



Analysis Report
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Presentation Agenda

Company Overview – Snapshot of Intel

Investment Recommendation – Buy, Sell, or Hold?

Investment Thesis – Deep Dive

Catalyst – Prospects for the future

Valuation – Financial Statements

Risk Factors – Potential downside

Intel's Company Overview

INVESTING FOR 2020 - AND BEYOND



Market Cap and Valuation Multiples

Earning Before Interest, Taxes, Depreciation, and Amortization was \$33 billion at the end of 2019.

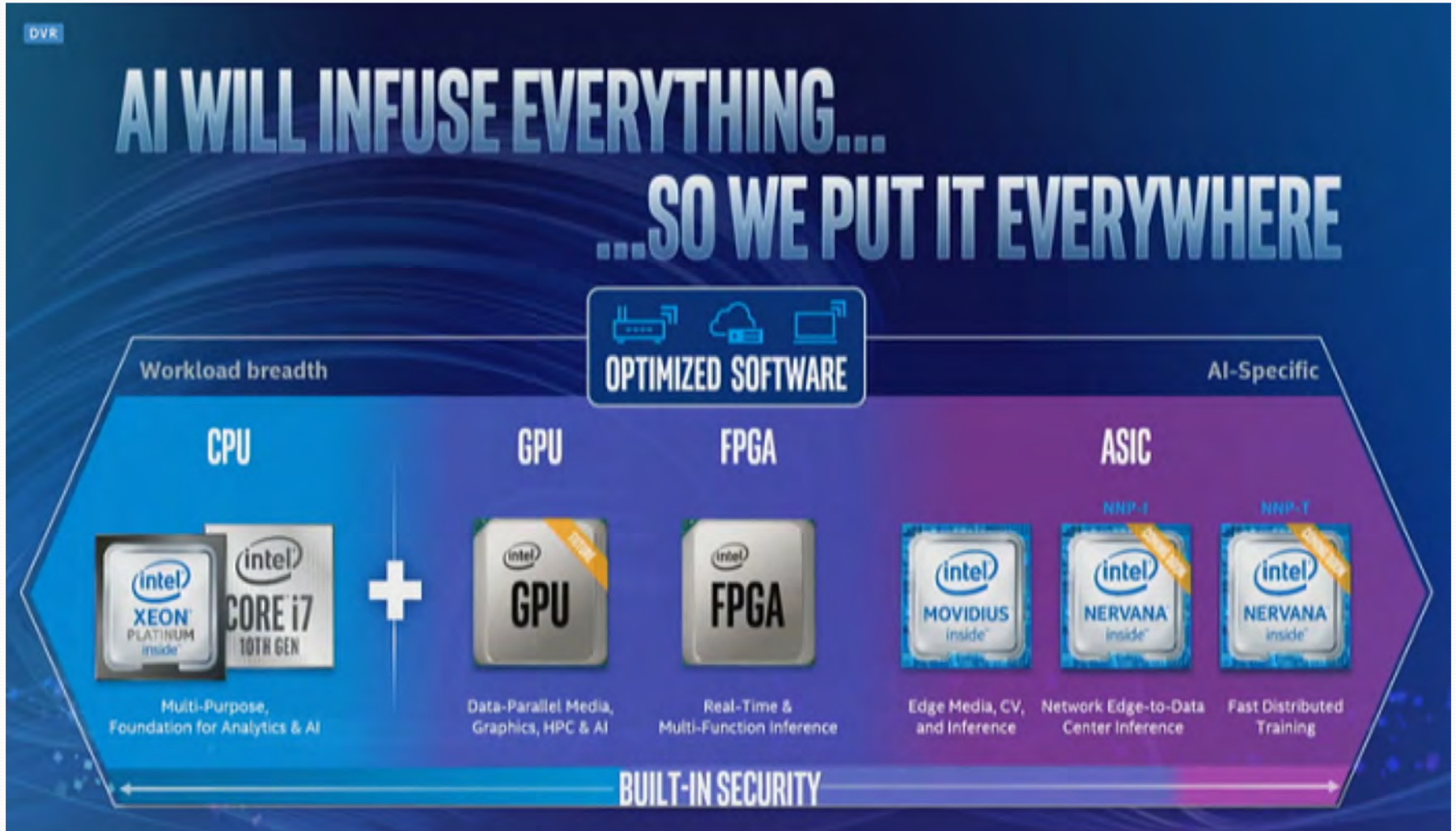
This year Intel is expected to earn \$38 billion based on the last quarterly forecast.

