



# Intel Corporation (INTC)

Updated January 26<sup>th</sup>, 2024 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$44	<b>5 Year CAGR Estimate:</b>	-3.4%	<b>Market Cap:</b>	\$184 B
<b>Fair Value Price:</b>	\$27	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	02/05/24 <sup>1</sup>
<b>% Fair Value:</b>	163%	<b>5 Year Valuation Multiple Estimate:</b>	-9.3%	<b>Dividend Payment Date:</b>	03/01/24 <sup>2</sup>
<b>Dividend Yield:</b>	1.1%	<b>5 Year Price Target</b>	\$34	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Sell

## Overview & Current Events

Intel is the largest manufacturer of microprocessors for personal computers, shipping about 85% of the world's microprocessors. Intel also manufactures products like servers and storage devices that are used in cloud computing. Intel employs more than 130,000 people worldwide and has a current market capitalization of \$184 billion. The company generates about \$57 billion in annual sales.

On February 22<sup>nd</sup>, 2023, Intel announced that it was cutting its quarterly dividend by 65.8% to \$0.125, ending the company's dividend growth streak of 8 years.

On January 25<sup>th</sup>, 2024, Intel announced results for fourth quarter and full year for the period ending December 31<sup>st</sup>, 2023. For the quarter, revenue grew 10% to \$15.4 billion and beat estimates by \$230 million. Adjusted earnings-per-share of \$0.54 compared favorably to \$0.10 in the prior year and was \$0.09 more than expected. For the year, revenue fell 14% to \$54.2 billion while adjusted earnings-per-share of \$1.05 was down from \$1.67 in 2022.

For the quarter, revenue for the PC-Centric business surged 33% to \$8.8 billion due to selling of inventory. Datacenter and AI Group decreased 10% to \$4.0 billion due to competitive pressures and inventory issues. Network and Edge Group revenue was down 24% to \$1.5 billion due to higher customer inventories levels. Mobileye was up 13% year-over-year as product demand growth continued while Intel Foundry Services increased 63.5% due to accelerated purchases. Gross margin improved 500 basis points to 48.8%.

Intel guided towards revenue of \$12.2 billion to \$13.2 billion for the first quarter of 2024, which was well below consensus of \$14.16 billion. Adjusted earnings-per-share are projected to be \$0.13 versus consensus of \$0.32. For 2024, we project that the company will earn \$1.33. We estimate that the company has earnings power of \$2.25 per share. Shares fell nearly 12% following the earnings release.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$2.31	\$2.33	\$2.72	\$3.47	\$4.59	\$4.89	\$5.10	\$5.47	\$1.67	\$1.05	<b>\$1.33</b>	<b>\$2.87</b>
<b>DPS</b>	\$0.90	\$0.96	\$1.04	\$1.08	\$1.20	\$1.26	\$1.32	\$1.39	\$1.46	\$0.74	<b>\$0.50</b>	<b>\$0.50</b>
<b>Shares<sup>3</sup></b>	4748	4725	4730	4687	4600	4473	4119	4069	4133	4260	<b>4260</b>	<b>4200</b>

Along with most companies in the market, Intel's earnings declined during the last recession, although the company rebounded to growth the following year. Earnings growth over the past decade fallen 8.4% per year. We are maintaining our forecasted growth rate of 5% through 2029. Applying the growth rate of 5% to the midpoint of our estimate for earnings power for 2024 and shares could earn \$2.87 by 2029.

Intel's adjusted free cash flow was a loss of \$11.9 billion in 2023, compared to \$3.1 billion in 2022 and \$11 billion in 2021.

