

INITIATING COVERAGE
Key Metrics

INTC - NASDAQ - as of	7/11/17	\$33.92
Price Target		\$41.00
52-Week Range	\$30.44 -	\$38.45
Diluted Shares Outstanding (mil)		4,709
Market Cap. (\$bil)		\$159.7
1-Mo. Average Daily Volume		22,403,256
Institutional Ownership %		70.11
Debt/Total Capital (net)	FQ1'17	9%
ROE %	LTM	17.55
Book Value / Share		\$14.15
Price / Book Value		2.4x
Indicated Dividend / Yield	\$1.09	3.0%
EBITDA Margin		38.6%

non GAAP EPS

	Prior	Current	Prior	Current
	2016A	2017E	2018E	2018E
1Q	\$0.54	\$0.66	A	\$0.68
2Q	\$0.59	\$0.68		\$0.73
3Q	\$0.80	\$0.73		\$0.75
4Q	\$0.79	\$0.77		\$0.79
Year	\$2.72	\$2.84		\$2.96
P/E	12.5x	11.9x		11.5x

Revenue (\$mil)

	Prior	Current	Prior	Current
	2016A	2017E	2018E	2018E
1Q	\$13,801	14,796	A	\$14,699
2Q	13,533	14,350		\$14,789
3Q	15,778	15,370		\$15,987
4Q	16,374	16,262		\$16,758
Year	\$59,486	\$60,778		\$62,233

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

Initiating INTC with Long-term Buy-2 Rating & \$41 PT

- Profile.** Intel is a leading global supplier of semiconductors focusing on the design and manufacturing of products that empower an increasingly connected world including, the cloud, smart end devices, artificial intelligence, and the internet of things.
- Investment Thesis.** We believe Intel has an industry leading position in several mature markets due to the company's scale and Moore's law manufacturing advantage. We anticipate new growth markets will expand Intel's total addressable market (TAM) through the next 5-10 year period benefitting Intel shareholders. We have a positive view of Intel's strategy shift toward the data center, connecting end devices including autos, and away from a PC centric focus. We also have a positive view of the company's history of consistent dividend growth, share buybacks, and synergistic M&A strategy.
- Financials.** We have a constructive view of the company's business model and strong balance sheet. About 80% of Intel's revenue is from outside the U.S. and half of total revenue is derived from new growth businesses. We believe this signals an inflection point for Intel's strategy and growth outlook. The company has also maintained strong free cash flow, currently yielding 4.6%, despite heavy capital expenditures.
- Outlook.** We forecast Q2'17 EPS of \$0.68 on revenue growth of 6% to \$14.35 billion vs. a consensus estimate of \$0.68 on revenue of \$14.4 billion. We expect the company to record FY'17 EPS of \$2.84 on revenue of \$60.78 billion, an increase of 2.3% y/y excluding the pending Mobileye acquisition. We expect a slight improvement to margins as higher ASPs and restructuring efforts lead to improved operating results.
- Valuation.** Based on our FYE'18 price target of \$41, INTC shares would trade at 14x our FY'18 forward EPS estimate of \$2.96. Shares of INTC have traded at a depressed valuation vs. the PHLX Semiconductor Sector Index due to slower end market growth (PCs), increased competition, and poor strategic vision by prior management decisions. Our current belief is that Intel has entered new end markets that represent significant growth potential on an improved strategic direction, while capital outlays will remain elevated, we believe profitability can improve benefiting the company in our 5 to 10 year outlook.

Note Important Disclosures on Pages 21-22
Note Analyst Certification on Page 21

COMPANY OVERVIEW

Santa Clara, California-based Intel Corporation is a world leading chipmaker. Intel is a member of the S&P 500 Index and the Dow Jones Industrial Average. The company designs, manufactures and markets microprocessors and other platform products on a global basis. Intel was founded in 1968 by Robert Noyce and Gordon Moore. Currently, post Intel's recent restructuring efforts, employee count is 107,000. Intel's current corporate strategy includes a vision of having all smart devices connected to and running Intel chips, making Intel a data company. To reach this vision the company's goal is to be the leading provider of semiconductor chips and platforms for the world's digital economy. Intel's overall strategy has been dubbed a "Virtuous Cycle of Growth," as Intel operates its business in six groups which include the Client Computing Group, Data Center Group, Internet of Things Group, Non-Volatile Memory Solutions Group, Programmable Solutions Group, and All Other. This cycle utilizes and leverages Intel's core competencies in cloud and data center, which are accelerated by innovations in memory, field-programmable gate array technologies and the 5G infrastructure build out, connecting data rich things and devices. Intel's processor family of brands include Core, Quark, Atom, Celeron, Pentium, Xeon, Xeon Phi, and Itanium. Intel shares trade under the ticker INTC on the NASDAQ Stock Exchange within the Information Technology sector and Semiconductor Industry.

The **Client Computing Group** (CCG) is Intel's largest business unit with 2016 revenue of \$32.9 billion, a y/y increase of 2%, representing 54% of total revenue. Segment operating income of \$10.6 billion represented 83% of total operating income. CCG revenue includes platforms designed for notebooks, 2 in 1 systems, desktops, tablets, phones, connectivity products, and mobile communication components. We expect Intel to continue to focus on new technologies and PC use cases including virtual reality headsets (VR) and augmented reality headsets (AR). Intel is expected to launch the Intel Core i8 "Coffee Lake" 14 nm processor later this year. Coffee Lake is likely 30% more powerful than the current Kaby Lake processor. We view this as a powerful upgrade before the 10 nm Cannon Lake chip rollout expected at year end.

The **Data Center Group** (DCG) includes platforms designed for enterprise, cloud, communications infrastructure and other technical computing area uses. In 2016, the Data Center Group had revenue of \$17.2 billion, an increase of 8% y/y. Segment operating income was \$7.5 billion, an operating margin of 44% representing the most profitable segment within the company. We expect DCG expenses to rise as 7 nm products begin to ship. Despite some cost pressures and slower growth within the Enterprise, DCG has several strong growth opportunities ahead, including artificial intelligence (AI). AI workloads are currently only run on ~7% of servers but expected to grow rapidly. Intel has over 90% market share of AI workloads. Intel Xeon Phi and Intel Nervana processors are expected to gain market share. Nervana processors power deep learning workloads and were developed through Intel's recent acquisition of Nervana Systems for \$400 million. We also see significant growth in Intel Omni-Path, architecture built for high performance computing, increasing network speeds to 100Gps.

The **Internet of Things Group** (IoTG) had revenue of \$2.6 billion, and was the third largest segment within the company, representing 4% of total revenue. Revenue grew 15% y/y consisting of platforms designed for retail, transportation, industrial, buildings, and other end markets. This business includes such growth markets as virtual reality and autonomous cars. Intel recently expanded its autonomous automotive group with the purchase of Mobileye for \$15.3 billion which is expected to close later this year. Mobileye is an industry leader in vision systems for autonomous vehicles. Intel believes the acquisition will advance the performance of cloud to car technology and do so at a lower price than competitors. The acquisition reflects Intel's new strategy of connecting more end devices running Intel chips to data centers built on Intel chips creating a virtuous cycle of more end points requiring increasingly more data at faster speeds. Vehicle systems are expected to become a \$70 billion industry by 2030, with Intel now situated at the premium end of the market.

The **Non-Volatile Memory Solutions Group** (NSG) includes NAND flash memory products used in solid-state drives. The group had over \$2.5 billion in revenue during 2016, but produced a loss due to heavy investment throughout the year. The group is led by SVP, Robert Crooke. Intel and Micron Technology formed a joint venture to produce 3D NAND and 3D XPoint technologies through which Intel recently launched its Optane technology. Following the Optane product launch, we expect segment operating income to improve substantially.

The **Programmable Solutions Group** (PSG) includes programmable semiconductors, mainly field programmable gate arrays (FPGAs), sold largely within the communications, networking, storage, industrial, military, and automotive markets. Intel's \$16.7 billion, 2015 acquisition of leading FPGA provider Altera formed the PSG segment, of which Altera veteran Dan McNamara now heads. FPGAs can be reprogrammed to run new tasks, making them more flexible, less time consuming, and less expensive. Intel believes FPGAs could power a third of all data centers by 2020 due to their lower cost and high performance.

The **All Other** category includes the New Technology Group, restructuring/asset impairment charges, start-ups, Foundry business, and acquisition costs. In 2016, revenue totaled \$199 million, while operating losses for the segment topped \$5.6 billion. We note that in September 2016 Intel announced the sale of a majority interest of the **Intel Security Group** business to TPG, a private equity firm, valuing the unit at \$4.2 billion. Intel acquired McAfee in 2010 for \$7.68 billion. Intel will receive \$3.1 billion in cash and retain a 49% stake in the new McAfee business.

Intel's principle product line is the range of platforms offered based upon their variety of microprocessors. Intel defines a platform as various components and technologies, including a microprocessor and chipset, a stand-alone SoC (System-on-Chip), or a multi-chip package. Notable platforms include, notebook and desktop platforms in the CCG, workload-optimized platforms for infrastructure in DCG, and IoT retail platforms for the IOTG. Platforms are based on Intel microprocessors including, Intel Quark Processor, Intel Pentium Processor, Intel Celeron Processor, Intel Core m3 Processor, Intel Core i Processor, Intel Xeon Processor, Intel Xeon Phi Processor, and Intel Itanium Processor.

Microprocessors, also known as the Central Processing Unit (CPU), are the brains of computers and data centers. They take the binary data that computers operate on and process it into actions that allow people to interpret the data. Field-programmable gate arrays, or FPGAs, are reprogrammable integrated circuits. This allows companies like Intel to reprogram their products in the field without the need to make expensive hardware replacements. Intel acquired Altera, who specializes in FPGAs, for \$16.7 billion in late 2015. Intel plans to integrate FPGAs flexibility into car sensors for safety, servers for hyper computing efficiency, and cell towers for 5G connections. System-on-Chip, or SoC, is a single integrated circuit that integrates all components of a computer on a single chip. These components include a CPU often with graphics processors, memory, and USB controllers. SoCs use less power than CPUs and often make computers less expensive to build. This makes SoCs perfect for mobile devices and wearables.