Current market capitalization values Intel at \$214 billion with a forward price to earnings ratio of 9.12 and an expected growth rate of 12.65%.

Product Offerings



Product Offerings

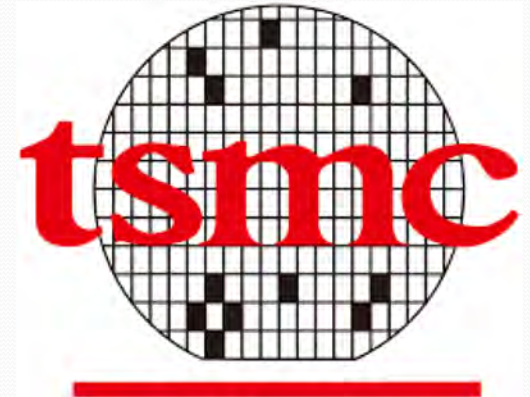
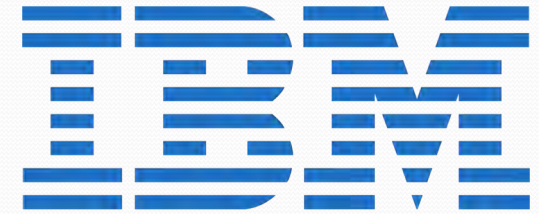


Competing Firms

Qualcomm



AMD



SAMSUNG

Porter Analysis

Bargaining Power of suppliers is moderately low: Due to Intel's buying power and the number of suppliers available offering materials to Intel.

Bargaining Power of customers (buyers) is moderately high: Customers have many options before them, moreover competition in the industry has grown substantially. Due to these forces the bargaining power of customers looking for brand recognition, marketing, and customer service has grown to a higher level.

Porter Analysis

Threat of Substitutes is moderate: Because some competitors have matching product portfolios substitutes are moderate. However, Intel's capabilities are matchless. Intel is the leading producer and does not rely on third party foundries for producing and testing their technologies. The threat of substitutes is also moderated by heavy investment into R & D and quality.

Porter Analysis

Competition is high: The semiconductor industry is highly competitive due to strong brands such as Nvidia, Samsung, AMD, and Taiwan Semiconductors. Each competitor spends heavily in R&D for growth purposes. As Intel has transitioned into a more Data centric company and moved away from PC centric, so to has the level of competition increased.

Threat of New Entrants is low: Due to the high cost of capital investment to enter the industry and the high level of competitive forces the threat of new entrance is diminished. In fact firms in the industry are aggressive in acquisitions and investment.

Corporate Governance

“Our integrated approach to financial matters, corporate governance, and corporate responsibility helps drive accountability, transparency, and proactive engagement, which improves decision making and ultimately creates long-term value.” - <https://www.intc.com/board-and-governance>

Title	Minimum Number of Shares
CEO	250,000
Executive Chairman & President	150,000
CFO	125,000
Executive Vice President	100,000
Senior Vice President	65,000
Corporate Vice President	35,000
Other VP's, Intel Fellows, and Senior Leaders	5,000 to 10,000

Management Team

CFO – George
Davis



CTO – Michael Mayberry



CIO – Archie Deskus

CEO – Robert Swan



Chief Architect – Raja
Kaduri

Intel Corporation Stock Recommendation is a Strong Buy



With 4.25 Billion shares outstanding and a share price of \$55 Intel will be valued at \$233 Billion

Investment Thesis

OUR CAPITAL ALLOCATION PRIORITIES...

