



Wednesday 15th October 2008

DAILY COMPANY NOTE — Intel See page 2 & 3 for full details

Daily Market Comment

Yesterday's Summary : The ISEQ began yesterday's session strongly along with most other European indices climbing up 6% by lunchtime, however Irish shares slid back as developments on US indices dictated the ISEQ's afternoon session, resulting in it closing marginally up 80 points at 3,023. The banks had a mixed day with Irish Life & Permanent, the best performer, closing up 16.4% at €4.25, while Anglo Irish Bank fared the worst closing down 7.4% at €2.12. The annual Budget hit the airline sector causing Aer Lingus to fall back 4.4% after enjoying early gains to close at €1.21, while also affecting Paddy Power's share price which closed at €11.70 down 2.5%.

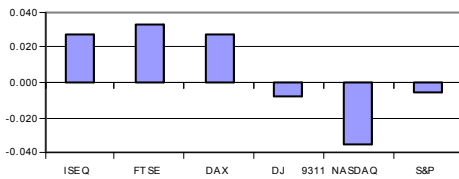
Overnight News : Despite all the recent government intervention, US Indices fell sharply for the majority of yesterday's session, with the Dow Jones falling circa 800 points between the open and lunchtime in New York. A late rally helped to alleviate the sell off somewhat, as the Dow closed marginally down 0.82% at 9310; while the S&P 500 closed down 0.5% at 998. The technology sector was the worst hit, with Intel leading the decline closing down 6.2% at \$15.93. As a result, the NASDAQ significantly underperformed other US indices closing down 3.5% at 1779.

Breaking News : InBev has postponed a \$9.8bn rights offering on Tuesday that it hoped to use to finance its \$52bn takeover of US brewer Anheuser-Busch, blaming "unprecedented volatility in the global capital markets". Northern Rock has explored plans to take on the loan book of Bradford & Bingley. Northern Rock's chairman has said there had been informal talks about the idea following B&B's nationalisation last month. Pimco will manage the commercial-paper assets for the Federal Reserve as part of the government's Commercial Paper Funding Facility programme.

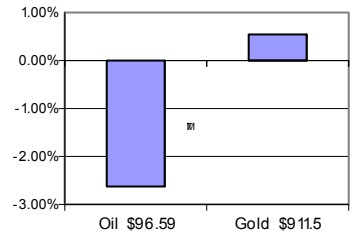
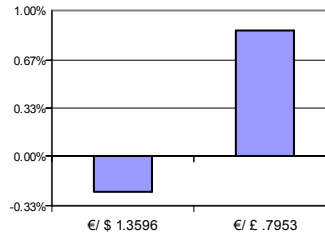
Equity Indices change on day

Currency daily % change

Oil/Gold daily % change



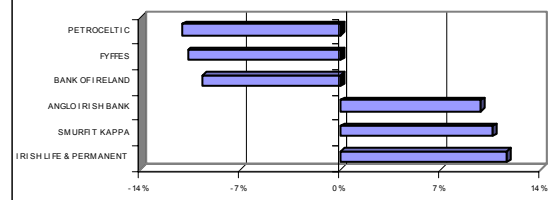
2.73% 3.23% 2.70% -0.82% -3.54% -0.53%



News

- "State scheme to cost banks 10% of annual profits"-(The Irish Times)
- "US to inject \$250bn to revive ailing bank sector"-(The Irish Times)
- "Gloom lifts as Euribor takes steepest drop in five years"-(Irish Independent)
- "Credit crunch hits €1bn EDT sale"-Elan-(Irish Independent)
- "Markets test global bank plan"-(Financial Times)

ISEQ Performers/Losers 14/10/08



Market Themes & Movers

US retail sales & UK unemployment : The US Commerce Department will issue its September retail sales report today at 13:30 Irish time and expectations are for a decline, ex auto sales, of 0.3%, after a fall of 0.7% in August. A drop would extend declines in retail sales to three consecutive months, the first time that's happen since comparable records began in 1992. Commentators have indicated that deteriorating labour market conditions, tighter credit markets, financial market turbulence and declining consumer confidence all suggest weakness will come through in the headline retail figure. Meanwhile UK unemployment has risen for the eighth consecutive month in September, to the highest level in almost two years as the prospect of a prolonged recession and the global financial downturn triggered a range of job cuts from banks to construction companies. Claims for jobless benefits rose 31,800 to 939,900 which was slightly better than the 35,700 economists had anticipated.

