



COMPANY UPDATE / ESTIMATE CHANGE / TARGET CHANGE

Key Metrics

INTC - NASDAQ - as of	1/25/18	\$45.30
Price Target		\$60.00
52-Week Range	\$33.23 -	\$47.64
Diluted Shares Outstanding (mil)		4,709
Market Cap. (\$bil)		\$213.3
1-Mo. Average Daily Volume		22,403,256
Institutional Ownership %		70.11
Debt/Total Capital (net)	FQ4'17	9%
ROE %	LTM	23.91
Book Value / Share		\$14.74
Price / Book Value		3.1x
Indicated Dividend / Yield	\$1.20	2.4%
EBITDA Margin %		41.99

non GAAP EPS

	Prior	Current	Prior	Current
2017A	2018E	2018E	2019E	2019E
1Q	\$0.66	\$0.75	\$0.73	\$0.78
2Q	\$0.72	\$0.81	\$0.85	\$0.84
3Q	\$1.01	\$0.89	\$0.93	\$0.93
4Q	\$1.08	\$0.92	\$1.05	\$0.94
Year	\$3.47	\$3.37	\$3.55	\$3.50
P/E	13.1x	12.8x		11.8x

Revenue (\$mil)

	Prior	Current	Prior	Current
2017A	2018E	2018E	2019E	2019E
1Q	\$14,796	\$14,922	\$14,943	\$15,524
2Q	14,763	\$15,468	15,468	\$16,059
3Q	16,149	\$16,770	16,770	\$17,451
4Q	17,053	\$17,101	17,732	\$17,601
Year	\$62,761	\$64,261	\$64,913	\$66,635

Company Description: Santa Clara, California based - Intel Corp. is a leading global supplier of semiconductors. The company designs, manufactures and markets microprocessors and other platform technologies to major end markets. Intel groups these end markets into segments including the Client Computing Group (55%), Data Center Group (29%), Internet of Things Group (4%), Non Volatile Memory Solutions Group (4%), Programmable Solutions Group (3%), and All Other.

Intel Corp.

INTC - NASDAQ – Long-term Buy - 2

Intel Reports Record Q4 Results; Hikes Dividend 10%; Significant and Ongoing Tax Reform Benefits

- Strong Results.** Intel reported non GAAP EPS of \$1.08, increasing 37% y/y, vs. our \$0.88 estimate and the consensus view of \$0.86. Revenue of \$17.1 billion increased 8% y/y, excluding McAfee. Intel beat our revenue estimate of \$16.437 billion. Client Computing Group (CCG) or PC centric revenue of \$9 billion was down 2% y/y as unit volume reached a record, while ASPs declined slightly. This was in line with our \$9 billion expectation. Data centric revenue represented a record 47% of total revenue increasing 21% y/y as Data Center Group (DCG) revenue of \$5.6 billion increased 20% vs. our view of \$5.01 billion. DCG unit volume increased 10% while ASPs increased 8%. Enterprise spending is strong and we expect this to continue through 2018. Internet of Things Group (IoTG) revenue of \$879 million jumped 21% vs. our \$842 million view. Memory sales (NSG) increased 9% to \$889 million vs. our estimate of \$938 million. While Programmable Solutions Group (PSG) revenue gained 35% y/y to \$568 million vs. our \$479 million expectation. Gross margin increased 170 bps y/y to 64.8%, beating our view of 63% on higher DCG revenue. Operating income of \$5.9 billion increased 21% y/y, well above our forecast. Net income of \$5.2 billion increased 37% y/y. Intel generated a strong \$7.2 billion in operating cash flow.
- Raised Guidance.** Management expects Q1'18 revenue of \$15 billion, comparing favorably to our prior view. EPS was guided to \$0.70 vs. our prior \$0.75 estimate on higher costs from increased investment spending which we view as a long term positive. Management expects FY'18 revenue of \$65 billion vs. our prior \$64.9 billion view. EPS guidance was given of \$3.55 vs. our prior \$3.37 estimate as tax reform provides significant and ongoing benefits.
- Valuation.** We increase our price target to \$60 from \$52.50, as we increase our long term growth outlook, reduce our tax rate, and raise our P/E multiple to 15.5x from 15x on strong underlying company specific and end market trends.