INVEST IN BUSINESS

- R&D ~22% of revenue...
'17 flat to '16
- Capex at 20% of revenue...
Memory Driven
- Strategic M&A

SHAREHOLDER RETURNS

- Paid out over 100% of FCF over
last 10 years ~40% dividends,
~60% buyback
- Dividends grow with non-GAAP
earnings
- Share buyback to offset dilution

**... While maintaining a strong credit rating
and financial flexibility**

Investment Thesis

Intel announced \$10 Billion stock buyback and has had a net income of over \$20 Billion the last 3 years and annual revenue over \$70 Billion.

Current dividend yield is 2.65% and market cap is \$214 billion.

The CEO has said that Intel is currently worth less than his teams calculated intrinsic value.

For argument's sake let's look at Nvidia. Current annual revenue is \$13 billion and only \$3 billion in net income. Yet the company is valued at \$307 billion and a dividend yield of 0.13%

A classic example of market inefficiencies.

Investment Thesis continued....

Intel is a market leader. Currently the company is a top performer in the industry and based on revenue alone is the best.

Intel has a diversified portfolio offering; processors, cloud (data centric), AI, IoT, machine learning, gaming, content creation, and consumer computing.

Intel's data centric business is growing and Q2 2020 saw an increase of 34% YoY in this segment.

Shares dropped ~20% on lower Q3 Revenue forecast plus product delays on 7nm processors.

Intel has a vision for the future with Mobile Eye and 5G offerings.

OUR PRIORITIES

ACCELERATING OUR GROWTH



- Cloud up >50% YoY and Comms up >30% YoY... Now ~70% of Data Center segment
- Expect base station silicon market leadership in 2021... One year pull-in
- Mobileye ADAS design win with major Asian OEM (first ever with this OEM)
- Sampling Habana's first deep learning training processor to large CSPs

IMPROVING OUR EXECUTION



- Despite COVID-related disruptions, fulfilled all committed client CPU orders
- Launched 10nm-based 5G base station SoC, Snow Ridge
- Tiger Lake client CPU coming mid-year
- Sampling Ice Lake server
- Launched 10th Gen Intel Core, Comet Lake, first to 5GHz+ in laptops

DEPLOYING OUR CAPITAL



- Committed to maintaining the dividend
- Repurchased \$4.2B in shares
- Strengthened liquidity... \$10.3 billion in debt offerings... Suspended buybacks in-light of pandemic...
- Managing FCF through disciplined control of OpEx, CapEx and working capital

Catalysts and an Eye to the Future

This section is speculative in nature so we will do our best to be objective

Intel has announced an 11th gen processor that the company expects to be used in 150 unique laptop/desktop platforms.

During the last quarterly earnings report, Intel announced the company is open to outsource some of their manufacturing to TSMC to prevent further product delays such as the 7nm delay.

Intel holds both product and manufacturing process technology, allowing Intel to reduce third-party costs.

INCOME STATEMENT

	Q2 2019	Q2 2020	6M Ended 06/29/19	6M Ended 06/27/20
Income Statement [Abstract]				
Net revenue	\$ 19,728	\$ 16,505	\$ 39,556	\$ 32,566
Cost of sales	9,221	6,627	17,033	13,599
Gross margin	10,507	9,878	22,523	18,967
Research and development	3,354	3,438	6,629	6,770
Marketing, general and administrative	1,447	1,639	2,988	3,222
Restructuring and other charges	9	184	171	184
Operating expenses	4,810	5,261	9,788	10,176
Operating income	5,697	4,617	12,735	8,791