COMPANY HISTORY

The Founding Years

Robert Noyce and Gordon Moore founded NM Electronics after leaving Fairchild Semiconductor. After gaining the rights to the Intel name, which stands for Integrated Electronics, the company was founded as Intel in 1968. Prior to co-founding Intel in 1968, Robert Noyce was a co-founder of Fairchild Semiconductor in 1957 and was a leading pioneer in the semiconductor industry. Noyce was named Intel's first CEO at the company's founding. Noyce co-invented the integrated circuit in 1959 and oversaw the invention of Intel's first microprocessor. Later he became Chairman of the Board of Directors in 1975 institutionalizing his relaxed management style at Intel which is still used today across Silicon Valley.

Noyce passed away in 1990 at age 62. Intel co-founder, former CEO, and Chairman of the Board of Directors, Gordon Moore, best known for Moore's Law, theorized that the number of components in an integrated circuit would double every two years. Moore was a Director of Intel from 1968 to 2001 and is known for directing Intel's focus to the microprocessor away from the overly competitive memory industry. Arthur Rock was Intel's initial investor through his first-of-its-kind venture capital firm and Intel's first Chairman in 1968. Mr. Rock helped Sherman Fairchild found Fairchild Semiconductor out of which Intel was later born. Mr. Rock was also an early investor in Apple, Teledyne, Xerox, and many other technology companies. Mr. Rock helped lead Intel to an IPO in 1971 at \$23.50 per share, raising \$6.8 million. Another employee who was with Noyce and Moore from the beginning but was not a founder was Andy Grove. Andrew Grove, later led the company as COO, CEO, President, and Chairman of the Board of Intel, most notably leading the company through its largest transition from memory chip maker to PC microprocessor manufacturer in the early 1980's at the beginning of the PC era. He has written several books and was famously quoted many times including, "only the paranoid survive". Mr. Grove passed away in 2016. Intel's first product was the 3101 Schottky static random access memory (SRAM) chip. Intel focused on memory devices at its founding and for much of its first decade in business. With the founder's backgrounds as a chemist, physicist, and chemical engineer, Intel's new processes led to high performance chips that led the industry. During the 1970s Intel expanded its product set with the introduction of 1702 EPROM technology, 1102 DRAM, and 4004 microprocessor. The Intel 8080 microprocessor catapulted Intel into the mini computer market. Intel then launched the first microcontrollers, combining a processor with memory. In 1978, Intel introduced the 16-bit microprocessor becoming an industry standard.

Growth Decades

In 1981, Intel won a major contract with IBM to supply IBM PCs with Intel's 8088 microprocessor. Throughout the 1980s significant PC industry growth and innovation took place leading to dominant growth among Intel, IBM and Microsoft. In 1992, Intel was recognized as the largest global semiconductor supplier. In 1993, Intel launched the Pentium processor, 300x faster than the original 8088 processor. The Intel Inside brand campaign was born and sent Intel to the top of the world's most valuable brands list. By the mid-90s Intel chips powered 85% of all desktop PCs. During the late 90s, Intel launched the Pentium II Xeon processor for the small but growing server market. Intel then joined an elite list of companies after being added to the Dow Jones Industrial Average in 1999. Centrino processors debuted in 2003 for the laptop market offering greater battery life and connectedness.

Missed Opportunities

In 2005, CEO, Paul Otellini, refocused the company back to its core x86 chip architecture on platforms and the server business after significant competition from Advanced Micro Devices (AMD) and others slowed demand at Intel. The shift in strategy led to a major restructuring, whereby Intel cut 10,500 jobs and closed manufacturing plants. Mr. Otellini was credited for supplying Apple with chips for use within the growing Macintosh, a major achievement. However, Otellini sold Intel's mobile ARM based chip business declining to build chips for Apple's low quantity/low margin iPhone product at the time. Intel then reorganized its mobile x86 chip business with the launch of the Atom chip. However, after great success with the iPhone in 2010 Apple decided to use its new A4 ARM based chip in its new iPad tablet business. With the mobile industry growing rapidly and PC demand waning, Intel underwent a series of acquisitions/reorganizations to broaden Intel chip usage that continues today.

Acquisitions 2010-2017

Major recent acquisitions include the 2010 purchase of McAfee security software for \$7.68 billion. As previously noted, Intel sold a majority interest in McAfee (Intel Security Group) to TPG in 2016. Also in 2010 Intel acquired Infineon's wireless business for \$1.4 billion, followed by the 2014 acquisition of the LSI networking processor unit from Avago Technologies for \$650 million and the 2015 acquisition of Altera for \$16.7 billion moving Intel into the fast growing FPGA market. These agile FPGAs work much differently than Intel's flagship microprocessors and are more suitable for future technology trends like IoT and artificial intelligence. Intel sees many possibilities in FPGAs. Intel's industry leading manufacturing

techniques could also help improve Programmable Solutions Group (Altera's) margins going forward. And lastly, Intel purchased Mobileye for \$15.3 billion, placing a significant bet on premium autonomous driving technology. Mobileye is an Israeli technology company that develops autonomous driving technology. This technology includes computer vision, machine learning, data analysis, ADAS, and autonomous driving technologies. Intel purchased Mobileye in an effort to compete within the fast growing automotive technology industry against leaders with a significant head start including Nvidia and Qualcomm. Autonomous driving is believed to have the potential for explosive growth with Intel estimating the total addressable market to reach over \$100 billion by 2030 fueling growth for manufacturers of many different sensors and semiconductors.

Restructurings, New Leadership, New Strategy

In 2016, CEO, Brian Krzanich, announced a major restructuring initiative to better position Intel for future growth due to weak PC sales. PC sales peaked in 2011 at 365.4 million units. Last year, in 2016, PC sales declined 6% falling to 269.7 million units, below that of 2007 levels. In response to weak PC sales, Intel announced in 2016 that it would eliminate 15,000 employees at a cost of \$2.3 billion, although this isn't Intel's first round of layoffs. In 2014, the company cut 5,000 jobs and as previously noted in 2006 reduced headcount by 10,500. Total headcount reductions have topped 50,000, however Intel's headcount total of 107,000 has largely remained flat since 2012 due to acquisitions, but has largely been redirected toward growth areas. Recent successes include the Ultrabook and 3D transistors.

EXECUTIVE MANAGEMENT

Board of Directors		
Name	Experience	Since
Andy Bryant	Former Intel CFO	2011
Brian Krzanich	Intel CEO, since 2013	2013
Charlene Barshelsky	Former U.S. Trade Representative	2004
Aneel Bhusri	Co-Founder & CEO, Workday Inc.	2014
John Donahoe	Former CEO of eBay Inc.	2009
Reed Hundt	Former Chairman of the FCC	2001
Omar Ishrak	Chairman and CEO, Medtronic	2017
Tsu-Jae King Liu	Vice Provost UC Berkeley	2016
James Plummer	Dean of Engineering Stanford University	2005
David Pottruck	Former President & CEO Charles Schwab	1998
Gregory Smith	CFO, EVP Strategy, Boeing	2017
Frank Yeary	Chairman, CamberView Partners	2009
David Yoffie	Harvard Business Professor	1989

Officers	
Name	Title
Brian Krzanich	Chief Executive Officer, Director
Robert Swan	Chief Financial Officer, EVP
Diane Bryant	EVP, General Manager, Data Center Group
Stacy Smith	EVP, Manufacturing, Operations and Sales
Dr. Venkata Renduchintala	EVP, Pres. Client and IoT; System Architecture
Steven Rodgers	EVP, Law and Policy Group
Leslie Cubertson	SVP, Human Resources
Aicha Evans	SVP, Communication and Devices Group
Sohail Ahmed	SVP, Technology and Manufacturing Group
Wendell Brooks	SVP, President Intel Capital
Robert Croke	SVP, Non-Volatile Memory Solutions Group
Douglas Davis	SVP, Automated Driving Group
Amir Faintuch	SVP, Platform Engineering Group
Douglas Fisher	SVP, Software and Services Group
Steven Fund	SVP, Chief Marketing Officer
Dr. Ann Kelleher	VP, Technology and Manufacturing Group
Thomas Lantzsch	SVP, Internet of Things Group
Michael Mayberry	VP, Managing Director, Intel Labs
Daniel McNamara	VP, Programmable Solutions Group
Gregory Pearson	SVP, Sales and Marketing Group
Naveen Rao	VP, Artificial Intelligence Products Group
Navin Shenoy	SVP, Client Computing Group
Richard Taylor	SVP, Director, Human Resources
Paula Tolliver	VP, Chief Information Officer
Joshua Walden	SVP, New Technology Group
Christopher Young	SVP, Intel Security Group

Source: Company data

EXECUTIVE MANAGEMENT CONTINUED...**Recent Leadership**

Current Intel CEO, Brian Krzanich, 56, is only the sixth CEO to run the business in its long history. Krzanich took over for former CEO, Paul Otellini who was best known for his successful design win within the IBM PC. Prior to becoming CEO, Krzanich served as Intel's Chief Operating Officer responsible for Intel's global manufacturing and supply chain.

Preceding Brian Krzanich as CEO, Paul Otellini, served as Intel's CEO from 2005 to 2013. Otellini began his career with Intel in 1974, leading the Microprocessor Group in its introduction of the Pentium microprocessor and is credited for transitioning Apple's Mac to Intel chips. Unlike prior Intel CEO's, he was not an engineer, coincidentally Intel's stock struggled during his time as CEO.

Historical Leadership

Intel co-founder, CEO, and Chairman of the Board of Directors, Gordon Moore, is best known for Moore's Law. Moore theorized that the number of components in an integrated circuit would double every two years. Moore was a Director of Intel from 1968 to 2001. Today Moore is 88 years old.

Prior to co-founding Intel in 1968, Robert Noyce was a co-founder of Fairchild Semiconductor in 1957 and was a leading pioneer in the semiconductor industry. Noyce was named Intel's first CEO at the company's founding. Noyce co-invented the integrated circuit in 1959 and oversaw the invention of Intel's first microprocessor. He became Chairman of the Board of Directors in 1975. He was known for his relaxed management style which is still used today across Silicon Valley. He died in 1990 at age 62.