Note Important Disclosures on Pages 8-9
Note Analyst Certification on Page 8

SEGMENT RESULTS

SEGMENT DATA*:	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017
Net revenue:							
Client Computing Group	\$ 32,219	\$ 32,908	\$ 7,976	\$ 8,213	\$ 8,860	\$ 8,954	\$ 34,003
Data Center Group	15,981	\$ 17,236	4,232	4,372	4,878	5,582	\$ 19,064
Internet of Things Group	2,298	\$ 2,638	721	720	849	879	\$ 3,169
Non-Volatile Memory Solutions Group	2,597	\$ 2,576	866	874	891	889	\$ 3,520
Intel Security Group	1,985	\$ 2,161	534	—	—	—	\$ 534
Programmable Solutions Group	—	\$ 1,669	425	440	469	568	\$ 1,902
All other	275	\$ 199	42	144	202	181	\$ 569
Total net revenue	\$ 55,355	\$ 59,387	\$ 14,796	\$ 14,763	\$ 16,149	\$ 17,053	\$ 62,761
Operating income (loss):							
Client Computing Group	\$ 8,166	\$ 10,646	\$ 3,031	\$ 3,025	\$ 3,600	\$ 3,263	\$ 12,919
Data Center Group	7,847	\$ 7,520	1,487	1,661	2,255	2,992	\$ 8,395
Internet of Things Group	515	\$ 585	105	139	146	260	\$ 650
Non-Volatile Memory Solutions Group	239	\$ (544)	(129)	(110)	(52)	31	\$ (260)
Intel Security Group	213	\$ 400	95	—	—	—	\$ —
Programmable Solutions Group	—	\$ (104)	92	97	113	156	\$ 458
All other	(2,978)	\$ (5,629)	(1,082)	(987)	(947)	(1,307)	\$ (4,226)
Total operating income	\$ 14,002	\$ 12,874	\$ 3,599	\$ 3,825	\$ 5,115	\$ 5,395	\$ 17,936
Net revenue:							
Client Computing Group	58%	55%	54%	56%	55%	53%	54%
Data Center Group	29%	29%	29%	30%	30%	33%	30%
Internet of Things Group	4%	4%	5%	5%	5%	5%	5%
Non-Volatile Memory Solutions Group	5%	4%	6%	6%	6%	5%	6%
Intel Security Group	4%	4%	4%	0%	0%	0%	1%
Programmable Solutions Group	0%	3%	3%				
All other	0%	0%	0%	1%	1%	1%	1%
Total net revenue	100%	100%	100%	100%	100%	100%	100%
Operating margin:							
Client Computing Group	25%	32%	38%	37%	41%	36%	38%
Data Center Group	49%	44%	35%	38%	46%	54%	44%
Internet of Things Group	22%	22%	15%	19%	17%	30%	21%
Non-Volatile Memory Solutions Group	9%	-21%	-15%	-13%	-6%	3%	-7%
Intel Security Group	11%	19%	18%				
Programmable Solutions Group		-6%	22%	22%	24%	27%	24%
All other	-1083%	-2829%					
Total operating income	25%	22%	24%	26%	32%	32%	29%

Source: Company data

ADDITIONAL DISCUSSION

We maintain a constructive view of the company's strong cash flow generation, increasing return of capital, updated transformation business model, and reduced tax profile making Intel more competitive on a global basis. About 80% of Intel's revenue is from outside the U.S. and about half of total revenue is derived from new data centric growth businesses which grew 21% in Q4. Our original thesis as to why we launched coverage on Intel is that we believe Intel's new data centric strategy, away from the PC, signals an inflection point for Intel's growth outlook, which we believe continues to be reaffirmed by four consecutive quarters of beating expectations and raising guidance. Intel also maintains strong free cash flow from its legacy PC business, which can be redeployed into growth markets. Of note, \$0.14 of Intel EPS in Q4 was from the sale of positions within Intel's ICAP portfolio. Intel does not expect to take any charges related to the Spectre and Meltdown chip design flaws, however we expect a degree of higher security costs as an ongoing business expense.