Gains (losses) on equity investments, net	267	170	156	604
Interest and other, net	(29)	(63)	(342)	(124)
Income before taxes	5,935	4,724	12,549	9,271
Provision for taxes	830	545	1,783	1,118
Net income	\$ 5,105	\$ 4,179	\$ 10,766	\$ 8,153
Earnings per share - Basic (in dollars per share)	\$ 1.20	\$ 0.94	\$ 2.53	\$ 1.82
Earnings per share - Diluted (in dollars per share)	\$ 1.19	\$ 0.92	\$ 2.50	\$ 1.79
Weighted average shares of common stock outstanding:				
Basic (shares)	4,246	4,466	4,256	4,479
Diluted (shares)	4,284	4,523	4,298	4,543

Consolidated Condensed Balance Sheets - USD (\$) \$ in Millions	Jun. 27, 2020	Dec. 28, 2019
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Current assets:		
Cash and cash equivalents	\$ 8,736	\$ 4,194
Short-term investments	4,791	1,082
Trading assets	12,288	7,847
Accounts receivable	7,441	7,659
Inventories	8,969	8,744
Other current assets	2,165	1,713
Total current assets	44,390	31,239
Property, plant and equipment, net of accumulated depreciation of \$77,988 (\$73,321 as of December 28, 2019)	58,036	55,386
Equity Investments	3,901	3,967
Other long-term investments	2,884	3,276
Goodwill	26,943	26,276
Identified intangible assets, net	10,303	10,827
Other long-term assets	6,082	5,553
Total assets	152,539	136,524

Current liabilities:		
Short-term debt	2,254	3,693
Accounts payable	5,045	4,128
Accrued compensation and benefits	2,833	3,853
Other accrued liabilities	12,349	10,636
Total current liabilities	22,481	22,310
Debt	36,093	25,308
Contract Liabilities	1,329	1,368
Income taxes payable, non-current	4,795	4,919
Deferred income taxes	2,723	2,044
Other long-term liabilities	3,108	2,916
Contingencies (Note 13)		
Temporary equity	0	155

Stockholders' equity:		
Preferred stock	0	0
Common stock and capital in excess of par value, 4,253 issued and outstanding (4,290 issued and outstanding as of December 28, 2019)	25,516	25,261
Accumulated other comprehensive income (loss)	(1,152)	(1,280)
Retained earnings	57,646	53,523
Total stockholders' equity	82,010	77,504
Total liabilities, temporary equity, and stockholders' equity	\$ 152,539	\$ 136,524