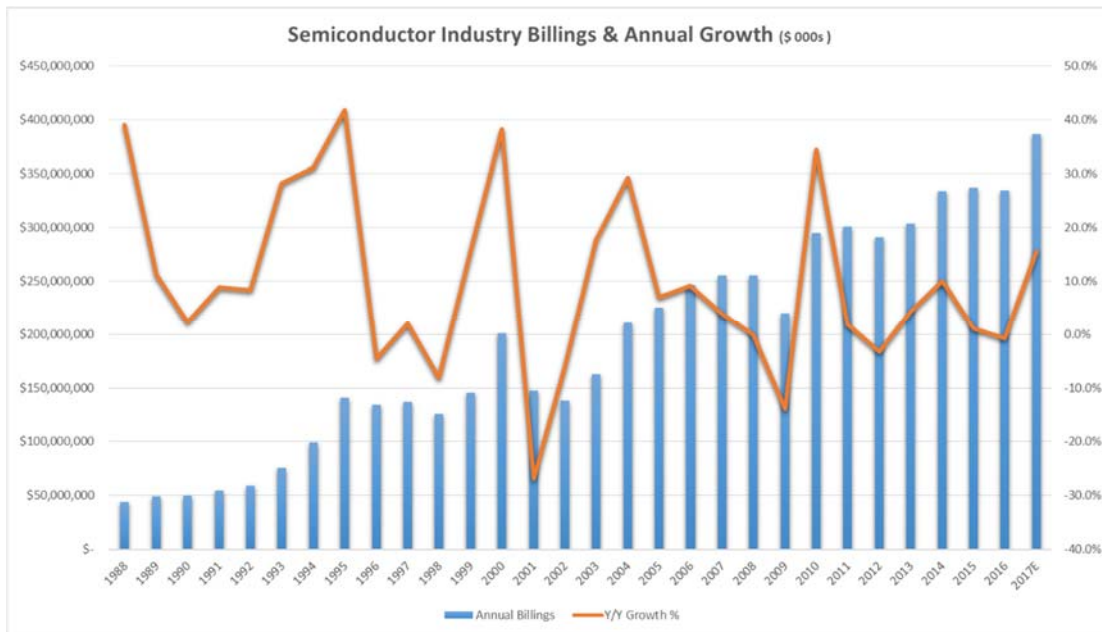
Andrew Grove, while not a founder of Intel was with the company from its founding. He later led the company as COO, CEO, President, and Chairman of the Board of Intel, most notably leading the company through its largest transition from memory chipmaker to PC microprocessor manufacturer in the early 1980's at the beginning of the PC era. He has written several books and was famously quoted many times including, "only the paranoid survive". Mr. Grove passed away in 2016.

Arthur Rock, was Intel's initial investor through his first of its kind venture capital firm and Intel's first Chairman in 1968. Mr. Rock helped Sherman Fairchild found Fairchild Semiconductor out of which Intel was later born. Mr. Rock was also an early investor in Apple, Teledyne, Xerox, and many other technology companies.

INDUSTRY OVERVIEW – SEMICONDUCTORS

Worldwide semiconductor billings were \$334.6 billion in 2016, a decrease of 0.8% over 2015. While 2016 was a disappointment for industry growth, recent industry data has been strong providing a new positive growth trend. Worldwide semiconductor billings reached a record high in May, increasing a staggering 22.6% y/y. Strength was broad based on a geographic basis but China and the U.S. do stand out with 26.3% and 30.5% y/y growth, respectively. To put the growth rate into perspective, this represents the fastest growth rate since September of 2010 as the world was exiting the global recession. Other periods of strength outside of re-expansion periods include the dot-com era. We believe the 5G infrastructure build out, global adoption of connected devices, continued data center growth, tight memory supply market, and now the booming autonomous automotive/A.I. market are leading to the unprecedented growth. The World Semiconductor Trade Statistics organization projects annual growth of 11.5% in 2017, 2.7% in 2018, and flat sales in 2019 which we view as typical growth following a period of such extreme increases in demand that we are currently witnessing. This growth pattern would coincide with our view of a strong semiconductor market and high levels of technology spending through the 5G rollout which is expected to be largely complete in 2019-2020.

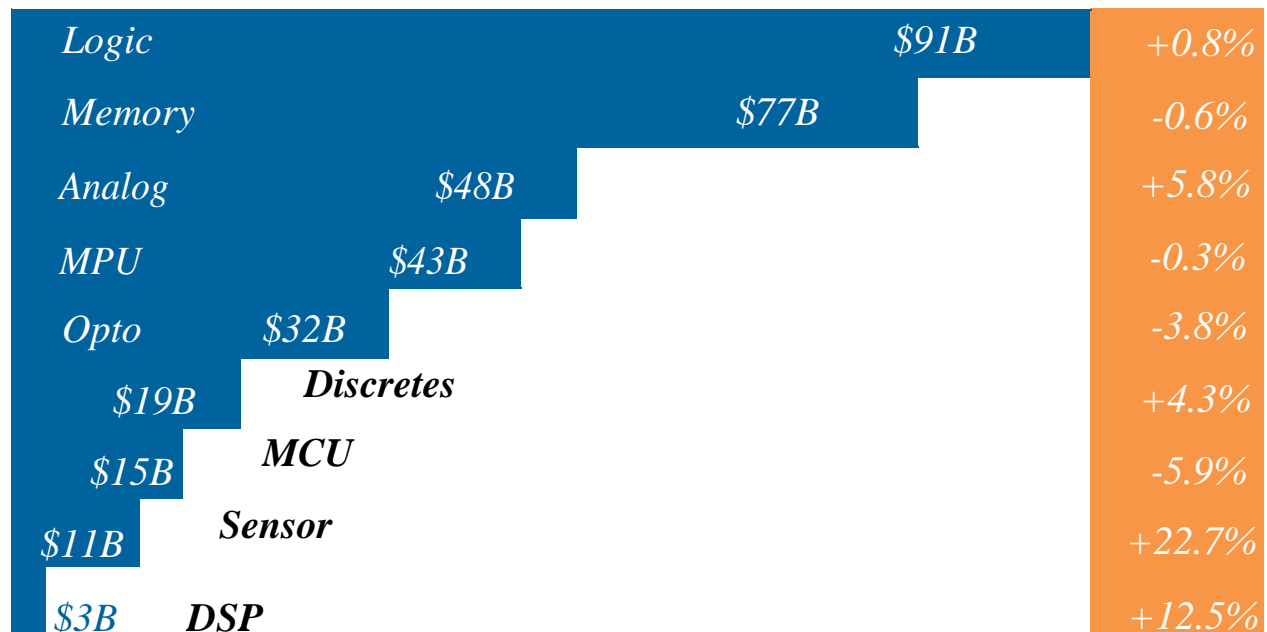
Semiconductor Industry Billings & Annual Growth Chart



Source: Semiconductor Industry Association data & Hilliard Lyons estimates.

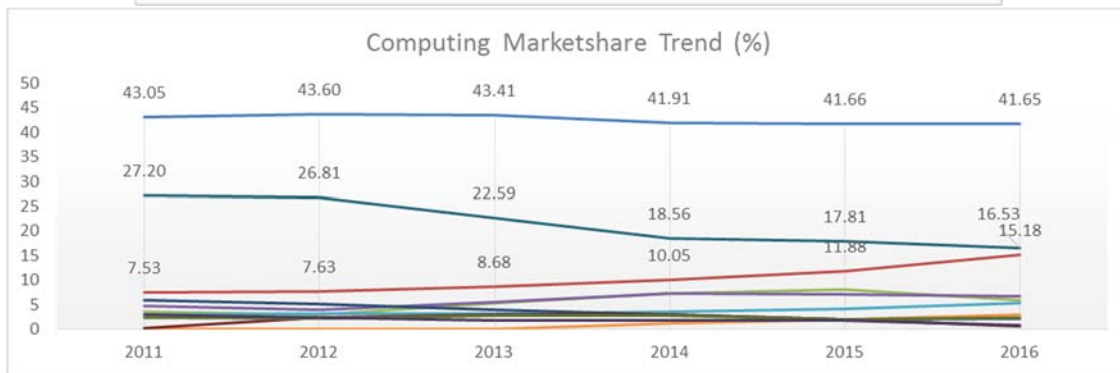
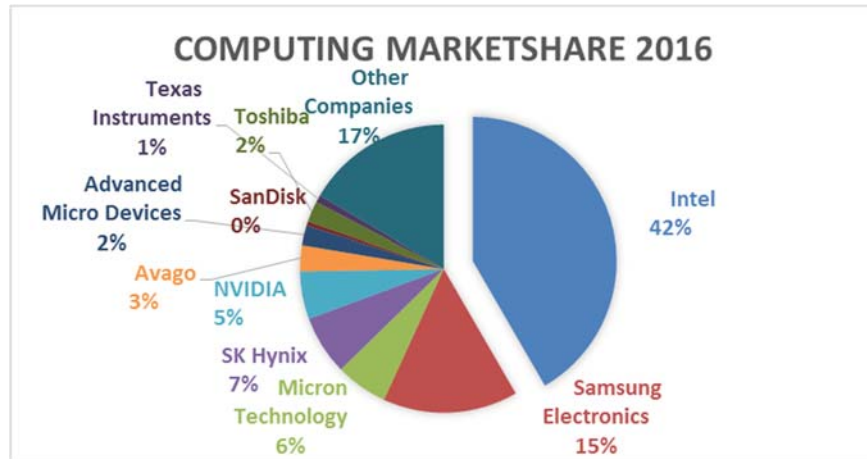
Logic chip sales increased 0.8% y/y in 2016 to \$91 billion, representing the largest product segment at 27.2% of total industry sales. The Analog and Sensor markets performed well as end use demand from the Automotive and Industrial markets boosted sales 5.8% and 22.7% y/y, respectively.

