

BLYTH FUND

Date: 1-29-01
Proposal: Intel Watch List Proposal
Ticker: INTC
Current price: 35 7/8 (close 1-26-01)
Analysts: Charles Najda & Ian Lopuch
Profile: Intel Corporation, a semiconductor chip maker, supplies the computing and communications industries with chips, boards, systems and software that are integral in computers, servers and networking and communications products. The Company's major products include microprocessors, chipsets, flash memory products, networking and communications products, embedded processors and microcontrollers, and digital imaging and other PC-peripheral products. Intel's component-level products consist of integrated circuits used to process information. Intel sells its products to original equipment manufacturers, PC and computing appliance users, industrial and communications equipment manufacturers, and businesses, schools and state and local governments. Intel also provides data center services to businesses needing e-Commerce services. (From *Yahoo! Finance*)

The Numbers:

Shares Outstanding:	6.73 bln	Market Cap:	\$232 bln
P/E (00)	20.74	PEG Ratio (Dec 01)	-2.93
EPS Growth (00)	44%	EPS Growth - 5 years	19.9%
P/book	6.21	P/sales	7.15
Operating Margins	30.8%	Net Margins	31.2%
Cash:	\$13.8 bln	Debt/Equity	0.03
EPS (01)	\$1.05	EPS (02)	\$1.39
ROE	29.22%	ROA	22.21%
Dividend	0.08	Dividend Yield	0.22

Recent News:

- Intel Declares Regular Cash Dividend -- Intel Corporation's board of directors has declared a \$0.02 per share quarterly dividend on the company's common stock. The dividend is payable on March 1, 2001, to stockholders of record on Feb. 7, 2001.
- Intel Corporation acquires Xircom for \$25 per share in an all-cash tender offer valued at approximately \$748 million. The acquisition complements Intel's existing desktop PC and server-based network access businesses by enabling Intel to provide new products for notebook and mobile computing uses. Xircom is a leader in innovative small-form-factor networking products and has strong and well-established sales channel relationships. The acquisition of Xircom provides Intel with an award-winning lineup of products and technologies in the fast growing mobile computing area.
- ATI Technologies Inc. and Intel Corporation announced they have reached agreement on a broad cross-licensing agreement. ATI and Intel are recognized technology and market leaders in their respective categories and this agreement will enable both companies to build upon those unique strengths," said Dave Orton, President & Chief Operating Officer, ATI Technologies Inc. "For example, the agreement will permit ATI to build our technology-leading RADEON™ graphics into chipsets for Intel's microprocessors.
- Hewlett-Packard Company and Intel Corporation announced that they will immediately work together to offer Intel's NetStructure™ appliances to existing Intel, HP and potential new customers. As early as March 2001, HP also is expected to release a family of HP appliances based on Intel's NetStructure product technology, enhanced by HP's high-quality service and support. In the Internet economy, servers must be reliable and scalable to maximize productivity and minimize customer downtime. According to International Data Corporation, the appliance server marketplace could expand to \$11.6 billion by 2004 with potential customers ranging from the enterprise, service providers to small- to medium-sized businesses.
- Intel Corporation announced that its new wafer fabrication facility in Leixlip, Ireland, will begin production in 2002 using state-of-the-art 300 millimeter (mm) manufacturing technology. The new Irish fab will be Intel's second production fab dedicated to 300 mm technology and the first high-volume 300 mm facility in Europe. Intel currently has a

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dedicated 300 mm development fab in the final stages of construction in Hillsboro, Ore., and a production fab under construction in Rio Rancho, N.M. The 300 mm wafer technology, based on silicon wafers that are 300 mm -- or 12 inches in diameter -- will allow more than double number of die per wafer and reduce costs by approximately 30 percent.

