling recommendation. Nevertheless, I think its attractive dividend yield and slight discount to its chip peers will help to mitigate potential downside risk.

The averages of these two peer groups also indicate an appropriate price-sales ratio level just above 2-times, and a price-earnings ratio level of 11- to 14-times forward earnings. My 12-month target price of \$24 continues to be based on just over 2-times expected 2014 sales and 11-times expected 2014 earnings.

<i>Diluted EPS, GAAP</i>	3Q13	2013	2014
<i>Tokeneke-revised</i>	\$0.53	\$1.92	\$2.10
<i>Tokeneke-previous</i>	\$0.45	\$1.84	\$2.12
<i>Consensus-previous</i>	\$0.50	\$1.19	\$2.02
<i>Highest Est-previous</i>	\$0.59	\$2.05	\$2.51
<i>Lowest Est-previous</i>	\$0.40	\$1.62	\$1.60

<i>Revenue, 4Q estimates</i>	3Q13	2013	2014
<i>Tokeneke-revised</i>	\$13,452	\$53,370	\$56,286
<i>Tokeneke-previous</i>	\$13,388	\$53,444	\$57,928
<i>Consensus-previous</i>	\$13,370	\$53,480	\$55,600
<i>Highest Est-previous</i>	\$14,500	\$56,080	\$63,000
<i>Lowest Est-previous</i>	\$13,200	\$51,880	\$49,330

—Dan K. Scovel
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Income Statement

