



Rating
Buy

North America
United States

TMT
Semiconductors

Company
Intel

Reuters INTC.OQ Bloomberg INTC US Exchange NSM Ticker INTC

Date
21 November 2013

Forecast Change

Price at 21 Nov 2013 (USD)	25.22
Price target	28.00
52-week range	25.47 - 19.53

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Research Analyst

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Research Analyst

Highlights from Analyst Day

Taking the gloves off

INTC's analyst mtg began with the Chairman stating that to his personal embarrassment the co had "lost its way". We believe this powerful admission was a positive first step toward INTC returning to growth, with the new CEO's aggressive stance toward entering new mkts further supporting this strategic change. While successful execution on this strategy remains paramount, we believe INTC can return to growth in 2H14/15 as the PC mkt stabilizes and share gains emerge in tablets, phones, foundry etc. Even incremental success in these areas should yield above consensus rev/EPS and a rising share price. Reiterate Buy rating and raise P/T to \$28.

Manufacturing advantage underpins product success

Despite some initial yield issues, Intel believes it can scale transistor costs at 14nm and drive a significant gap between itself and the leading foundry. We believe the lower transistor cost will enable the company to better compete in lower priced segments of the PC, tablet, and eventually the smartphone market. The company outlined goals to boost share in entry level PC from 50% today, ship 40m tablets SoCs (+400% y/y), return to "double digit" growth in DCG, and drive growth in the convertible PC category.

Trim estimates on revised 2014 guidance

Intel guided 2014 revenue to be flat y/y as growth DCG is offset by a decline PCG. GM is expected to be flat as lower startup charges is offset by increased spending on tablets. The company committed to keep opex flat but we are disappointed the company did not rationalize investment given another year of flat/declining revenue. We note Intel investment since 2006 has far outpaced revenue growth (page 5). We view the guidance as potentially conservative but trim our above-consensus 2014E from \$55.6b(+5.7% y/y)/\$2.15 to \$53.4b(+1.5% y/y)/\$2.00.

Raise P/T to \$28

Our \$28 P/T is based on an EV/S of 2.3x our 2014E revs, a ~10% discount to the five-yr avg (2.5x). This P/T equates to a P/E of ~14x our 2014E EPS, well below large cap semi peers (16x) but in-line with the S&P500 multiple (14x). Our P/T is further supported by the co's ~4% dividend yield and high GM. Downside risks include: slower PC/Server growth and lower ASPs for MPUs & flash memory.

Forecasts And Ratios

Year End Dec 31	2012A	2013E	2014E
1Q EPS ¹	0.53	0.40A	0.42
2Q EPS	0.54	0.39A	0.45
3Q EPS	0.58	0.58A	0.53
4Q EPS	0.48	0.53	0.60
FY EPS (USD)	2.13	1.90	2.00
Dividend yield (%)	3.5	3.6	3.6
Revenue (USDm)	53,341.0	52,599.0	53,413.4

Source: Deutsche Bank estimates, company data

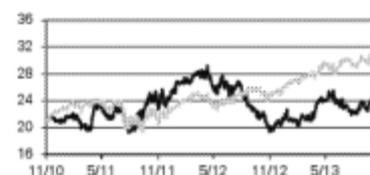
¹ Includes the impact of FAS123R requiring the expensing of stock options.

Key changes

Price target	26.00 to 28.00	1	7.7%
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Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	4.5	13.8	30.3
S&P 500 INDEX	2.9	9.3	29.1

Source: Deutsche Bank

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