In our opinion, Intel posted a strong quarter with improved guidance and continues to better position itself for future technology trends including the cloud, mobile, autonomous driving, A.I., and the 5G rollout. We believe whether in strong or weak economic times, Intel can use the high margin cash flow from its PC business to reinvest in high growth markets leading to a preferred investment on a risk adjusted basis vs. its peer group.

INVESTMENT THESIS REITERATED

We believe there are several long-term investment catalysts focused on the ability for consumers, companies, countries, and the global economy to process, analyze, store, and share an ever increasing and complex amount of data. Long-term industry trends centered on Intel processors include data center growth, Internet of Things, memory, modems, and autonomous cars. All new experiences will shape consumers' lives and how businesses operate including the use of artificial intelligence, autonomous driving, augmented reality, virtual reality, the internet of things and the global rollout of 5G networks. We believe the growth in data from these sources will be parabolic with the speed and intensity requirements only a few companies can provide. We note competition is fierce and continues to increase from Asian and U.S. based competitors; however, we believe Intel is in a strong position following the company's strategic transformation and recently enacted tax reform. We believe Intel can continue to outperform peers on a risk-adjusted total return basis over the coming five year timeframe.

We believe Intel's strategy following its large scale restructuring effort is now crossing an inflection point returning Intel to top and bottom line growth. We forecast Intel's new growth businesses will represent a larger portion of total revenue in coming periods, growing at a double-digit compound annual growth rate. Intel's large growth areas include programmable solutions (FPGAs), non-volatile memory (3D XPoint, Optane SSD memory) with a total addressable market of over \$100 billion, a \$100 billion autonomous vehicle market (Mobileye), and the rollout of a nationwide 5G wireless network (Xeon Scalable Processors) expected to connect over 50 billion devices. We expect these growth businesses to represent over half of total revenue in future periods, at which point it will offset Intel's mature PC focused business. However, we note Intel's Client Computing Group business is a high margin business and will provide significant cash flow going forward that, in our opinion, can continue to fund acquisitions, dividend growth, debt repayment, share repurchases, and fund the required heavy capital spending within its new growth businesses.

Intel Corp. Consolidated Income Statement (Adjusted)