Distribution of Worldwide Semiconductor Sales By Product Segment 2016 & % Chg Y/Y

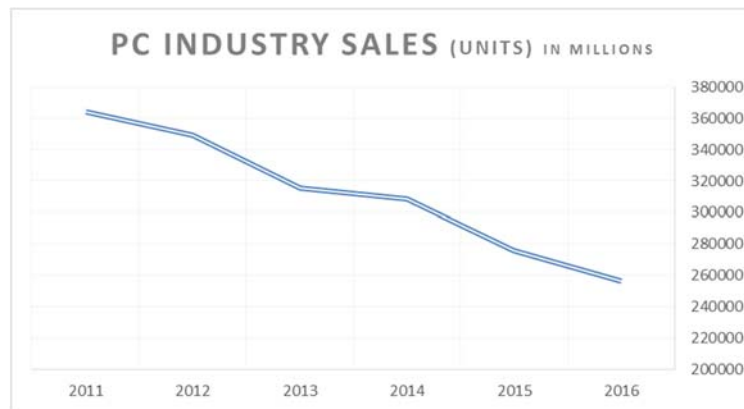


Source: World Semiconductor Trade Statistics and SIA Estimates

U.S. exports of semiconductors increased to \$41 billion in 2016, the fourth largest exported product. Semiconductor end use demand can be broken down by category including 31.5% of chips directed toward communications equipment including smartphones, 29.5% used in PCs and tablets, 13.9% Industrial, 13.5% Consumer, and 11.6% Automotive.

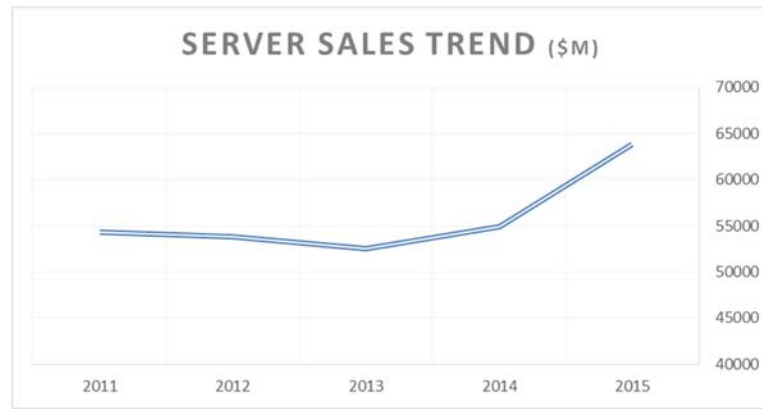


Source: IDC



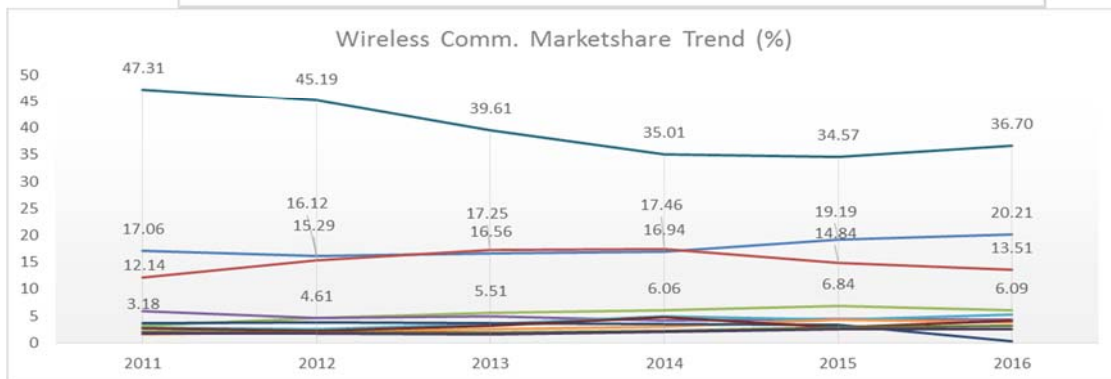
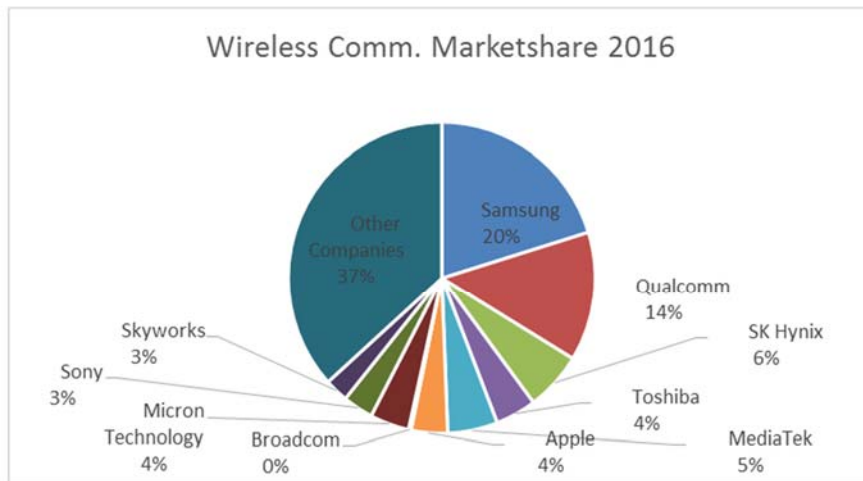
Source: IDC Note: Does not include tablets

Worldwide PC shipments have now declined for five straight years from a high of 365.4 million units in 2011 to 269.7 million in 2016. Sales have declined as emerging market buyers purchase smartphones, while PC buyers have yet to see a critical need to upgrade, however with significant advances in new technologies including VR/AR/AI, upgrades may increase in coming years. We believe the PC industry will stabilize in coming years on strength in ultrabooks, 2 in 1's, and a slower smartphone upgrade cycle. Intel has 90.9% of the global PC microprocessor market, while competitor AMD has 8.7%.

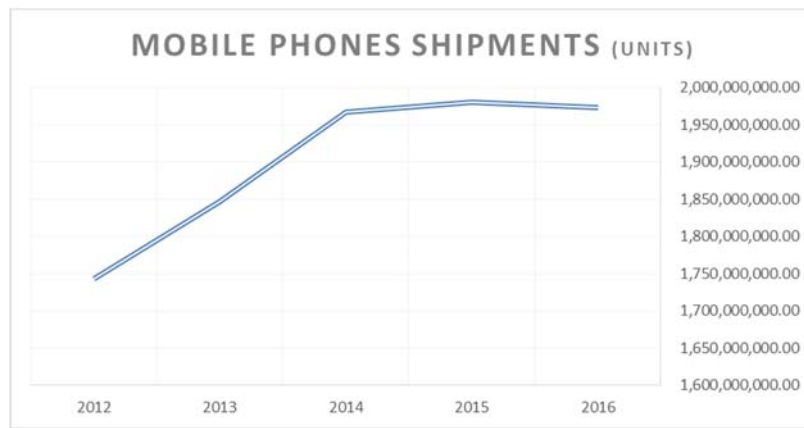


Source: IDC

Global server market growth remains anemic, however we expect demand to increase as Intel launches its new SkyLake processors. Global server shipments increased 1.4% y/y to 2.21 million units in Q1'17 as mid-range scalable systems outperformed. Mid-range server revenue increased 16.5% y/y. Intel has roughly 98% of the server chip market, however we expect AMD's new Epyc server processors to take share in coming years.

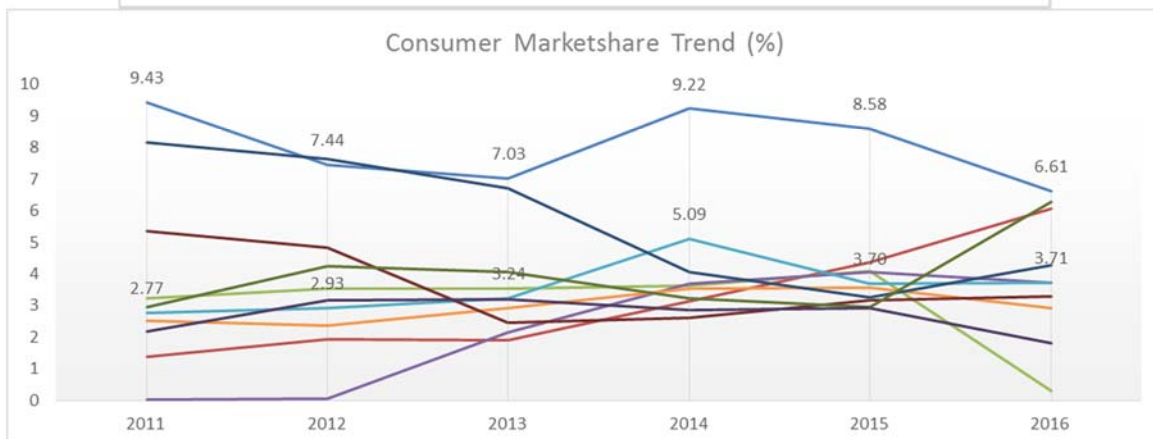
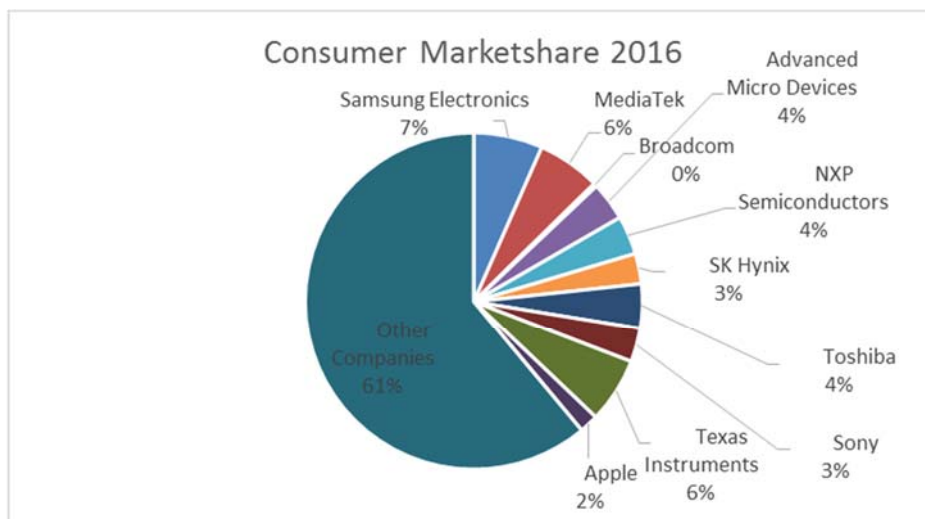


