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## **Research Update**

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### **Intel Corporation (INTC-US)**

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We reiterate our Neutral rating on INTC. INTC reported Q4 results and gave preliminary 2016 guidance in confirmation of our view that growth at its Data Center Group is subsiding and EBITDAR margins will contract over the next year. The company's core Client Computing Group continues to be pressured from declining PC sales and management was notably pessimistic on PC sales in China, the largest market for PCs. Currently, we see few positive catalysts on the horizon for INTC, but would become more constructive on the shares if the outlook for its Data Center Group or Client Computing Group improved, until such a time we are maintaining our neutral stance on the shares.

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**Company Notes**
**Intel Corporation (INTC-US)**  
**Semiconductors & Semiconductor**

**Ivan Feinseth**  
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**Research Action:**
**Reiterate Rating**
**Rating:** Neutral

**Prior Rating:** Neutral

**Price 01/15/2016:** \$29.76

**52 Week High /** \$37.03

**Low:** \$24.87

**Key Data: (TTM as of Dec-15)**
**Excess Cash per Share:** \$6.01

**Annual Dividend:** \$0.96

**Dividend Yield:** 3.23%

**Ave. Volume (30 Day):** 26.0M

**Shares Outstanding:** 4,719.0M

**Float:** 4,717.0M

**Equity MV:** \$140,437.4M

**Sales TTM:** \$55,355.0M

**Beta:** 1.20

**EBITDAR:** \$36,196.4M

**NOPAT:** \$12,085.5M

**Total Invested Capital:** \$83,383.0M

**Return on Capital:** 15.36%

**Cost of Capital:** 6.84%

**Economic Profit:** \$6,701.0M

**Market Value Added:** \$80,104.4M

**Current Operations Value:** \$181,281.4M

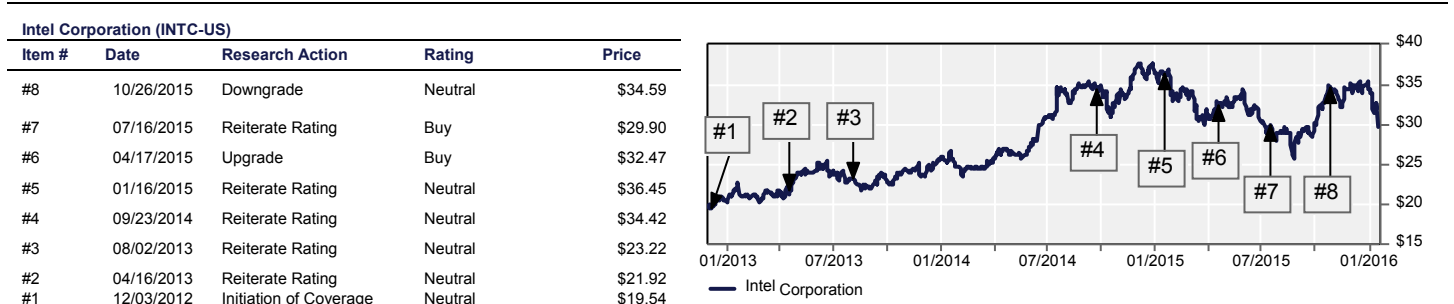
**Future Growth Value:** -\$17,794.0M

- **We reiterate our Neutral rating on INTC.** INTC reported Q4 results and gave preliminary 2016 guidance in confirmation of our view that growth at its Data Center Group is subsiding and EBITDAR margins will contract over the next year. The company's core Client Computing Group continues to be pressured from declining PC sales and management was notably pessimistic on PC sales in China, the largest market for PCs. Currently, we see few positive catalysts on the horizon for INTC, but would become more constructive on the shares if the outlook for its Data Center Group or Client Computing Group improved, until such a time we are maintaining our neutral stance on the shares.
- **Business performance metrics remain in neutral.** Sales declined 0.92% to \$55.35 billion over the LTM and while we expect sales to increase around 5%, inclusive of their recent Altera acquisition, we believe EBITDAR margin and NOPAT margin will decline over the NTM. We see EBITDAR margin contracting from 64.00% to 63.00% and NOPAT margin declining from 21.50% to 20.50%, which will limit the company's ability to drive increasing Economic Profit growth. Furthermore, INTC's valuation metrics remain above the company's long-term averages; INTC trades at 4.44x EV/EBITDAR above its 3yr and 5yr averages of 4.33x and 3.92x which indicates that the stock is not inexpensive.
- **Caution on China may indicate further pressure on PC sales.** Management was notably uncertain about Chinese PC demand saying that their team in China was particularly cautious there. We believe this is significant because while weakness in domestic PC shipments has largely been priced in, weakness in the largest PC market was not anticipated. We believe this could result in further pressure on INTC's Client Computing Group in 2016.
- **The acquisition of Altera will benefit INTC over the long term.** Despite near term headwinds we believe that the integration of Altera will benefit its Data Center Group as well as its IoT segment. The combination of Intel's XEON processor and Altera's FPGA will improve the performance of Intel's integrated CPU+FPGAs, reducing the total cost of ownership. Further, Altera will also help boost the growth of IoT segment by adding new functionality, improving performance, and lowering costs.

For more information or a copy of our complete report, please contact us at (212)430-8730 or [research@tigressfp.com](mailto:research@tigressfp.com)

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**Ratings History**

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**Tigress Research Methodology Overview**

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

**Business Performance:** Measuring economic profitability, growth and operating efficiency.

**Risk:** Measuring business sustainability, volatility, strength and consistency.

**Valuation:** Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk and value into relative market and industry investment recommendations.

*For more information on our research methodology, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

**Glossary of Key Terms and Measures**

**Excess Cash per Share:** Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.

**EBITDAR:** Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.

**NOPAT:** Net Operating Profit after Tax. Represents a company's after-tax cash operating profit excluding financing costs.

**Total Invested Capital:** Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of company.

**Return on Capital:** Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.

**Cost of Capital:** Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.

**Economic Profit:** Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.

**Current Operations Value:** Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.

**Future Growth Value:** Future Growth Value is the portion of market value based on un-earned Economic Profit

*For more information on the key terms and measures, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

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## Research Highlights

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### Analyst Certification

I, Ivan Feinseth, hereby certify that the views expressed herein accurately reflect my personal views about the subject company and their securities and that I have not been and will not be directly or indirectly compensated for expressing specific recommendations or views in the report.

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Rating:	Meaning:	Rating Distribution (01/15/2016)				
		Companies Under Coverage		Relationship Companies Under Coverage*		
		#	%	#	%	
<b>Strong Buy:</b>	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.	22	17%	0	0	
<b>Buy:</b>	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.	54	41%	4	67%	
<b>Neutral:</b>	Expect little or no outperformance opportunity over the next 12 months.	50	37%	2	33%	
<b>Underperform:</b>	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.	7	5%	0	0	
<b>Sell:</b>	Expect price decline or significant relative market and industry underperformance over the next 12 months.	0	0%	0	0	
		<b>Total</b>	<b>133</b>	<b>100%</b>	<b>6</b>	<b>100%</b>

\*Relationship Companies under research coverage are companies in which Tigress Financial Partners LLC or one of its affiliates has received compensation for investment banking or non-investment banking services from the company, affiliated entities and / or its employees within the past twelve months or expects to do so within the next three months.

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<b>Company:</b>	<b>Disclosure:</b>
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<b>Key</b>	<b>Disclosure:</b>
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## Research Highlights

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