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GAAP

Dollars in millions. * restated
fiscal year ends December

				2012 act					2013 est					2014				
	2009	2010	2011	Q1	Q2	Q3	Q4	2012	Q1A	Q2A	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014
Sales	35,127	43,623	53,999	12,906	13,501	13,457	13,477	53,341	12,580	12,811	13,452	14,528	53,370	13,801	13,387	14,057	15,041	56,286
COGS	15,566	15,132	20,242	4,641	4,947	4,942	5,660	20,190	5,514	5,341	5,313	5,593	21,762	5,797	5,757	5,623	5,715	22,891
Gross Profit	19,561	28,491	33,757	8,265	8,554	8,515	7,817	33,151	7,066	7,470	8,138	8,935	31,609	8,005	7,631	8,434	9,325	33,395
R&D	5,653	6,576	8,350	2,401	2,513	2,605	2,629	10,148	2,527	2,516	2,541	2,541	10,125	2,541	2,541	2,567	2,592	10,241
MG&A	6,683	6,309	7,670	1,973	2,131	1,995	1,958	8,057	1,947	2,165	2,252	2,252	8,615	2,139	2,139	2,203	2,313	8,795
Amort/Restruct/other	1,514	18	260	81	78	74	75	308	73	70	70	70	283	70	70	70	70	280
Operating Expenses	13,850	12,903	16,280	4,455	4,722	4,674	4,662	18,513	4,547	4,751	4,863	4,863	19,024	4,750	4,750	4,840	4,976	19,316
Operating Income	5,711	15,588	17,477	3,810	3,832	3,841	3,155	14,638	2,519	2,719	3,275	4,072	12,585	3,255	2,881	3,594	4,350	14,079
Interest & Other	(7)	457	304	4	102	80	49	235	-76	-26	400	0	298	50	50	50	50	200
Pretax Income	5,704	16,045	17,781	3,814	3,934	3,921	3,204	14,873	2,443	2,693	3,675	4,072	12,883	3,305	2,931	3,644	4,400	14,279
Taxes	1,335	4,581	4,839	1,076	1,107	949	736	3,868	398	693	956	1,059	3,105	826	733	911	1,100	3,570
Net Income	4,369	11,464	12,942	2,738	2,827	2,972	2,468	11,005	2,045	2,000	2,720	3,013	9,778	2,478	2,198	2,733	3,300	10,709
EPS-Basic	\$0.79	\$2.06	\$2.46	\$0.55	\$0.56	\$0.59	\$0.50	\$2.20	\$0.41	\$0.40	\$0.55	\$0.61	\$1.97	\$0.50	\$0.44	\$0.55	\$0.66	\$2.15
Shares-Basic	5,557	5,555	5,256	4,999	5,022	4,996	4,960	4,996	4,948	4,978	4,978	4,978	4,971	4,978	4,978	4,978	4,978	4,978
EPS-Diluted	\$0.77	\$2.01	\$2.39	\$0.53	\$0.54	\$0.58	\$0.48	\$2.13	\$0.40	\$0.39	\$0.53	\$0.59	\$1.92	\$0.49	\$0.43	\$0.54	\$0.65	\$2.10