Source: IDC

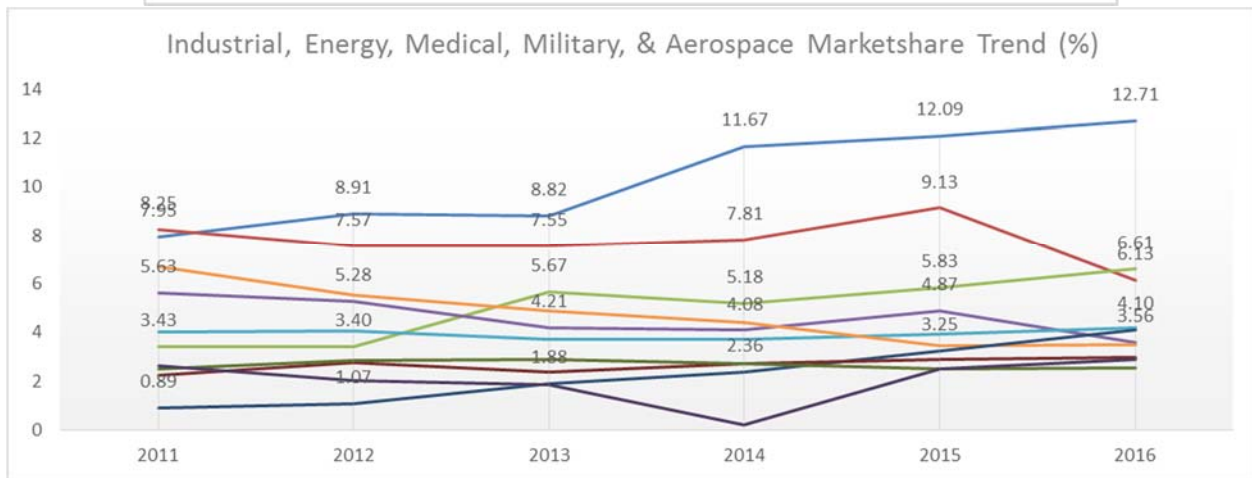
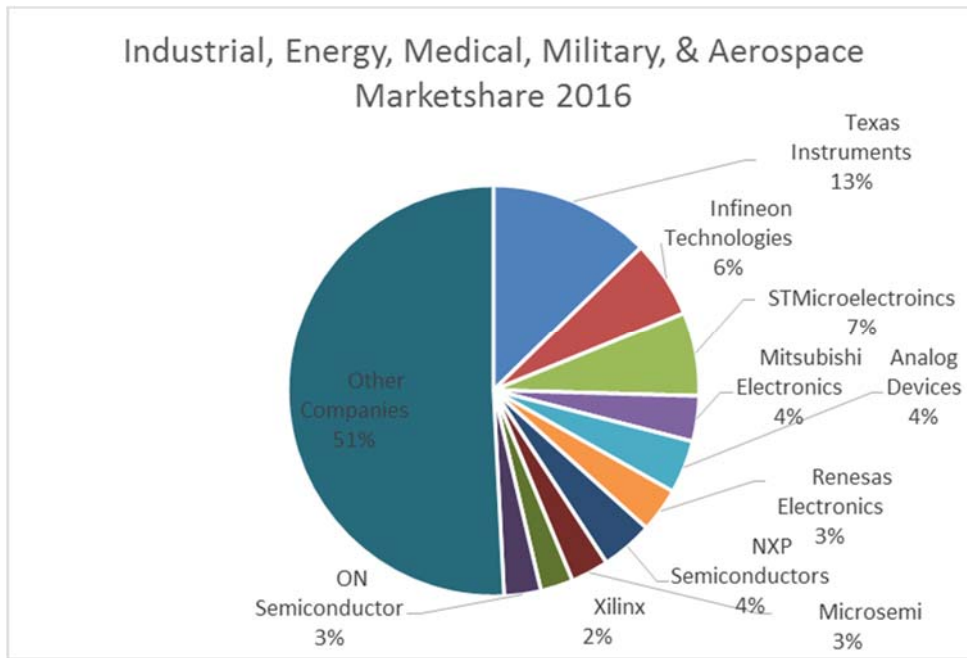


Source: IDC

As the chart above indicates, the mobile phone market has matured. Total unit sales declined to 1.97 billion units in 2016 as feature phone sales continue to decline while smartphone usage increases. IDC expects 0.6% CAGR for mobile phones through 2021. Albeit, we expect smartphone growth, which is included in this figure, over the same time period to be in the mid-single digits.

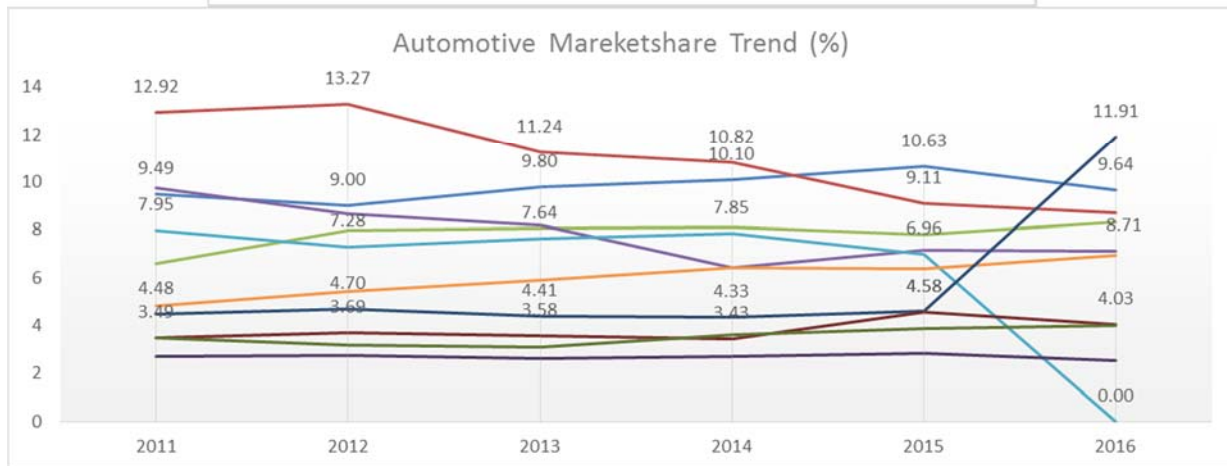
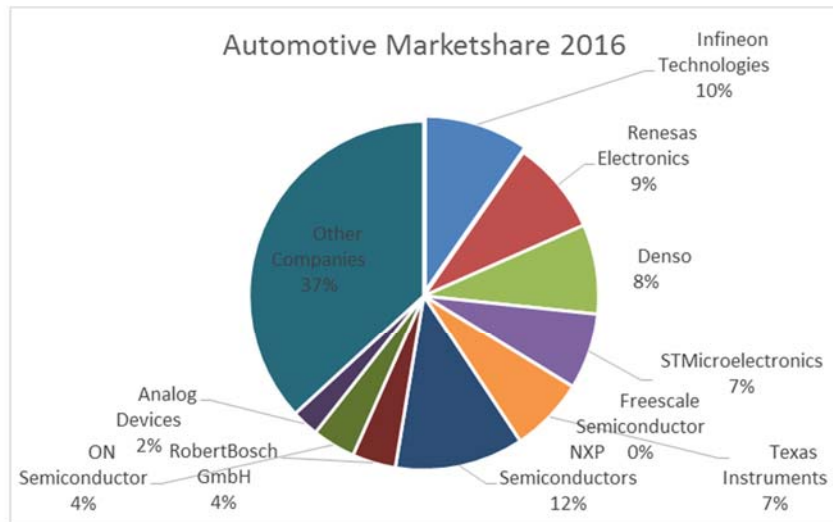


Source: IDC

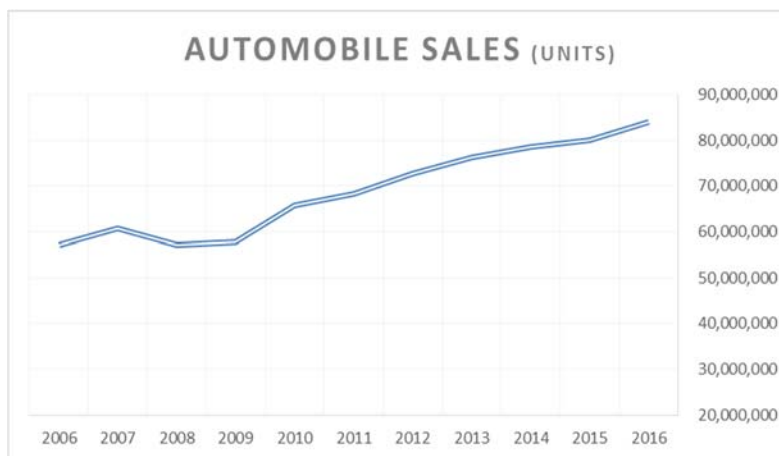


Source: IDC

Analog chip manufacturers have consolidated significantly in recent years as companies anticipate significant growth from factory automation, energy, autonomous driving technology, battery management, and the increase in connected devices. A few examples of industry consolidation include Analog Devices acquisition of Linear Technology resulting from Linear’s strong growth as a battery management system provider in hybrid and electric vehicles; and NXP Semiconductor’s acquisition of Freescale Semiconductor and ultimately NXP’s recently announced acquisition by Qualcomm, providing Qualcomm a significant market position in the automotive chip supplier market.