Company Analysis and comparison to AMD:

- Intel has certainly struggled this past year. INTC's recent troubles included insufficient production capacity during the first half of 2000, the recall of its 1.13 GHz Pentium III chip in August, a delay in the release of its Itanium chip to 2001, and delays in chipsets designed to work with Rambus memory dating back to 1999.
- Intel is working aggressively to restructure and reestablish the company's reputation. It has decided to end its exclusive relationship with Rambus. Starting this year Intel will support other, cheaper, types of memory for its Pentium 4 processors. Secondly, the company is aggressively pursuing new technology. Intel has always raised R&D spending from year to year. This year is no exception, R&D will be up over 10%. Moreover, Intel's new 0.13-micron manufacturing technology that will debut this year will increase the speed limit of its chips and lower the cost of each chip. Also Intel is nearing the introduction of 300-millimeter wafers, which will lower costs over 30%.
- Intel is focused on the long term. Despite its uncertainty about the year ahead, Intel has stated that it will not make any cuts compromising its future or the long-term value of its shareholders' investments. In other words, Intel knows that the only way to stay on top is to invest in new technologies and processes. In past economic downturns, Intel has ensured its success by continuing to invest in technology, focusing on reducing non-essential spending and preparing to meet its customer requirements when the economy strengthens.
- Compared to Intel, AMD has been less dependable in terms of earnings and product quality. AMD has taken 18% of the CPU market from Intel in the last decade. In recent years it's been more successful especially with its high end Athlon chip. Its Athlon chips are very competitive to Intel's top products the PIII and P4. However, Intel will introduce its 64-bit Itanium chip this year, which will dwarf the Athlon's 32-bit architecture. Also AMD has so far failed to crack the lucrative server and high-end commercial desktop markets.
- Its likely AMD's share of the CPU market will top 20% this year. However AMD is a one-product company and has yet to diversify into networking and communication chips, and as yet will not do so for the next 3-5 years. AMD's margins are 20% compared to Intel's 30%. Recently, AMD has spent billions of dollars to increase production; its cash position of \$1.29 bln is smaller than Intel's \$13.8 bln, which may hinder future expansion. Intel's superior cash position means it can invest in technologies that are expensive up front, but deliver huge cost savings, such as its 300-millimeter wafer.

Financial Analysis:

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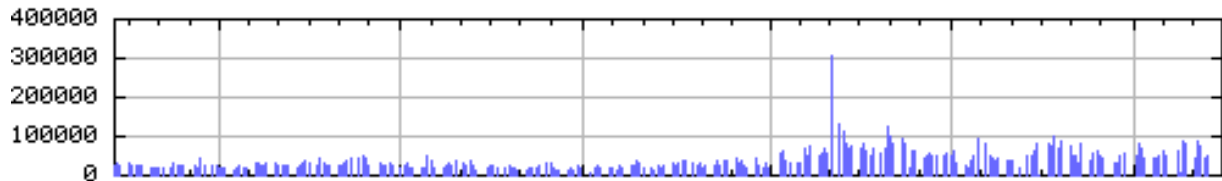
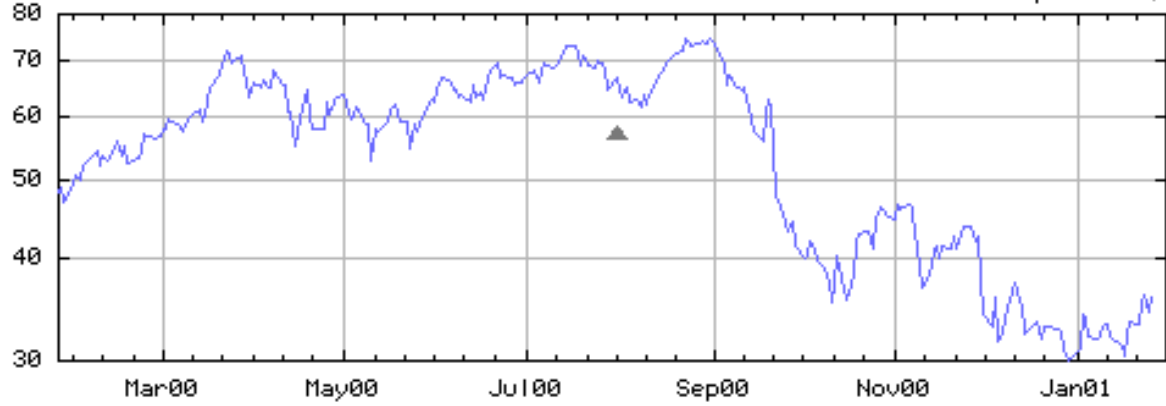
Technical Analysis:

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Intel Corp
as of 26-Jan-2001

Splits: ▼



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