<sup>1</sup> Estimated ex-dividend date

<sup>2</sup> Estimated dividend payment date

<sup>3</sup> Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Intel Corporation (INTC)

Updated January 26<sup>th</sup>, 2024 by Nathan Parsh

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	13.2	13.8	12.3	10.9	10.7	12.3	10.5	9.4	14.4	32.6	19.6	12.0
Avg. Yld.	3.0%	3.0%	3.1%	2.9%	2.6%	2.1%	2.6%	2.7%	5.5%	1.5%	1.1%	1.5%

Intel's shares have increased \$8, or 22.2%, since our October 28<sup>th</sup>, 2023 report. Based off the current share price and our earnings power estimate, Intel's stock has a price-to-earnings multiple of 19.6. We are reaffirming our target P/E of 12 to better match the stock's long-term average valuation. If the P/E ratio were to match our fair value target by 2029, then multiple reversion could be a 9.3% headwind to annual returns over this period.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	40%	41%	38%	31%	26%	26%	27%	25%	87%	70%	22%	17%

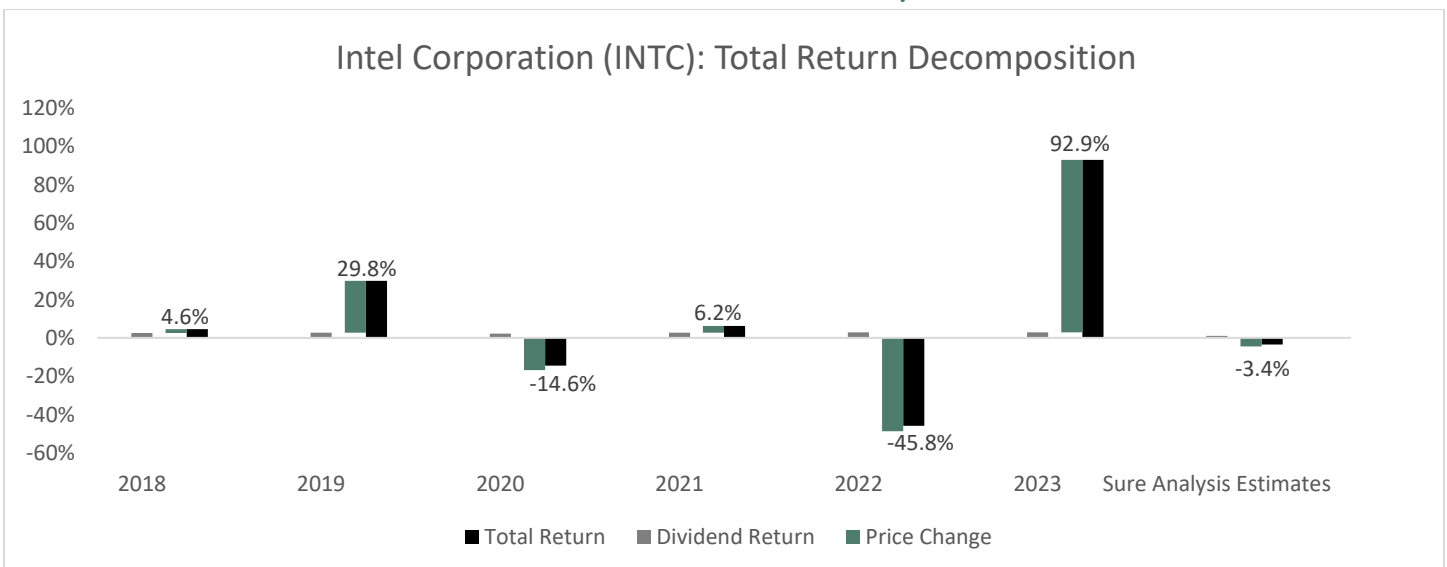
Intel saw earnings declines in both 2008 and 2009 as the company struggled during the last recession. The company's products are in demand when customers feel that their business is on solid ground and they feel comfortable purchasing more of Intel's offerings. Intel's dividend coverage had been strong, but the company's recent dividend cut reflect the pressure on the business model.

Intel's key competitive advantage is that it is the largest and most dominate company in its sector. This gives the company size and scale that competitors cannot match. This makes revenues slightly less cyclical today than they were in 2009, but are still dependent on growing demand.