(In millions, except per share amounts)	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	Q1 2018E	Q2 2018E	Q3 2018E	Q4 2018E	2018E	2019E
Net revenue (GAAP)	\$ 55,870	\$ 55,355	\$ 59,387	\$ 14,796	\$ 14,763	\$ 16,149	\$ 17,053	\$ 62,761	\$ 14,943	\$ 15,468	\$ 16,770	\$ 17,732	\$ 64,913	\$ 67,495
Revenue adjustments														
Net revenue (Non GAAP)	\$ 55,870	\$ 55,355	\$ 59,486	\$ 14,796	\$ 14,763	\$ 16,149	\$ 17,053	\$ 62,761	\$ 14,943	\$ 15,468	\$ 16,770	\$ 17,732	\$ 64,913	\$ 67,495
Cost of sales	\$ 20,261	\$ 20,676	\$ 23,196	5,649	5,665	6,092	6,286	\$ 23,692	6,097	6,110	6,540	6,738	\$ 25,485	\$ 25,884
Cost of sales adjustments		\$ 343	\$ 1,289	209	198	270	290	\$ 967	200	200	200	200	\$ 800	\$ 800
Gross margin (Non GAAP)	35,609	35,022	37,579	9,356	9,296	10,327	11,057	40,036	9,046	9,558	10,429	11,194	40,228	42,411
Research and development (R&D)	\$ 11,537	\$ 12,128	\$ 12,740	3,326	3,275	3,223	3,274	\$ 13,098	3,213	3,171	3,270	3,369	\$ 13,023	\$ 13,654
Marketing, general and administrative (MG&A)	\$ 8,136	\$ 7,930	\$ 8,397	2,104	1,854	1,666	1,850	\$ 7,474	1,823	1,856	2,012	2,039	\$ 7,731	\$ 8,038
Restructuring and asset impairment charges	\$ 295	\$ 354	\$ 2,047	—	—	—	—	\$ —	—	—	—	—	\$ —	\$ —
Amortization of acquisition-related intangibles	\$ 294	\$ 413	\$ 906	—	—	—	—	\$ —	—	—	—	—	\$ —	\$ —
Other non GAAP operating expense	(589)	(767)	(2,953)	—	—	113	—	113	—	—	—	—	—	—
Operating expenses (Non GAAP)	19,673	20,058	21,137	5,430	5,129	4,776	5,124	20,459	5,036	5,027	5,282	5,408	20,754	21,692
Operating income (Non GAAP)	15,936	14,964	16,442	3,926	4,167	5,551	5,933	19,577	4,011	4,531	5,147	5,786	19,474	20,719
Gains (losses) on equity investments, net	\$ 411	\$ 315	\$ 506	252	(387)	846	—	\$ 711	100	250	50	50	\$ 450	\$ 400
Interest and other, net	\$ 43	\$ (105)	\$ (444)	(36)	403	(31)	(126)	\$ 210	(55)	(55)	(55)	(55)	\$ (220)	\$ (200)
Adjustments					340	(208)	538	\$ 670						
Income before taxes	16,390	15,174	16,504	4,142	4,523	6,158	6,345	21,168	4,056	4,726	5,142	5,781	19,704	20,919
Provision for taxes	\$ 4,097	\$ 2,792	\$ 2,620	851	1,764	1,414	1,278	\$ 5,307	571	671	734	830	\$ 2,806	\$ 2,988
Income tax adjustments		\$ (189)	\$ (745)	(73)	(745)	(104)	(114)	\$ (1,036)	—	—	—	—	\$ —	\$ —
Net income (Non GAAP)	\$ 12,293	\$ 12,193	\$ 13,139	\$ 3,218	\$ 3,504	\$ 4,848	\$ 5,181	\$ 16,751	\$ 3,485	\$ 4,055	\$ 4,408	\$ 4,951	\$ 16,899	\$ 17,931
Non GAAP Diluted EPS	\$ 2.44	\$ 2.49	\$ 2.72	\$ 0.66	\$ 0.72	\$ 1.01	\$ 1.08	\$ 3.47	\$ 0.73	\$ 0.85	\$ 0.93	\$ 1.05	\$ 3.55	\$ 3.85
Weighted average shares - basic	4,769	4,722	4,735	4,723	4,731	4,734	4,735	4,731	4,723	4,729	4,734	4,735	4,730	4,730
Weighted average shares - diluted	4,940	4,876	4,881	4,881	4,845	4,821	4,790	4,834	4,785	4,770	4,750	4,730	4,759	4,661
Gross margin % of revenue	63.7 %	63.3 %	63.3 %	63.2 %	63.0 %	63.9 %	64.8 %	63.8 %	60.5 %	61.8 %	62.2 %	63.1 %	62.0 %	62.8 %
R&D % of revenue	20.6 %	21.9 %	21.5 %	22.5 %	22.2 %	20.0 %	19.2 %	20.9 %	21.5 %	20.5 %	19.5 %	19.0 %	20.1 %	20.2 %
MG&A % of revenue	14.6 %	14.3 %	14.1 %	14.2 %	12.6 %	10.3 %	10.8 %	11.9 %	12.2 %	12.0 %	12.0 %	11.5 %	11.9 %	11.9 %
Operating Income % of revenue	28.5 %	27.0 %	27.7 %	26.5 %	28.2 %	34.4 %	34.8 %	31.2 %	26.8 %	29.3 %	30.7 %	32.6 %	30.0 %	30.7 %
Net income % of revenue	22.0 %	22.0 %	22.1 %	21.7 %	23.7 %	30.0 %	30.4 %	26.7 %	23.3 %	26.2 %	26.3 %	27.9 %	26.0 %	26.6 %
Effective income tax rate	25.0 %	17.2 %	11.4 %	18.8 %	22.5 %	21.3 %	18.3 %	20.2 %	14.1 %	14.2 %	14.3 %	14.4 %	14.2 %	14.3 %

Source: Company data & Hilliard Lyons estimates, highlighted figures used for valuation methodology.