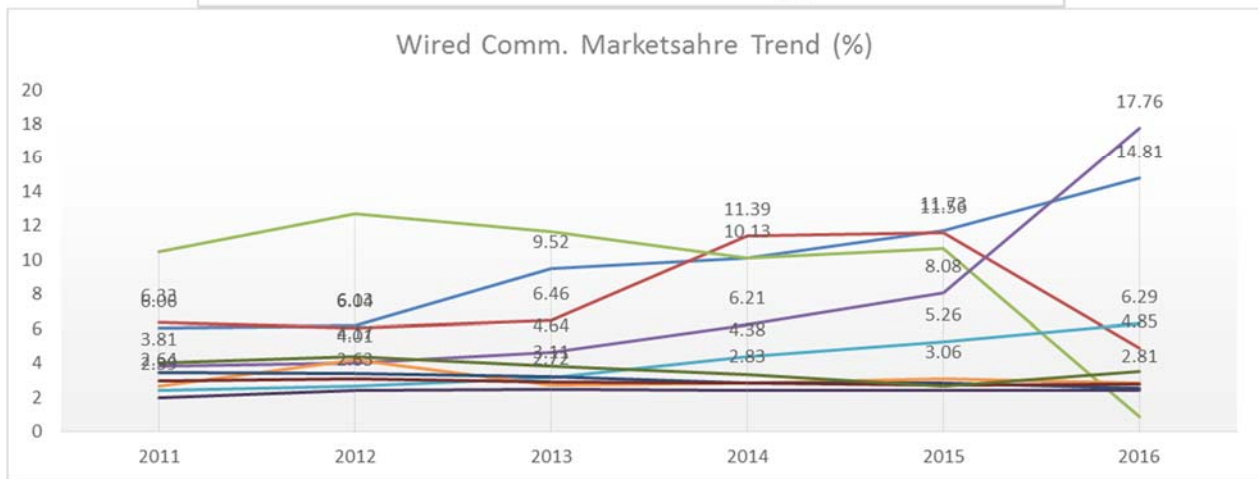
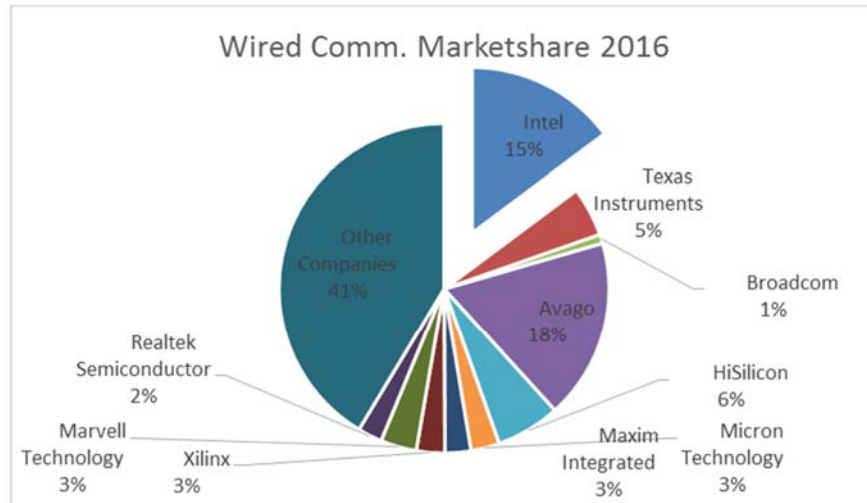
Source: IDC



Source: IHS Markit Note: Global new car sales in units sold

Global new car sales have increased steadily following the Great Recession, however we expect near term sales to flatten or turn down as a significant amount of cars come off lease agreements which could lower used car prices making them more attractive vs. new cars. More importantly, we expect new car shoppers to pause discretionary car purchases ahead of autonomous car technology expected to reach mainstream consumers in less than 5 years' time. In the interim, we expect continued growth in advanced driver assistance systems (ADAS), electric, and hybrid cars gaining wallet share among consumers who have the ability to purchase a new vehicle. As this shift to the electrification of the car takes place, we expect the

average semiconductor content per car to increase from \$100-\$200 today to \$1,500-\$3,000 in less than ten years. With Intel’s planned acquisition of Mobileye, a global leader in computer vision for ADAS systems, we believe this increases Intel’s automated driving TAM to \$70 billion by 2030. We believe autonomous driving will benefit Intel’s entire ecosystem through increased cloud connectivity, data center, FPGAs, and 5G capabilities.



Source: IDC

Intel’s top three customers include Dell, Inc. (15%), Lenovo Ltd. (13%), and HP Inc. (10%) accounting for 38% of total revenue. Intel’s top three suppliers include ASML Holdings NV. (18%), Applied Materials Inc. (14%), and Tokyo Electron Ltd. (11%) accounting for 43% of capital expenditures.

Competition within leading edge logic fabrication manufacturers is intensifying, however the field is narrowing. At the turn of the century there were over 25 leading edge chip manufacturers, however many companies have not invested to stay competitive, other companies were merged or divested, resulting in only four companies maintaining their manufacturing edge including Intel, GlobalFoundries (previously business units of AMD and IBM), Samsung, and Taiwan Semiconductor Manufacturing Company. We also have a positive view of Intel’s global manufacturing capabilities with sites across the world with significant concentration in the US. Intel spends over \$7 billion in U.S. based capital investments per year, however 80% of revenue is derived outside the U.S.

2016 FISCAL YEAR END RESULTS

For fiscal year 2016, Intel achieved record total revenue of \$59.4 billion, an increase of 7%, including \$1.67 billion of revenue from the 2015 acquisition of FPGA maker, Altera (PSG). PSG launched the Intel Stratix 10 FPGA product during the year. CCG reported revenue growth of 2% y/y increasing to \$32.9 billion, despite lower PC sales. Platform volume was down 10% while platform ASPs prices increased 11%. In 2016, within the CCG segment Intel launched 7th generation Intel Core processors on 14 nm transistors using Tri-Gate technology. DCG reported record revenue of \$17.23 billion, up 8% y/y, on continued growth from cloud service providers. DCG platform volume was up 8% while ASPs were down 1%. Within DCG Intel launched Intel Xeon E5, E7 v4 processors used within data centers for high performance, energy efficient server, network, and storage workloads, including real-time analytics, and in-memory computing. The company also launched Intel Xeon Phi for high performance supercomputing workloads. The IoTG had record revenue of \$2.63 billion, up 22% y/y on strength in video, automotive, and retail. Intel launched its first SoC integrated modem and connectivity product, and announced the next generation of Atom processor code named Apollo Lake and 7th generation Core processors dubbed Kaby Lake. ISG which has been sold, consisting largely of McAfee security unit reported revenue of \$2.16 billion, an increase of 9%. NSG revenue was down 1% as Intel readied new products including 3D XPoint technology for launch. Gross margin of 63.3% was flat largely from the result of Altera acquisition related adjustments, lower NSG margin, higher 10nm factory startup costs, offset somewhat by lower platform unit costs, higher platform volume and ASPs. Operating expenses declined 100 bps y/y, improving operating income to \$16.4 billion, up \$1.4 billion compared to 2015. Net income improved 7.75% y/y to \$13.14 billion, while EPS advanced 9.2% on continued share repurchases.

FIRST QUARTER 2017 RESULTS

Intel reported record first quarter revenue of \$14.8 billion, an increase of 8% y/y. Gross margin was up slightly while operating margin expanded 500 bps y/y resulting from increased leverage from higher average selling prices and reduced acquisition related costs from Altera vs. the year ago period. These gains were partially offset by higher 10nm factory setup costs and continued investment into Intel's memory business. Non GAAP EPS totaled \$0.66, an increase of 22%. Client Computing Group revenue grew 6% y/y to \$8 billion. Segment operating income increased 61% y/y on higher ASPs and lower costs. CCG platform volumes declined 4% while ASPs increased 7%. Unit volumes were down 7% for desktops and up 1% for notebooks, while ASPs remained strong increasing 2% and 7%, respectively. Growth businesses grew double digits y/y. The Data Center Group grew revenue 6% y/y to \$4.2 billion, while operating margin contracted 900 bps. Volumes decreased 1%, with ASPs up 6%. The Internet of Things Group grew revenue 11% y/y to \$721 million on automotive strength. Intel is nearing the completion of its acquisition of Mobileye. Non-Volatile Memory Solution Group revenue jumped 55% y/y to \$866 million, now representing 6% of total revenue. Segment operating margin while still negative improved on increased top line leverage. Programmable Solutions Group revenue increased 18% to \$425 million, operating margin went from being a significant drag in the year ago quarter, roughly in line with the company wide margin rate. Intel Security Group which will no longer be included in continuing operations experienced a revenue decline of 1% y/y to \$534 million. Total inventories rose by about \$200 million q/q.

FINANCIAL MANAGEMENT

As of FQ1'17, Intel has a strong financial position, cash and investments totaled \$29.3 billion. After deducting the company's debt of \$25.8 billion the company had a net cash and investment position of \$3.5 billion or \$0.72 per share. We note Intel's debt position will increase substantially when the company closes on the Israeli-based Mobileye acquisition for over \$15 billion, lowering Intel's overseas cash position. We note Intel's balance sheet will become highly levered, with significantly more risk than in Intel's prior history, but with the expectation for it to be paid down quickly in coming quarters. We believe if the U.S. government passes a low repatriation tax, Intel will bring a large portion of the remaining cash back from overseas.

We believe Intel's use of funds to pursue acquisitions is positive for shareholders in the current low interest rate environment. We expect other cash uses to include continued capital spending as a major ongoing concern, as well as dividends, and share repurchases. Intel has Board authorization to repurchase \$15 billion or ~9% of its market capitalization. In the latest quarter, cash flow from operations totaled \$3.9 billion, \$2 billion was spent on capital assets, \$1.2 billion was paid in dividends, and \$1.2 billion allocated to buybacks. Intel frequents the debt markets instead of tapping overseas cash at the current 35% tax rate.