Shares-Diluted	5,645	5,696	5,411	5,192	5,199	5,153	5,095	5,160	5,080	5,106	5,108	5,108	5,101	5,108	5,108	5,108	5,108	5,108
Margin Analysis																		
GM	55.7%	65.3%	62.5%	64.0%	63.4%	63.3%	58.0%	62.1%	56.2%	58.3%	60.5%	61.5%	59.2%	58.0%	57.0%	60.0%	62.0%	59.3%
R&D	16.1%	15.1%	15.5%	18.6%	18.6%	19.4%	19.5%	19.0%	20.1%	19.6%	18.9%	17.5%	19.0%	18.4%	19.0%	18.3%	17.2%	18.2%
SG&A	19.0%	14.5%	14.2%	15.3%	15.8%	14.8%	14.5%	15.1%	15.5%	16.9%	16.7%	15.5%	16.1%	15.5%	16.0%	15.7%	15.4%	15.6%
Operating Income	16.3%	35.7%	32.4%	29.5%	28.4%	28.5%	23.4%	27.4%	20.0%	21.2%	24.3%	28.0%	23.6%	23.6%	21.5%	25.6%	28.9%	25.0%
Pretax Income	16.2%	36.8%	32.9%	29.6%	29.1%	29.1%	23.8%	27.9%	19.4%	21.0%	27.3%	28.0%	24.1%	23.9%	21.9%	25.9%	29.3%	25.4%
Tax Rate	23.4%	28.6%	27.2%	28.2%	28.1%	24.2%	23.0%	26.0%	16.3%	25.7%	26.0%	26.0%	24.1%	25.0%	25.0%	25.0%	25.0%	25.0%
Net Income	12.4%	26.3%	24.0%	21.2%	20.9%	22.1%	18.3%	20.6%	16.3%	15.6%	20.2%	20.7%	18.3%	18.0%	16.4%	19.4%	21.9%	19.0%
Qtr-to-Qtr Growth																		
Revenue				-7.1%	4.6%	-0.3%	0.1%		-6.7%	1.8%	5.0%	8.0%		-5.0%	-3.0%	5.0%	7.0%	
Gross Profit				-7.7%	3.5%	-0.5%	-8.2%		-9.6%	5.7%	8.9%	9.8%		-10.4%	-4.7%	10.5%	10.6%	
Operating Income				-17.2%	0.6%	0.2%	-17.9%		-20.2%	7.9%	20.5%	24.3%		-20.1%	-11.5%	24.8%	21.0%	
Net Income				-18.5%	3.3%	5.1%	-17.0%		-17.1%	-2.2%	36.0%	10.8%		-17.7%	-11.3%	24.4%	20.7%	
EPS				-17.7%	3.1%	6.1%	-16.0%		-16.9%	-2.7%	35.9%	10.8%		-17.7%	-11.3%	24.4%	20.7%	
Year-to-Year Growth																		
Revenue	-6.5%	24.2%	23.8%	0.5%	3.6%	-5.5%	-3.0%	-1.2%	-2.5%	-5.1%	0.0%	7.8%	0.1%	9.7%	4.5%	4.5%	3.5%	5.5%
Gross Profit	-6.2%	45.7%	18.5%	4.8%	8.3%	-5.6%	-12.7%	-1.8%	-14.5%	-12.7%	-4.4%	14.3%	-4.7%	13.3%	2.2%	3.6%	4.4%	5.7%
Operating Income	-36.2%	172.9%	12.1%	-8.4%	-2.6%	-19.7%	-31.4%	-16.2%	-33.9%	-29.0%	-14.7%	29.1%	-14.0%	29.2%	5.9%	9.7%	6.8%	11.9%
Net Income	-17.4%	162.4%	12.9%	-13.4%	-4.3%	-14.3%	-26.5%	-15.0%	-25.3%	-29.3%	-8.5%	22.1%	-11.2%	21.2%	9.9%	0.5%	9.5%	9.5%
EPS	-15.9%	160.0%	18.8%	-6.4%	0.2%	-11.2%	-24.4%	-10.8%	-23.7%	-28.0%	-7.7%	21.8%	-10.1%	20.5%	9.9%	0.5%	9.5%	9.4%

