

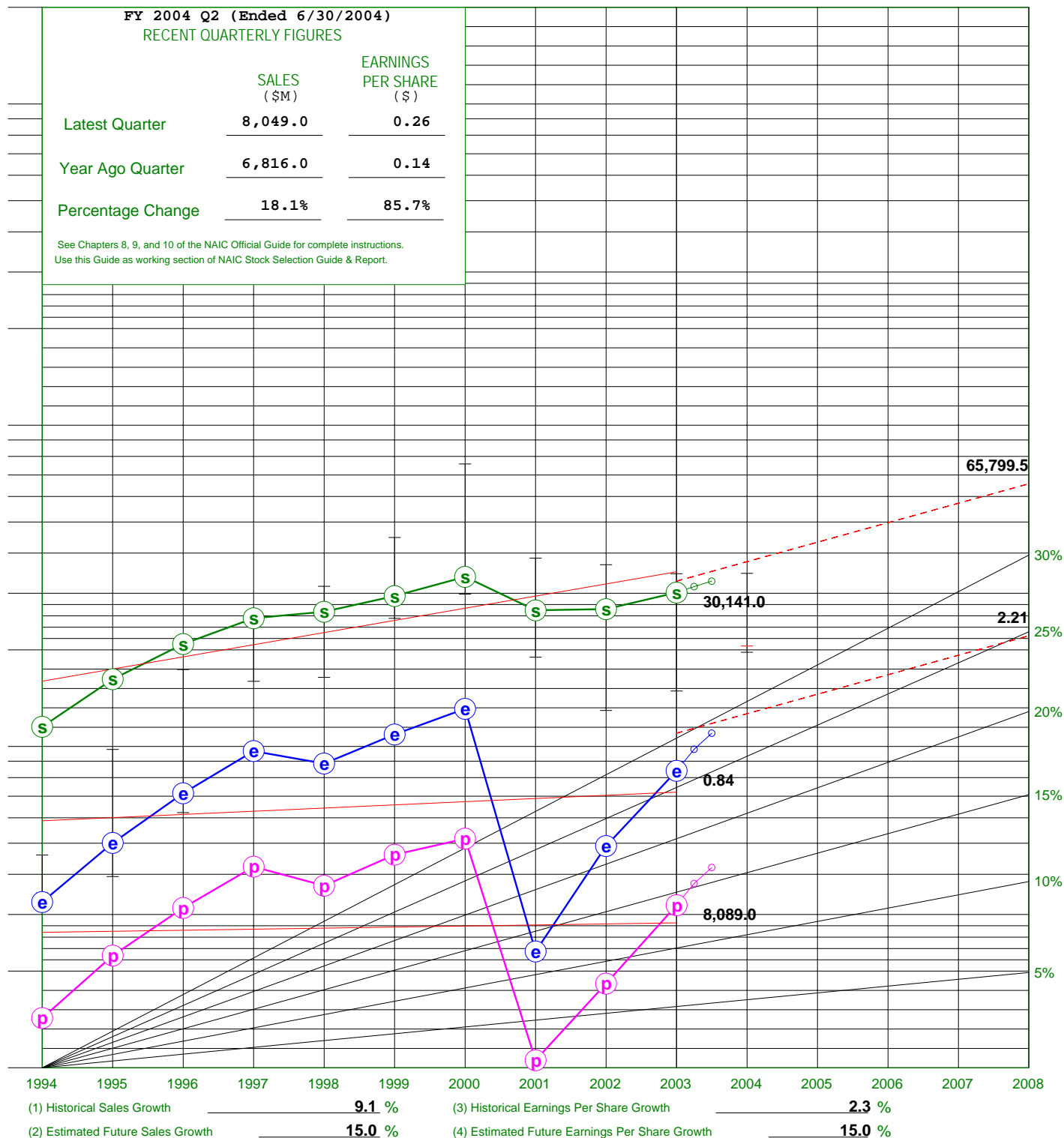
# Stock Selection Guide®

The most widely used aid to  
good investment judgment

|  |                   |         |               |                       |                  |      |
|--|-------------------|---------|---------------|-----------------------|------------------|------|
| Company                                | INTEL CORPORATION |         |               | Date                  | 10/08/04         |      |
| Prepared by                            | MG                |         |               | Data taken from       | NAIC Data        |      |
| Where traded                           | NASDAQ            |         |               | Major product/service | Semiconduct      |      |
| CAPITALIZATION --- Outstanding Amounts |                   |         |               | Reference             |                  |      |
| Preferred (\$M)                        |                   | 0.0     |               | % Insiders            | % Institution    |      |
| Common (M Shares)                      |                   | 6,415.0 |               | 7.0                   | 55.4             |      |
| Debt (\$M)                             |                   | 1,114.0 | % to Tot.Cap. | 2.9                   | % Potential Dil. | None |

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

INTC



## 2 EVALUATING MANAGEMENT

Company **INTEL CORPORATION**

(INTC)

10/08/04

|  | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | LAST 5<br>YEAR AVG. | TREND |      |
|--|------|------|------|------|------|------|------|------|------|------|---------------------|-------|------|
|  |      |      |      |      |      |      |      |      |      |      |                     | UP    | DOWN |
| <b>A</b> % Pre-tax Profit on Sales<br>(Net Before Taxes ÷ Sales) | 31.3 | 34.8 | 38.1 | 42.5 | 35.4 | 39.5 | 38.6 | 10.0 | 17.2 | 26.8 | 26.5                | EVEN  |      |
| <b>B</b> % Earned on Equity<br>(E/S ÷ Book Value)                | 23.4 | 27.1 | 27.4 | 29.5 | 24.9 | 22.2 | 23.6 | 4.3  | 9.1  | 14.4 | 14.7                |       | EVEN |

