



Valuation & Risks

Valuation

Intel trades near its historical low points on both P/S and P/E multiples. We believe further upside potential remains as investors see accelerating growth in 2H14. Our price target is based on an EV/S ratio of 2.3x our 2014 revenue estimate, a ~10% discount to the five-year average. On a P/E basis, our price target is based on ~12x our 2014E EPS. We note the straight P/E is well below the large-cap average within our coverage group (16x) and in-line with the broader market multiple (S&P500 at 14x CY14E).

Risks

Risks include slower PC unit growth, market share losses to AMD, declining NB growth, and a deteriorating product mix and/or average selling prices for MPUs, Chipsets, and flash memory. Perhaps not over the next 12 months, but the outcome of ongoing regulatory actions (EC-related primarily) and integration of acquisitions could impair Intel's ability to grow.