CLIENT COMPUTING
\$37.1B

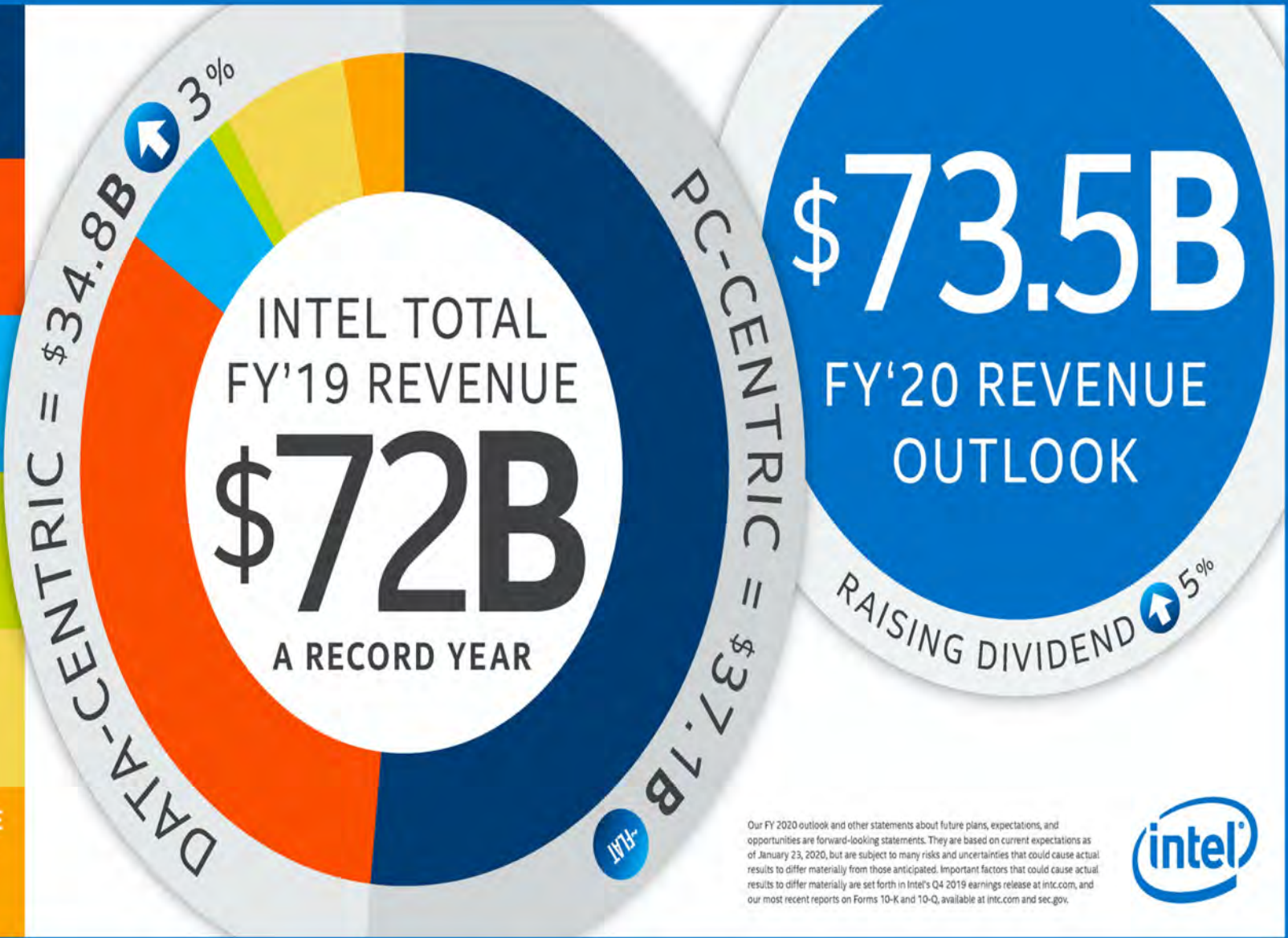
DATA CENTER
\$23.5B

INTERNET OF THINGS
\$3.8B

MOBILEYE
\$879M

MEMORY
\$4.4B

PROGRAMMABLE SOLUTIONS
\$2.0B



\$73.5B

FY'20 REVENUE
OUTLOOK

RAISING DIVIDEND **↑** 5%

Our FY 2020 outlook and other statements about future plans, expectations, and opportunities are forward-looking statements. They are based on current expectations as of January 23, 2020, but are subject to many risks and uncertainties that could cause actual results to differ materially from those anticipated. Important factors that could cause actual results to differ materially are set forth in Intel's Q4 2019 earnings release at intc.com, and our most recent reports on Forms 10-K and 10-Q, available at intc.com and sec.gov.



Risk Factors

Current risk factors for Intel include:

Deterioration of earnings due to financial impacts from Covid-19, which may result in Q3 forecast miss, driving the stock price down in the short term

Growing competition, such as the acquisition of ARM by Nvidia, may create stronger headwinds and result in an acceleration of loss of market share, which may drive down total EPS.

Economic risks include a no deal from U.S parliament for further economic stimulus and a continued pandemic-induced downturn in equities.

Mitigation Techniques

In order to mitigate the downside risk Intel may face in the short term to their share price we recommend a modest investment of \$5,000 to \$10,000 which will amount to 1%-2% of our total investment portfolio.

If we find the share price decreases it may create an even better buying opportunity. In the long term we are confident in Intel's diversified portfolio and their focus on AI and data centric businesses which is becoming a clear focus for the business landscape.

Intel's leadership in the PC centric business may not be the same as it was 10 years ago but they have positioned themselves for the future.