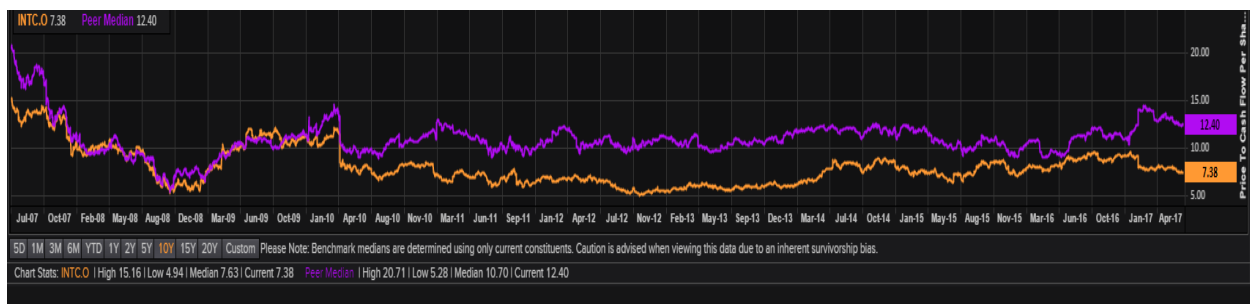
Intel has paid a dividend since 1992 and has sustainably raised the dividend substantially over time since inception. The dividend has increased at a 5 year compound annual growth rate of ~4%. Management recently raised the dividend to \$0.2725 per share on a quarterly basis, currently yielding 3.2% on an annual basis, based on the most recent closing price. We view the current payout ratio of 38% as easily maintainable and would expect future dividend increases largely on an annual basis.

Intel Corp. - Dividend Yield vs. Peer Median



Source Company data and Thomson Reuters Eikon

Intel Corp. – Price to Cash Flow Per Share vs. Peer Median



Source Company data and Thomson Reuters Eikon

Intel Corp. Consolidated Income Statement (Adjusted)

(In millions, except per share amounts)	2014	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016	Q1 2017	Q2 2017E	Q3 2017E	Q4 2017E	2017E	2018E
Net revenue (GAAP)	\$ 55,870	\$ 55,355	\$ 13,702	\$ 13,533	\$ 15,778	\$ 16,374	\$ 59,387	\$ 14,796	\$ 14,350	\$ 15,370	\$ 16,262	\$ 60,777	\$ 62,233
Revenue adjustments			\$ 99	\$ —	\$ —	\$ —							
Net revenue (Non GAAP)	\$ 55,870	\$ 55,355	\$ 13,801	\$ 13,533	\$ 15,778	\$ 16,374	\$ 59,486	\$ 14,796	\$ 14,350	\$ 15,370	\$ 16,262	\$ 60,777	\$ 62,233
Cost of sales	\$ 20,261	\$ 20,676	5,572	5,560	5,795	6,269	\$ 23,196	5,649	5,450	5,795	6,269	\$ 23,163	\$ 23,648
Cost of sales adjustments		\$ 343	426	396	235	232	\$ 1,289	209	200	200	245	\$ 854	\$ 800
Gross margin (Non GAAP)	35,609	35,022	8,655	8,369	10,218	10,337	37,579	9,356	9,100	9,775	10,238	38,468	39,384
Research and development (R&D)	\$ 11,537	\$ 12,128	3,246	3,145	3,069	3,280	\$ 12,740	3,326	3,100	3,069	3,280	\$ 12,775	\$ 12,979
Marketing, general and administrative (MG&A)	\$ 8,136	\$ 7,930	2,226	2,007	2,006	2,158	\$ 8,397	2,104	2,100	2,006	2,158	\$ 8,368	\$ 8,417
Restructuring and asset impairment charges	\$ 295	\$ 354	—	1,575	372	100	\$ 2,047	—	—	—	—	\$ —	\$ —
Amortization of acquisition-related intangibles	\$ 294	\$ 413	—	324	309	273	\$ 906	—	—	—	—	\$ —	\$ —
Other non GAAP operating expense	(589)	(767)	100	(1,899)	(681)	(373)	(2,953)	—	—	—	—	—	—
Operating expenses (Non GAAP)	19,673	20,058	5,372	5,152	5,075	5,438	21,137	5,430	5,200	5,075	5,438	21,143	21,395
Operating income (Non GAAP)	15,936	14,964	3,283	3,217	5,143	4,899	16,442	3,926	3,900	4,700	4,800	17,325	17,989
Gains (losses) on equity investments, net	\$ 411	\$ 315	22	478	(12)	18	\$ 506	252	340	25	40	\$ 657	\$ 675
Interest and other, net	\$ 43	\$ (105)	(82)	(126)	(132)	(104)	\$ (444)	(36)	(40)	(35)	(35)	\$ (146)	\$ (175)
Adjustments													
Income before taxes	16,390	15,174	3,223	3,569	4,999	4,813	16,504	4,142	4,200	4,690	4,805	17,836	18,489
Provision for taxes	\$ 4,097	\$ 2,792	462	340	940	878	\$ 2,620	851	1,655	1,025	980	\$ 4,511	\$ 3,764
Income tax adjustments		\$ (189)	(132)	(370)	(173)	(70)	\$ (745)	(73)	(761)	90	70	\$ (674)	\$ 306
Net income (Non GAAP)	\$ 12,293	\$ 12,193	\$ 2,629	\$ 2,859	\$ 3,886	\$ 3,865	\$ 13,139	\$ 3,218	\$ 3,305	\$ 3,575	\$ 3,755	\$ 13,853	\$ 14,419
Non GAAP Basic EPS	\$ 2.40	\$ 2.43	\$ 0.43	\$ 0.28	\$ 0.71	\$ 0.82	\$ 2.24	\$ 0.68	\$ 0.70	\$ 0.76	\$ 0.79	\$ 2.93	\$ 3.05
Non GAAP Diluted EPS	\$ 2.44	\$ 2.49	\$ 0.54	\$ 0.59	\$ 0.80	\$ 0.79	\$ 2.72	\$ 0.66	\$ 0.68	\$ 0.73	\$ 0.77	\$ 2.84	\$ 2.96
Weighted average shares - basic	4,769	4,722	4,722	4,729	4,734	4,735	4,735	4,723	4,731	4,734	4,735	4,731	4,730
Weighted average shares - diluted	4,940	4,876	4,875	4,866	4,877	4,881	4,881	4,881	4,868	4,867	4,870	4,872	4,870
Gross margin % of revenue	63.7 %	63.3 %	63.2 %	61.8 %	64.8 %	63.1 %	63.3 %	63.2 %	63.4 %	63.6 %	63.0 %	63.3 %	63.3 %
R&D % of revenue	21 %	22 %	24 %	23 %	19 %	20 %	21 %	22 %	22 %	20 %	20 %	21 %	21 %
MG&A % of revenue	15 %	14 %	16 %	15 %	13 %	13 %	14 %	14 %	15 %	13 %	13 %	14 %	14 %
Operating Income % of revenue	29 %	27 %	24 %	24 %	33 %	30 %	28 %	27 %	27 %	31 %	30 %	29 %	29 %
Net income % of revenue	22 %	22 %	19 %	21 %	25 %	24 %	22 %	22 %	23 %	23 %	23 %	23 %	23 %
Effective income tax rate	25.0 %	17.2 %	10.2 %	(0.8)%	15.3 %	16.8 %	11.4 %	18.8 %	21.3 %	23.8 %	21.9 %	21.5 %	22.0 %