Intel Corporation

Financial Summary

Dollars in millions

Fiscal year ends December

	2009	2010	2011	2012	2Q12	3Q12	4Q12	1Q13	2Q13
Assets									
Cash and short-term investments	9,272	16,792	10,246	12,477	9,204	6,003	12,477	10,021	9,992
Trading assets	4,648	5,093	4,591	5,685	4,444	4,462	5,685	7,052	7,358
Net accounts receivable	<u>2,273</u>	<u>2,867</u>	<u>3,650</u>	<u>3,833</u>	<u>3,544</u>	<u>3,938</u>	<u>3,833</u>	<u>3,536</u>	<u>3,474</u>
Quick Assets	16,193	24,752	18,487	21,995	17,192	14,403	21,995	20,609	20,824
Inventories	2,935	3,824	4,096	4,734	4,904	5,319	4,734	4,358	4,542
Other	<u>2,029</u>	<u>2,987</u>	<u>3,289</u>	<u>4,629</u>	<u>3,689</u>	<u>3,292</u>	<u>4,629</u>	<u>3,710</u>	<u>3,682</u>
Current Assets	21,157	31,563	25,872	31,358	25,785	23,014	31,358	28,677	29,048
Property, plant and eqt, net	17,225	17,899	23,627	27,983	25,976	27,157	27,983	28,418	29,345
Marketable securities	4,952	4,034	1,451	4,424	599	3,924	4,424	4,698	5,361
Goodwill, net	4,421	4,531	15,521	15,945	15,416	15,844	15,945	15,563	15,625
Other assets/L-T investments	<u>5,340</u>	<u>5,111</u>	<u>4,648</u>	<u>4,641</u>	<u>4,576</u>	<u>4,502</u>	<u>4,641</u>	<u>5,727</u>	<u>6,282</u>
Total Assets	53,095	63,138	71,119	84,351	72,352	74,441	84,351	83,083	85,661
Liabilities and Shareholders Equity									
Short-term debt	172	38	247	312	92	56	312	88	263
Accounts payable	1,883	2,290	2,956	3,023	3,269	3,188	3,023	2,654	2,864
Deferred distribution income	593	622	1,929	1,932	1,915	1,954	1,932	1,901	1,971
Income taxes payable/other	<u>4,943</u>	<u>6,120</u>	<u>6,896</u>	<u>7,631</u>	<u>5,262</u>	<u>6,755</u>	<u>7,631</u>	<u>7,155</u>	<u>6,291</u>
Current Liabilities	7,591	9,070	12,028	12,898	10,538	11,953	12,898	11,798	11,389
Long-term debt	2,049	2,077	7,084	13,136	7,093	7,100	13,136	13,143	13,150
Deferred tax liabilities	193	927	2,617	3,412	2,775	2,904	3,412	3,427	3,709
Other	<u>1,558</u>	<u>1,426</u>	<u>3,479</u>	<u>3,702</u>	<u>3,167</u>	<u>3,215</u>	<u>3,702</u>	<u>3,521</u>	<u>3,573</u>
Total Liabilities	11,391	13,500	25,208	33,148	23,573	25,172	33,148	31,889	31,821
Common stock	14,993	16,178	17,036	19,464	18,883	19,278	19,464	20,098	20,678
Retained earnings	26,318	33,127	29,656	32,138	30,753	30,492	32,138	31,506	33,017
Other	<u>393</u>	<u>333</u>	<u>(781)</u>	<u>(399)</u>	<u>(857)</u>	<u>(501)</u>	<u>(399)</u>	<u>(410)</u>	<u>145</u>
Total Shareholders Equity	41,704	49,638	45,911	51,203	48,779	49,269	51,203	51,194	53,840
Total Liabilities and Equity	53,095	63,138	71,119	84,351	72,352	74,441	84,351	83,083	85,661
Sales and Income									
Revenue	35,127	43,623	53,999	53,341	13,501	13,457	13,477	12,580	12,811
COGS	15,543	14,808	20,242	20,190	4,947	4,942	5,660	5,514	5,341
Net income	4,369	11,672	12,942	1,005	2,827	2,972	2,468	2,045	2,000
Other									
Capital Expenditures	4,515	5,207	10,764	11,027	2,662	2,887	2,504	2,174	2,723
Depreciation	4,744	4,398	5,141	6,357	1,572	1,625	1,641	1,682	1,712
Shares (weighted average diluted)	5,645	5,696	5,411	5,160	5,199	5,153	5,095	5,080	5,106
Employees (units)	79,800	82,500	100,100	105,000	102,800	104,700	105,000	105,400	106,000
Dividends paid	3,108	3,503	4,127	4,350	1,057	1,125	1,119	1,114	1,123
Shares repurchased	88	70	642	191	41	46	47	25	23
Value of Shares Repurchased	1,671	1,500	14,133	4,765	1,100	1,165	1,000	533	550
Ratios									
Liquidity									
Quick Ratio	2.13	2.73	1.54	1.71	1.63	1.20	1.71	1.75	1.83
Current Ratio	2.79	3.48	2.15	2.43	2.45	1.93	2.43	2.43	2.55
Leverage									
Debt Ratio	0.21	0.21	0.35	0.39	0.33	0.34	0.39	0.38	0.37
Long-term Debt/Capital	0.07	0.07	0.19	0.24	0.18	0.18	0.24	0.24	0.24
Asset Management									
Fixed Asset Turnover	2.0	2.5	2.6	2.1	2.1	2.0	2.0	1.8	1.8
Total Asset Turnover	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.6
Receivables DSO	23	24	24	26	24	26	26	25	24
Inventory Days	68	93	73	84	89	97	75	71	77
Inventory Turnover	4.7	4.4	5.1	4.6	4.2	3.9	4.5	4.9	4.8
Revenue/Employee (\$000)	591	702	721	707	133	130	129	120	121
Profitability									
Gross Margin	55.8%	66.1%	62.5%	62.1%	63.4%	63.3%	58.0%	56.2%	58.3%
Net Margin	12.4%	26.8%	24.0%	1.9%	20.9%	22.1%	18.3%	16.3%	15.6%
Return on Assets	8.4%	20.1%	19.3%	1.3%	15.7%	16.2%	12.4%	9.8%	9.5%
Return on Equity	10.8%	25.6%	27.1%	2.1%	23.7%	24.2%	19.7%	16.0%	15.2%
Per Share Data									
Book Value/Share	\$7.39	\$8.71	\$8.48	\$9.92	\$9.38	\$9.56	\$10.05	\$10.08	\$10.54
Tangible Book Value/Share	\$6.60	\$7.92	\$5.62	\$6.83	\$6.42	\$6.49	\$6.92	\$7.01	\$7.48
Cash/Share (incl long-term)	\$3.34	\$4.55	\$3.01	\$4.38	\$2.74	\$2.79	\$4.43	\$4.29	\$4.45
Cash/Share (net, incl long-term)	\$2.95	\$4.18	\$1.66	\$1.77	\$1.36	\$1.40	\$1.79	\$1.68	\$1.82
Earnings/Share	\$0.77	\$2.05	\$2.39	\$0.19	\$0.54	\$0.58	\$0.48	\$0.40	\$0.39