Intel Corp. Balance Sheet

(In millions)	2012	2013	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017
Current assets:										
Cash and short-term investments	\$ 12,477	\$ 11,646	\$ 4,991	\$ 17,990	\$ 8,785	\$ 7,992	\$ 11,687	\$ 10,521	\$ 5,247	\$ 5,247
Trading assets	5,685	8,441	9,063	7,323	8,314	9,303	14,242	6,983	8,755	8,755
Accounts receivable, net	3,833	3,582	4,427	4,787	4,690	4,921	5,397	5,954	5,607	5,607
Inventories:										
Raw materials	478	458	462	532	695	786	1,014	1,115	1,098	1,098
Work in process	2,219	1,998	2,375	2,893	3,190	3,412	3,775	3,965	3,893	3,893
Finished goods	2,037	1,716	1,436	1,742	1,668	1,603	1,535	1,849	1,992	1,992
Total inventories	4,734	4,172	4,273	5,167	5,553	5,801	6,324	6,929	6,983	6,983
Assets held for sale	—	—	—	71	5,210	5,138	—	—	—	—
Other current assets	2,512	1,649	3,018	2,982	2,956	2,903	2,967	2,767	2,908	2,908
Total current assets	29,241	29,490	25,772	38,320	35,508	36,058	40,617	33,154	29,500	29,500
Property, plant and equipment, net	27,983	31,428	33,238	31,858	36,171	36,911	38,130	39,472	41,109	41,109
Marketable equity securities	4,424	6,221	7,097	5,960	6,180	6,831	5,904	6,059	4,192	4,192
Other long-term investments	493	1,473	2,023	1,891	4,716	5,149	4,481	3,844	3,712	3,712
Goodwill	9,710	10,513	10,861	11,332	14,099	14,099	14,102	24,389	24,389	24,389
Identified intangible assets, net	6,235	5,150	4,446	3,933	9,494	9,157	8,867	13,058	12,745	12,745
Other long-term assets	4,142	5,514	6,575	8,165	7,159	7,443	10,006	7,112	7,602	7,602
Total assets	\$ 82,228	\$ 89,789	\$ 90,012	\$ 101,459	\$ 113,327	\$115,648	\$122,107	\$127,088	\$123,249	\$ 123,249
Current liabilities:										
Short-term debt	\$ 312	\$ 281	\$ 1,596	\$ 2,634	\$ 4,634	\$ 5,073	\$ 4,130	\$ 4,142	\$ 1,776	\$ 1,776
Accounts payable and accrued liabilities	10,630	11,166	12,188	10,768	12,030	12,788	10,733	14,841	6,454	6,454
Deferred income on shipments of components to distributors	694	852	944	920	1,475	1,461	2,332	1,706	1,656	1,656
Deferred income from software, services and other	1,238	1,244	1,261	1,268	243	237	1,587	—	—	—
Total current deferred income	1,932	2,096	2,205	2,188	1,718	1,698	3,919	1,706	1,656	1,656
Liabilities held for sale	—	—	—	56	1,920	1,746	—	—	—	—
Total current liabilities	12,874	13,543	15,989	15,646	20,302	21,305	18,782	20,689	17,421	17,421
Long-term debt	13,070	13,104	12,059	20,036	20,649	20,678	27,855	27,498	25,037	25,037
Long-term deferred tax liabilities	1,379	1,914	1,909	954	1,730	2,285	2,502	2,943	3,046	3,046
Other long-term liabilities	3,702	2,972	3,278	2,841	3,538	3,658	3,469	4,152	7,860	7,860
Temporary equity	—	—	912	897	882	878	874	870	866	866
Total stockholders' equity	51,203	58,256	55,865	61,085	66,226	66,844	68,625	70,936	69,019	69,019
Total liabilities, temp equity, and stockholders' equity	\$ 82,228	\$ 89,789	\$ 90,012	\$ 101,459	\$ 113,327	\$115,648	\$122,107	\$127,088	\$123,249	\$ 123,249

Source: Company data

OUTLOOK

We forecast Q1'18 EPS of \$0.73 vs. our prior \$0.75 view. Despite a higher revenue outlook and lower tax rate, margins could weigh on our Q1 view as management guided to \$0.70. Our revenue estimate of \$14.94 billion increases slightly. Our revenue outlook suggests Q1 revenue growth of 4.77%, excluding \$534 million in revenue from the Intel Security Group in Q1'17. We expect the company to report record FY'18 EPS of \$3.55 vs. our prior view of \$3.37 on revenue of \$64.9 billion vs. our prior view of \$64.2 billion. We expect higher spending to reverse prior spending constraint and margin expansion, this will be offset by a significantly lower tax rate. We boost our FY'19 EPS estimate to \$3.85 from \$3.50 and raise our revenue view by ~\$1 billion to \$67.5 billion. Since our initiation of Intel we forecasted the possibility of \$4.00 in EPS. We now expect to reach this goal a year or 18 months ahead of our prior investment timeline.