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

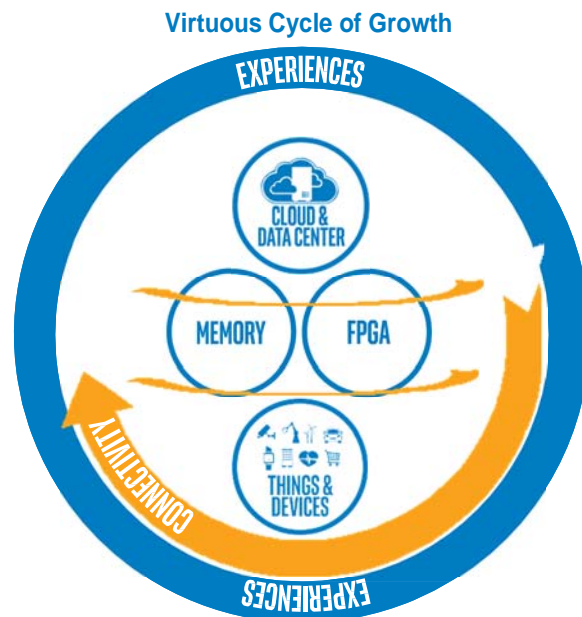
Intel Corp. Balance Sheet

(In millions)	2012	2013	2014	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016	Q1 2017
Current assets:										
Cash and short-term investments	\$ 12,477	\$ 11,646	\$ 4,991	\$ 17,990	\$ 5,988	\$ 8,186	\$ 8,022	\$ 8,785	\$ 8,785	\$ 7,992
Trading assets	5,685	8,441	9,063	7,323	9,103	9,503	9,747	8,314	8,314	9,303
Accounts receivable, net	3,833	3,582	4,427	4,787	4,216	4,426	4,952	4,690	4,690	4,921
Inventories:										
Raw materials	478	458	462	532	628	651	688	695	695	786
Work in process	2,219	1,998	2,375	2,893	2,980	3,218	3,443	3,190	3,190	3,412
Finished goods	2,037	1,716	1,436	1,742	2,143	1,931	1,652	1,668	1,668	1,603
Total inventories	4,734	4,172	4,273	5,167	5,751	5,800	5,783	5,553	5,553	5,801
Assets held for sale	—	—	—	71	—	23	5,100	5,210	5,210	5,138
Other current assets	2,512	1,649	3,018	2,982	2,339	3,250	2,612	2,956	2,956	2,903
Total current assets	29,241	29,490	25,772	38,320	27,397	31,188	36,216	35,508	35,508	36,058
Property, plant and equipment, net	27,983	31,428	33,238	31,858	32,644	33,804	34,707	36,171	36,171	36,911
Marketable equity securities	4,424	6,221	7,097	5,960	6,377	5,394	6,022	6,180	6,180	6,831
Other long-term investments	493	1,473	2,023	1,891	3,097	3,567	4,189	4,716	4,716	5,149
Goodwill	9,710	10,513	10,861	11,332	16,942	16,992	13,868	14,099	14,099	14,099
Identified intangible assets, net	6,235	5,150	4,446	3,933	11,140	10,821	9,524	9,494	9,494	9,157
Other long-term assets	4,142	5,514	6,575	8,165	7,870	8,065	7,691	7,159	7,159	7,443
Total assets	\$ 82,228	\$ 89,789	\$ 90,012	\$ 101,459	\$105,467	\$109,831	\$112,217	\$113,327	\$113,327	\$115,648
Current liabilities:										
Short-term debt	\$ 312	\$ 281	\$ 1,596	\$ 2,634	\$ 3,594	\$ 4,560	\$ 3,573	\$ 4,634	\$ 4,634	\$ 5,073
Accounts payable and accrued liabilities	10,630	11,166	12,188	10,768	11,300	11,344	12,915	12,030	12,030	12,788
Deferred income on shipments of components to distributors	694	852	944	920	1,318	1,484	1,553	1,475	1,475	1,461
Deferred income from software, services and other	1,238	1,244	1,261	1,268	1,314	1,323	171	243	243	237
Total current deferred income	1,932	2,096	2,205	2,188	2,632	2,807	1,724	1,718	1,718	1,698
Liabilities held for sale	—	—	—	56	—	—	1,881	1,920	1,920	1,746
Total current liabilities	12,874	13,543	15,989	15,646	17,526	18,711	20,093	20,302	20,302	21,305
Long-term debt	13,070	13,104	12,059	20,036	21,775	24,053	24,043	20,649	20,649	20,678
Long-term deferred tax liabilities	1,379	1,914	1,909	954	1,247	1,293	1,211	1,730	1,730	2,285
Other long-term liabilities	3,702	2,972	3,278	2,841	2,851	3,517	2,869	3,538	3,538	3,658
Temporary equity	—	—	912	897	894	890	886	882	882	878
Total stockholders' equity	51,203	58,256	55,865	61,085	61,174	61,367	63,115	66,226	66,226	66,844
Total liabilities, temp equity, and stockholders' equity	\$ 82,228	\$ 89,789	\$ 90,012	\$ 101,459	\$105,467	\$109,831	\$112,217	\$113,327	\$113,327	\$115,648

Source: Company data

INVESTMENT THESIS

We are initiating coverage of Intel Corp. as we believe there are several long term positive 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, and smart connected devices. 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 the 5G network. 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 also view industries such as businesses operating purely through connected devices such as Uber, or critically important hospital data, or autonomous driving technology, as requiring a premium processor with speed and cost advantages backed by a trusted name such as Intel. While we note competition is fierce and continues to increase, we believe Intel is in a strong position to outperform peers on a risk-adjusted basis over the coming five year timeframe.



Source: Intel

We believe Intel's strategy laid out by the company's relatively new leadership team following a large scale restructuring effort is nearing an inflection point that will return Intel to stable top line growth. We forecast Intel's new growth businesses representing a larger portion of total revenue in coming periods growing at a double digit compound rate. Intel's large growth areas include programmable solutions, non-volatile memory with a total addressable market of over \$100 billion, a \$100 billion autonomous vehicle market, and the rollout of a nationwide 5G wireless network expected to connect over 50 billion devices. We expect these growth businesses to represent over half of total revenue in the coming year, at which point it will offset declines from 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 fund acquisitions, dividend growth, debt repayment, share repurchases, and fund the required heavy capital spending within its new growth businesses. With recent restructuring efforts we believe Intel will grow operating margin at a faster rate than revenue which should, along with share buybacks, boost EPS growth above the company's recent performance.

OUTLOOK

We forecast Q2'17 EPS of \$0.68 on revenue growth of 6% to \$14.35 billion vs. a consensus estimate of \$0.68 on revenue of \$14.4 billion. We expect the company to record FY'17 EPS of \$2.84 on revenue of \$60.78 billion, an increase of 2.3% y/y excluding the Mobileye acquisition. We expect a slight improvement to margins as higher ASPs and restructuring efforts lead to improved operating results. However, capital expenditures are expected to be \$12 billion on an annual basis, an elevated level, through 2018 to support recent acquisitions and new growth markets.

Longer term, we believe Intel is leveraged well for future industry trends through the growing demand for data. Intel's TAM is increasingly rapidly and set to reach \$250 billion by 2021 as the company enters new markets. We believe now that the PC market has experienced more than 5 years of contraction, the market should begin stabilizing while at the same time represents less of a percentage of Intel's overall revenue. Also, as the global economic expansion grows long in tooth, we believe Intel, a value semiconductor stock, could outperform growth peers as its P/E multiple remains 30% below the peer group and is currently trading at a 40% discount to the S&P 500 Index.

From a balance sheet perspective, Intel has leveraged its overseas cash position to issue debt to acquire Altera and most recently Intel will use this overseas cash position for the pending Mobileye acquisition. We anticipate Intel will hold a multi-billion dollar net debt position following the Mobileye acquisition. However, we believe Intel is capable of paying down debt quickly with the company's superior ability to generate free cash flow. We have a favorable view of the company's balance sheet, including the company's ability to spend heavily on capex/R&D, share repurchases, and increased dividend payments. Intel has paid a dividend since 1992 and typically raises the dividend every year, currently the payout ratio is below 40%. Going forward, we expect Intel to raise the dividend in line with non GAAP EPS growth, or slightly over 4% per year.

VALUATION

We value shares of INTC based on several factors including long-term revenue growth, non GAAP EPS, operating margin, free cash flow generation/DCF, and enterprise value to sales. **We initiate on shares of INTC with a Long-term Buy rating and a \$41 price target.** Our rating is based on our expectation for continued earnings growth of 4.4% and 4.2% in FY'17 & '18. The stock currently trades at a forward price to earnings multiple below 12x, near the low end of its multi-year range.

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



Source Company data and Thomson Reuters Eikon

VALUATION CONTINUED...**Intel Corp. – Enterprise Value To Sales vs. Peer Median**

Source Company data and Thomson Reuters Eikon

We believe Intel's multiple could expand as we expect operating margin expansion from restructuring initiatives, strong growth in memory and programmable solutions, as well as strong ASPs from the current demand environment. We recommend accumulating a long-term position in shares of INTC as we believe the company is poised to enter and regain lost share within several new vertical markets. Our FYE 2018 price target of \$41 is based on INTC shares trading at 14x our 18 month forward EPS estimate of \$2.96. Our \$41 price target would provide investors a potential total return of 25% over our 18 month investment timeframe. We believe the risk/reward of owning Intel shares is compelling in the current market environment.

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 has a solid balance sheet and 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 also seek long-term capital appreciation and dividend growth who 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.

Other stocks mentioned: Texas Instruments (TXN-\$79.04), Analog Devices (ADI-\$79.86), Apple (AAPL-\$145.53-Long term Buy), Workday (WDAY-\$99.38), Medtronic (MDT-\$87.26), Teledyne (TDY-\$133.04), Xerox (XRX-\$28.90), Charles Schwab (SCHW-\$43.10), Boeing (BA-\$206.27), ASML Holdings NV ADR (ASML-\$136.20), Applied Material (AMAT-\$45.40), Advanced Micro Devices (AMD-\$13.89), Broadcom (AVGO-\$240.89), Mobileye NV (MBLY-\$63.00), Tokyo Electron ADR (TOELY-\$34.56), Nvidia (NVDA-\$155.88), Microsoft (MSFT-\$69.99-Neutral), Micron Technology (MU-\$31.37), Sony (SNE-\$38.85), eBay (EBAY-\$35.19-Long term Buy), International Business Machines (IBM-\$153.19), Western Digital (WDC-\$91.75), and Qualcomm (QCOM-\$55.33)

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

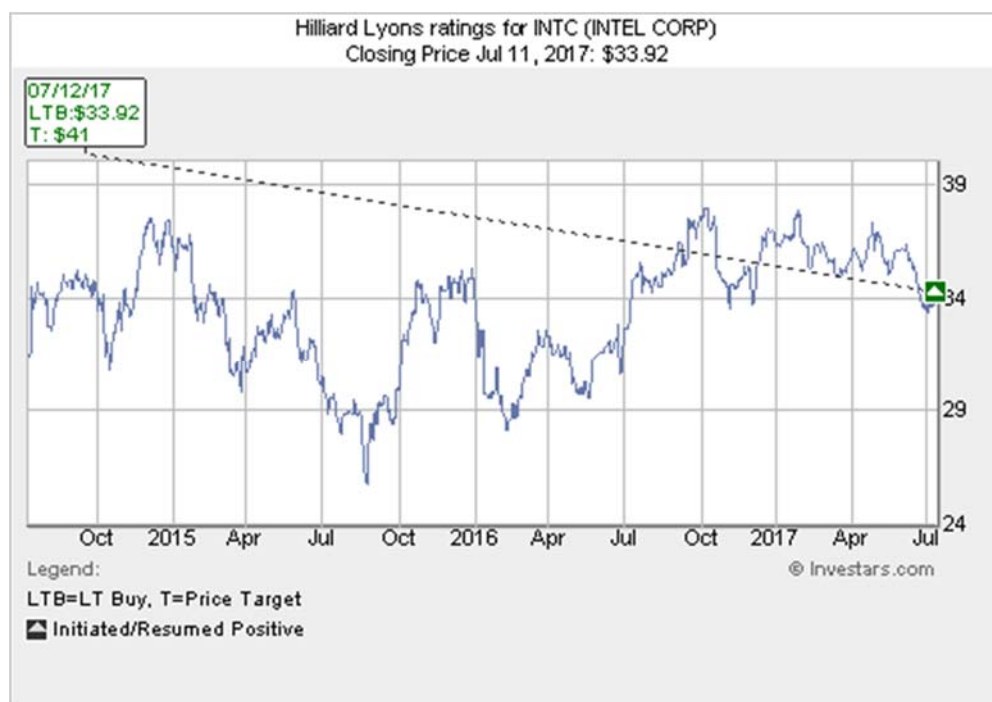
Investment Ratings

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	36	29%	14%	86%
Hold/Neutral	79	63%	5%	95%
Sell	10	8%	0%	100%

As of 7 July 2017

Other Disclosures

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