Intel Corporation

Sales Analysis

dollars in millions

* restated

	2009	2010	2011	2012	2010				2011				2012				2013	
					1Q*	2Q*	3Q*	4Q*	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
By Territory																		
Revenue Percent																		
Singapore		24.6%	25.2%	23.7%														
Taiwan		16.5%	15.8%	17.5%														
US		14.7%	16.7%	15.7%														
China/Hong Kong		12.9%	13.2%	15.6%														
Japan		10.7%	8.4%	8.1%														
other		20.6%	20.7%	19.6%														
Total		100.0%	100.0%	100.0%														
Growth Rate																		
Singapore			26.9%	-7.4%														
Taiwan			18.7%	9.3%														
US			40.8%	-7.3%														
China/Hong Kong			26.6%	16.3%														
Japan			-2.5%	-5.2%														
other			23.9%	-6.5%														
Total			23.8%	-1.2%														
By Product Line																		
PC Client Group																		
Microprocessors	19,914	23,782	29,924	34,446	5,692	5,902	6,072	6,116	6,823	6,533	7,521	9,047	8,499	8,754	8,633	8,560	7,992	8,100
Chipset, mbd, other	6,262	6,545	5,482		1,683	1,599	1,666	1,597	1,798	1,788	1,896							
Total Revenue	26,176	30,327	35,406	34,446	7,375	7,501	7,738	7,713	8,621	8,321	9,417	9,047	8,499	8,754	8,633	8,560	7,992	8,100
Operating Income	7,587	12,971	14,793	13,097	3,087	3,333	3,345	3,206	3,543	3,284	4,014	3,952	3,491	3,440	3,337	2,829	2,513	2,659
operating margin	29.0%	42.8%	41.8%	38.0%	41.9%	44.4%	43.2%	41.6%	41.1%	39.5%	42.6%	43.7%	41.1%	39.3%	38.7%	33.0%	31.4%	32.8%
Microprocessor growth	-7.4%	19.4%	25.8%	15.1%	-3.2%	3.7%	2.9%	0.7%	11.6%	-4.3%	15.1%	20.3%	-6.1%	3.0%	-1.4%	-0.8%	-6.6%	1.4%
chipset growth	-2.9%	4.5%	-16.2%		-10.3%	-5.0%	4.2%	-4.1%	12.6%	-0.6%	6.0%							
Subtotal Rev growth	-6.4%	15.9%	16.7%	-2.7%	-4.9%	1.7%	3.2%	-0.3%	11.8%	-3.5%	13.2%	-3.9%	-6.1%	3.0%	-1.4%	-0.8%	-6.6%	1.4%
Data Center Group																		
Microprocessors	5,301	7,361	8,950	10,569	1,552	1,797	1,847	2,165	2,061	2,054	2,118	2,717	2,405	2,734	2,654	2,776	2,585	2,743
Chipsets, other	1,147	1,332	1,179		319	317	339	357	403	382	394							
Total Revenue	6,448	8,693	10,129	10,569	1,871	2,114	2,186	2,522	2,464	2,436	2,512	2,717	2,405	2,734	2,654	2,776	2,585	2,743
Operating Income	2,299	4,388	5,100	5,029	833	1,061	1,068	1,426	1,222	1,204	1,221	1,453	1,135	1,365	1,212	1,317	1,079	1,230
operating margin	35.7%	50.5%	50.4%	47.6%	44.5%	50.2%	48.9%	56.5%	49.6%	49.4%	48.6%	53.5%	47.2%	49.9%	45.7%	47.4%	41.7%	44.8%
Microprocessor growth	3.4%	38.9%	21.6%	18.1%	-8.9%	15.8%	2.8%	17.2%	-4.8%	-0.3%	3.1%	28.3%	-11.5%	13.7%	-2.9%	4.6%	-6.9%	6.1%
Chipset growth	-21.7%	16.1%	-11.5%		-1.2%	-0.6%	6.9%	5.3%	12.9%	-5.2%	3.1%							
Subtotal Rev growth	-2.2%	34.8%	16.5%	4.3%	-7.7%	13.0%	3.4%	15.4%	-2.3%	-1.1%	3.1%	8.2%	-11.5%	13.7%	-2.9%	4.6%	-6.9%	6.1%
Other Intel Architecture																		
Revenue	1,402	3,055	5,005	4,378	674	755	812	814	1,149	1,389	1,368	1,099	1,075	1,108	1,177	1,018	978	942
Revenue growth	-20.5%	117.9%	63.8%	-12.5%	64.4%	12.0%	7.5%	0.2%	41.2%	20.9%	-1.5%	-19.7%	-2.2%	3.1%	6.2%	-13.5%	-3.9%	-3.7%
Operating Income	(181)	270	(577)	(1,377)	26	76	92	76	(36)	(33)	(140)	(368)	(312)	(335)	(235)	(495)	(611)	(608)
Other/Corporate																		
Software Revenue	132	264	1,870	2,381	58	65	66	75	240	511	541	578	571	586	588	636	588	610
Growth		100.0%	608.3%	27.3%	544.4%	12.1%	1.5%	13.6%	220.0%	112.9%	5.9%	6.8%	-1.2%	2.6%	0.3%	8.2%	-7.5%	3.7%
Operating Income	(126)	(175)	(32)	(11)	(44)	(48)	(36)	(47)	(52)	(14)	18	16	7	14	4	(36)	(24)	(8)
Other Revenue	969	1,284	1,589	1,567	321	330	300	333	373	375	395	446	356	319	405	487	437	416
Growth	-23.5%	32.5%	23.8%	-1.4%	-12.3%	2.8%	-9.1%	11.0%	12.0%	0.5%	5.3%	12.9%	-20.2%	-10.4%	27.0%	20.2%	-10.3%	-4.8%
Operating Income	(3,772)	(1,866)	(1,807)	(2,100)	(454)	(441)	(333)	(638)	(519)	(506)	(328)	(454)	(511)	(652)	(477)	(460)	(438)	(554)
By Customer																		
Hewlett Packard		21.0%	19.0%	18.0%														
Dell		17.0%	15.0%	14.0%														
Lenovo		8.0%	9.0%	11.0%														