Irish government introduce new air travel tax & gaming levy : Yesterday's budget included the introduction of a new air travel tax which will be levied on all departures from Irish airports and will come into force on Monday 30th March 2009. The general rate applying will be €10 per passenger, with a lower rate of €2 for air journeys under 300km. This will be a considerable hit for Aer Lingus as 12 months under this new tax scheme could see net profits directly hit by as much as €40m. With a lower proportion of flights originating from Ireland, Ryanair should experience less of an impact, nonetheless it certainly won't welcome the prospect of passing through higher average fares during the current consumer environment. There was also an increase of the gaming levy from 1% to 2%. For Paddy Power, this will translate into an increase in its tax bill of approximately €10m annually. It may also force weaker operators out of the saturated Irish market.



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Intel

Nasdaq
Technology
Company Profile

Intel Corporation designs, manufactures, and sells computer components and related products. The group's major products include microprocessors, chipsets, embedded processors and micro-controllers, flash memory products, systems management software, and digital imaging products.

Statistics
Price Performance

Revenue by Region


- Asia Pacific 53%
- Americas 19%
- Europe 18%
- Japan 10%

Fundamental view

- Last night, Intel reported a strong set of third quarter results that beat analyst expectations. The group posted a 17% increase in EPS to \$0.35 ahead of the \$0.34 consensus estimate, while revenue increased by 8% quarter on quarter to \$10.2bn. The group's closely watched gross margin came in at 58.9% up from 55.4% in the second quarter and beating the group's initial estimate of 58%. In relation to its outlook for the fourth quarter, Intel expects to report revenue in the range of \$10.1bn — \$10.9bn versus estimates of \$10.7bn. There had been fears in the market that Intel may estimate revenue below the \$10bn mark. The group pointed out that it is difficult to quantify the impact of the current financial crisis and has scheduled a mid quarter update for the beginning of December.
- While no company is insulated from the current slowdown in economic activity, Intel's continued expansion into emerging markets is helping to offset the slowdown seen in the US and Europe. The fast growing Asia Pacific region which now accounts for 53% of group revenue put in another robust performance with revenue increasing by 12% quarter on quarter, while revenue in the US (19% of group revenue)fell by 5% and rose by 8% in Europe (18% of group revenue).
- Intel is one of the most efficient technology companies around and benefits from its strong cash positive position on its balance sheet. The group continues to manage its cost base well and pointed out that its cost reduction programme is running ahead of expectations. Since 2006, Intel has cut its workforce by 20,000 and reduced costs by \$3bn. As at the end of September, Intel had net cash in excess of \$5bn, a strong position to be in given the current dislocation in credit markets.

Valuation

- Intel's results last night provide us with confidence that the company is well positioned to weather the current economic downturn given its geographical diversity and strength of balance sheet. Our \$21 price target on the stock is based on the group trading at 15x 2009 forecasted EPS of \$1.40. The group also offers an attractive dividend yield of 3%. While there is no doubt that technology spending will be hit during the next 12-months we continue to recommend clients buy shares in the large cap technology bell-weatherers such as Intel, Microsoft and Hewlett-Packard.

Chart view: Intel

Support Primary: € 15.50
 Support Secondary: €13.34
 Resistance Primary: € 19.73
 Resistance Secondary: €23.43

Recent price action has created a key day reversal on the back of strong volume. This suggests a short term bottom has been reached and therefore significant upside potential exists, provided support at \$15.50 holds. Target resistance lies at \$19.73.

Major Shareholders		Peer Group Multiples			
	%	Company name	P/E 08	P/E 09	EPS Growth 08-09
Barclays	4.79%	Intel	12.74	11.38	12.00%
State Street	3.42%	Applied Materials	17.1	13.4	27.61%
Vanguard Group	3.17%	Texas Instruments	10.4	10.1	2.97%
Moore Gordan	3.08%	Nvidia	9.7	8.5	13.88%
Shares Outstanding		5,662			

Share Data		Financial Data		
		2007	2008e	2009e
Current Price (\$)	15.93	Revenue (\$m)	38,334	40,137
Mkt Cap (\$m)	89,600	Pretax Profit (\$m)	9,166	10,838
Reuters	INTC.N	EPS (\$)	1.18	1.25
Bloomberg	INTC US	P/E(x)	13.50	12.74
Sector	Technology	DPS (\$)	0.44	0.53
CEO	Paul Otellini	Dividend Yield	2.76%	3.33%
Chairman	Craig Barrett			
Website	www.intel.com			





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