Longer term, we believe Intel is leveraged well for future industry trends through the growing demand for data. Intel's TAM is increasing rapidly and set to reach \$250 billion by 2021 as the company enters new markets. Now that the PC market has experienced more than 5 years of contraction, we believe the market is stabilizing while at the same time representing less of a percentage of Intel's overall revenue. Also, as the global economic expansion grows long in the tooth, we believe Intel, a value semiconductor stock, could outperform growth peers as its forward P/E multiple remains below the peer group and the S&P 500 Index.

VALUATION

We value shares of INTC based on several factors including long-term revenue growth, non GAAP EPS growth, operating margin, free cash flow generation/DCF, and enterprise value to sales. **We reiterate shares of INTC at a Long-term Buy rating and substantially increase our price target to \$60 from our prior \$52.50 price target.** Our increased price target is based on our expectation for improved growth. Based on Intel's intraday price of \$49.75 it currently trades at a forward price to earnings multiple of 14x, within its 10-year range, well below the market and that of its peer group. We increase our price target to \$60 from \$52.50, as we increase our P/E multiple to 15.5x from 15x on an improved growth and capital return outlook. We believe the risk/reward of owning Intel shares remains compelling, possibly more compelling given Intel has proved itself to the investment community in recent quarters. We view it as a preferred investment on a risk adjusted basis vs. its peer group in the current market environment.

Intel Corp. – Forward P/E vs. Peer Median



Source Company data and Thomson Reuters

SUITABILITY

We assign shares of INTC a suitability rating of 2 on our scale of 1-4 (1 = most conservative, 4 = most aggressive). A 2 rating is given based on Intel's industry leading market position in several mature markets and Intel's overall profitability. We also believe the company generates significant free cash flow. However, Intel has made several acquisitions that could create integration risk, has missed or is late to several multi-billion computing trends, and is expected to have increased debt levels following the Altera and Mobileye acquisitions. We believe a suitability rating of 2 incorporates these attributes. Shares of INTC are suitable for more conservative investors seeking a balanced portfolio & income oriented investors who seek long-term capital appreciation and dividend growth and have considered the cyclical nature of the semiconductor industry.

RISKS & CONSIDERATIONS

Risks to our valuation include but are not limited to:

- Changes in macroeconomic conditions causing cyclical business patterns from trends in consumer and enterprise spending.
- Changes in product demand may reduce revenue, increase costs, lower margins, or impair assets.
- Product mix and new product introductions could have a negative financial impact.
- Lack of innovation designing new products could lead to lower future sales.
- Product related liabilities and defects.
- Disruption of internal manufacturing facilities located in Arizona, California, Oregon, New Mexico, Ireland, Israel, Malaysia, Vietnam, and China.
- Risks resulting from international business, including foreign currency exchange effects, could have a significant impact on financial results as 78% of total revenue was derived from outside the U.S. in 2016.
- New disruptive technology enters the marketplace or the introduction of defective products.
- Increased competition as Intel extends into adjacent markets could pressure margins, increase capex or have other unintended consequences.
- Retaining key personnel.
- Supply chain risk as the company relies on third party suppliers and product resellers.
- Potential integration issues resulting from newly acquired Altera and Mobileye businesses.
- Ineffective legal protection involving intellectual property rights and other business activities.
- Cybersecurity and privacy risks.

Additional information is available upon request.

Analyst Certification

I, Stephen Turner, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Suitability Ratings

- 1 - A large cap, core holding with a solid history
- 2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
- 3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
- 4 - Speculative, due to small size, inconsistent profitability, erratic revenues, volatility, low trading volume or a narrow customer or product base

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price setback in the next 12 months.



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Rating				
Buy	31	28%	10%	90%
Hold/Neutral	75	67%	9%	91%
Sell	6	5%	0%	100%

As of 8 January 2018

Other Disclosures

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