Intel Corporation

Valuation

Relative Valuation

Company	Ticker	Price 4/16/13	52-Week		CY EPS				CY P/E				Shares (mil)	CAP (\$ mil)	Price-Sales			FY Ends	Qtr Div/sh	Div Yield
			Low	High	2011	2012	2013	2014	2011	2012	2013	2014			TTM	Cur FY	Nxt FY			
Intel *	INTC	24.15	21.22	26.90	2.39	2.13	1.92	2.10	10.1	11.3	12.6	11.5	5,106	123,310	2.4	2.3	2.2	Dec	\$0.225	3.7%
Apple	AAPL	430.31	385.10	705.07	35.11	44.10	40.81	43.13	12.3	9.8	10.5	10.0	946	407,073	2.4	2.4	2.2	Sep	\$3.05	2.8%
Applied Materials	AMAT	16.69	9.95	16.78	1.12	0.63	0.83	1.20	14.9	26.5	20.1	13.9	1,203	20,078	2.7	2.6	0.2	Oct	\$0.10	2.4%
Cisco Systems	CSCO	25.72	14.96	25.99	1.72	1.94	2.05	2.15	15.0	13.3	12.5	12.0	5,387	138,554	2.9	2.9	2.7	Jul	\$0.17	2.6%
Dell	DELL	12.88	9.33	12.99	2.14	1.72	1.00	1.24	6.0	7.5	12.9	10.4	1,761	22,682	0.4	0.4	0.4	Jan	\$0.08	2.5%
General Electric	GE	23.54	19.45	24.45	1.35	1.45	1.66	1.82	17.4	16.2	14.2	12.9	10,433	245,593	1.7	1.7	1.6	Dec	\$0.19	3.2%
Hewlett Packard	HPQ	26.31	11.35	26.71	4.43	3.96	3.63	3.73	5.9	6.6	7.2	7.1	1,947	51,226	0.4	0.5	0.5	Oct	\$0.15	2.2%
IBM	IBM	194.55	183.55	215.90	13.49	15.30	16.63	18.31	14.4	12.7	11.7	10.6	1,109	215,834	2.1	2.1	2.0	Dec	\$0.950	2.0%
Microsoft	MSFT	35.74	28.50	36.39	2.76	2.79	2.83	2.80	12.9	12.8	12.6	12.8	8,429	301,252	3.9	3.8	3.6	Jun	\$0.23	2.6%
Oracle	ORCL	32.16	29.07	36.43	2.31	2.61	2.72	3.19	13.9	12.3	11.8	10.1	4,756	152,953	4.1	3.9	3.7	May	\$0.12	1.5%
Average									12.5	13.1	12.6	11.1			2.3	2.2	1.9			