## Final Thoughts & Recommendation

Intel is projected to lose 3.4% annually through 2029, compared to our previous estimate of a loss of 6.2%. The expected return consists of 5% earnings growth and a 1.1% starting yield that are more than offset by a high single-digit headwind from multiple contraction. Intel's data centric business, which had been expected to see high growth rates, has instead contracted. The company is also burning through its free cash flow, which is one reason why it had to drastically cut its dividend last year. Finally, management's guidance for the first quarter came in well below consensus estimates. We continue to view shares of Intel as a sell due to projected returns.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Intel Corporation (INTC)

Updated January 26<sup>th</sup>, 2024 by Nathan Parsh

## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	55870	55355	59387	62761	70848	71965	77867	79024	63054	54228
<b>Gross Profit</b>	35609	34679	36233	39098	43737	42140	43612	43815	26866	21711
<b>Gross Margin</b>	63.7%	62.6%	61.0%	62.3%	61.7%	58.6%	56.0%	55.4%	42.6%	40.0%
<b>SG&amp;A Exp.</b>	8136	7930	8377	7452	6950	6350	6180	6543	7002	5634
<b>D&amp;A Exp.</b>	8549	8711	7790	8129	9085	10826	12239	11792	13035	9602
<b>Operating Profit</b>	15642	14356	14877	18434	23244	22428	23876	22082	2336	31
<b>Op. Margin</b>	28.0%	25.9%	25.1%	29.4%	32.8%	31.2%	30.7%	27.9%	3.7%	0.1%
<b>Net Profit</b>	11704	11420	10316	9601	21053	21048	20899	19868	8014	1689
<b>Net Margin</b>	20.9%	20.6%	17.4%	15.3%	29.7%	29.2%	26.8%	25.1%	12.7%	3.1%
<b>Free Cash Flow</b>	10313	11692	12183	10332	14251	16932	20931	9127	(9617)	(14279)
<b>Income Tax</b>	4097	2792	2620	10751	2264	3010	4179	1835	(249)	(913)

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	91900	101459	113327	123249	127963	136524	153091	168406	182103	191572
<b>Cash &amp; Equivalents</b>	2561	15308	5560	3433	3019	4194	5865	4827	11144	7079
<b>Acc. Receivable</b>	4427	4787	4690	5607	6722	7659	6782	9457	4133	3402
<b>Inventories</b>	4273	5167	5553	6983	7253	8744	8427	10776	13224	11127
<b>Goodwill &amp; Int.</b>	15307	15265	23593	37134	36349	37103	35997	34233	33609	32180
<b>Total Liabilities</b>	36035	40374	47101	54230	53400	59020	72053	73015	78817	81607
<b>Accounts Payable</b>	2748	2063	2475	2928	3824	4128	5581	5747	9595	8578
<b>Long-Term Debt</b>	13655	22670	25283	26813	26359	29001	36401	38110	42007	49278
<b>Total Equity</b>	55865	61085	66226	69019	74563	77504	81038	95391	101423	105590
<b>LTD/E Ratio</b>	0.24	0.37	0.38	0.39	0.35	0.37	0.45	0.40	0.41	0.47

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	12.7%	11.8%	9.6%	8.1%	16.8%	15.9%	14.4%	12.4%	4.6%	0.9%
<b>Return on Equity</b>	20.5%	19.5%	16.2%	14.2%	29.3%	27.7%	26.4%	22.5%	8.1%	1.6%
<b>ROIC</b>	16.6%	14.9%	11.8%	10.2%	21.4%	20.3%	18.7%	15.8%	5.7%	1.1%
<b>Shares Out.</b>	4748	4725	4730	4687	4600	4473	4119	4069	4133	4260
<b>Revenue/Share</b>	11.05	11.31	12.18	12.98	15.07	16.09	18.40	19.32	15.29	12.87
<b>FCF/Share</b>	2.04	2.39	2.50	2.14	3.03	3.79	4.95	2.23	(2.33)	(3.39)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.