Relative Valuation

Company	Ticker	Price 4/16/13	52-Week		CY EPS				CY P/E				Shares (mil)	CAP (\$ mil)	Price-Sales			FY Ends	Qtr Div/sh	Div Yield
			Low	High	2011	2012	2013	2014	2011	2012	2013	2014			TTM	Cur FY	Nxt FY			
Intel *	INTC	24.15	21.22	26.9	2.39	2.13	1.92	2.1	10.1	11.3	12.6	11.5	5,106	123,310	2.4	2.3	2.2	Dec	\$0.225	3.7%
Advanced Micro Devices	AMD	4.38	1.81	5.07	0.51	-0.16	-0.23	0.05	8.6	NM	NM	NM	749	3,281	0.7	0.7	0.6	Dec		
Broadcom	BRCM	33.6	29.40	37.85	2.89	2.92	2.88	3.13	11.6	11.5	11.7	10.7	614	20,630	2.5	2.4	2.2	Dec	\$0.11	1.3%
Micron Technology*	MU	13.59	5.16	14.6	-0.19	-1.12	0.78	1.64	NM	NM	17.4	8.3	1,047	14,223	1.7	1.7	1.5	Aug		
NVIDIA	NVDA	14.61	11.15	15.48	1.2	1.17	0.73	0.82	12.2	12.5	20.0	17.8	619	9,048	2.1	2.2	2.0	Jan	\$0.08	2.1%
Qualcomm	QCOM	62.65	54.55	68.5	3.36	4.01	4.61	4.74	18.6	15.6	13.6	13.2	1,763	110,452	5.1	4.5	4.1	Sep	\$0.35	2.2%
SanDisk	SNDK	59.44	32.75	63.73	4.66	2.37	4.15	4.83	12.8	25.1	14.3	12.3	246	14,628	2.6	2.5	2.3	Dec		
STMicroelectronics	STM	9.78	4.51	10.05	0.42	-0.33	0.01	0.71	23.3	NM	NM	13.8	888	8,685	1.0	1.0	1.0	Dec-ADR	\$0.10	4.1%
Taiwan Semiconductor Mfg.	TSM	18.45	12.14	20.3	0.88	1.09	1.23	1.39	21.0	16.9	15.0	13.3	5,186	95,678	5.3	4.7	4.1	Dec-ADR	\$0.03	0.5%
Texas Instruments *	TXN	37.9	26.14	38.16	2.19	1.5	1.61	2.01	17.3	25.3	23.5	18.9	1,123	42,562	3.4	3.5	3.3	Dec	\$0.28	3.0%
Average									15.7	17.8	16.5	13.5			2.7	2.6	2.3			

* Tokeneke estimate
Source: consensus as of 7/16/13

Historical Valuation

Company	Ticker	Price 4/16/13	Trailing 12-month								
			Price/Earnings		Price/Sales		Price/Book				
			Current	Historical*	Current	Historical*	Current	Historical*			
Intel	INTC	\$24.15	12.7		2.4		2.3				
			Average	21.3	Average	4.3	Average	4.3			
			High	65.4	High	15.7	High	14.3			
			Low	7.9	Low	1.6	Low	1.7			

* weekly since 1990

The Company

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My Background

I have an electrical engineering background, nearly 12 years of semiconductor industry experience, and was on Wall Street for nearly eight years where I was selected as the Best On The Street semiconductor analyst for 2002 by The Wall Street Journal, and third-rated Best of the Best across all sectors.

I obtained my undergraduate BS degree in electrical engineering from the University of Washington, and my MBA from Santa Clara University. My industry experience consists of nearly 12 years in various technical sales and marketing roles at four different semiconductor firms located in Silicon Valley beginning with Advanced Micro Devices in 1984, followed by two small start-up companies, and ending at Cirrus Logic where I supported the firm's Japanese market development. I joined Fahnstock & Co. as a senior semiconductor analyst in 1996 and was recruited by Needham & Co. in April 2000.

My formal coverage list as a sell-side analyst included the following equities: AMD, ALSC, ALTR, ARTI, ATML, CUBE, CY, ESST, GNSS, INTC, ISSI, LSI, MOSY, MU, OIIM, OVTI, RMTR, SIII, SMSC, STEC, SVTG, TDFX, TSRA, TXN, and ZRAN.

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