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

*This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.*

|      |                              | PRESENT PRICE |       | 20.550                        | HIGH THIS YEAR            |                              | 34.600                        | LOW THIS YEAR                |                                  | 19.640 |
|------|------------------------------|---------------|-------|-------------------------------|---------------------------|------------------------------|-------------------------------|------------------------------|----------------------------------|--------|
| Year |                              | PRICE         |       | C<br>Earnings<br>Per<br>Share | D<br>Price Earnings Ratio |                              | F<br>Dividend<br>Per<br>Share | G<br>% Payout<br>F ÷ C X 100 | H<br>% High Yield<br>F ÷ B X 100 |        |
|      |                              | HIGH          | LOW   |                               | HIGH<br>A ÷ C             | LOW<br>B ÷ C                 |                               |                              |                                  |        |
| 1    | 1999                         | 44.8          | 25.1  | 1.09                          | 41.1                      | 23.0                         | 0.055                         | 5.0                          | 0.2                              |        |
| 2    | 2000                         | 75.8          | 29.8  | 1.31                          | 57.9                      | 22.8                         | 0.070                         | 5.3                          | 0.2                              |        |
| 3    | 2001                         | 38.6          | 19.0  | 0.23                          | <del>167.8</del>          | <del>82.4</del>              | 0.080                         | 34.8                         | 0.4                              |        |
| 4    | 2002                         | 36.8          | 13.0  | 0.49                          | <del>75.1</del>           | <del>26.4</del>              | 0.080                         | 16.3                         | 0.6                              |        |
| 5    | 2003                         | 34.5          | 14.9  | 0.84                          | 41.1                      | 17.7                         | 0.080                         | 9.5                          | 0.5                              |        |
| 6    | TOTAL                        |               | 101.7 |                               | 140.1                     | 63.5                         |                               | 70.9                         |                                  |        |
| 7    | AVERAGE                      |               | 20.3  |                               | 46.7                      | 21.2                         |                               | 14.2                         |                                  |        |
| 8    | AVERAGE PRICE EARNINGS RATIO |               |       | 34.0                          | 9                         | CURRENT PRICE EARNINGS RATIO |                               |                              | 18.7                             |        |

## 4 EVALUATING RISK AND REWARD over the next 5 years

*Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.*

### A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ~~46.7~~ **24.0** X Estimate High Earnings/Share **2.21** = Forecast High Price \$ **53.0** (4A1)

### B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~21.2~~ **12.3** X Estimated Low Earnings/Share ~~0.84~~ **1.10** = \$ **13.5** (3E7 as adj.)

(b) Avg. Low Price of Last 5 Years = **20.3** (3B7)

(c) Recent Severe Market Low Price = **13.0**

(d) Price Dividend Will Support  $\frac{\text{Present Divd.}}{\text{High Yield (H)}}$  =  $\frac{0.160}{0.006}$  = **25.9**

Selected Estimate Low Price = \$ **13.5** (4B1)

### C ZONING

**53.0** (4A1) High Forecast Price Minus **13.5** (4B1) Low Forecast Price Equals **39.5** (C) Range. 1/3 of Range = **9.9** (4CD)

(4C2) Lower 1/3 = **13.5** (4B1) to **23.4** (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = **23.4** to **43.1** (Maybe)

(4C4) Upper 1/3 = **43.1** to **53.0** (4A1) (Sell)

Present Market Price of **20.550** is in the **Buy** (4C5) Range

### D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) **53.0** Minus Present Price **20.550**  
Present Price **20.550** Minus Low Price (4B1) **13.5** =  $\frac{32.5}{7.0}$  = **4.6** (4D) To 1

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) **53.0**  
Present Market Price **20.550** = ( **2.579** ) X 100 = ( **257.9** ) - 100 = **157.9** (4E) % Appreciation

Relative Value: 55.0% Proj. Relative Value: 47.8%

## 5 5-YEAR POTENTIAL

*This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.*

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

**A** Present Full Year's Dividend \$ **0.160**  
Present Price of Stock \$ **20.550** =  $\frac{0.008}{100}$  X 100 = **0.8** (5A) Present Yield or % Returned on Purchase Price

### B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years **1.67** X Avg. % Payout (3G7) **14.2** = **23.7** = **1.2** % (5B)

### C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

|  |              |             |   |  |                                |                  |
|--|--------------|-------------|---|--|--------------------------------|------------------|
| 5 Year Appreciation Potential (4E)                     | <b>157.9</b> |             |   |  |                                |                  |
| 5  |              | <b>31.6</b> | % |  |                                |                  |
| Average Yield (5B)                                     |              | <b>1.2</b>  | % |  |                                |                  |
| Average Total Annual Return Over the Next 5 Years (5C) |              | <b>32.8</b> | % |  |                                |                  |
|  |              |             |   |  | <b>P.A.R.</b>                  | <b>Tot. Ret.</b> |
|  |              |             |   |  | <b>0.8%</b>                    | <b>0.6%</b>      |
|  |              |             |   |  | <b>14.3%</b>                   | <b>20.9%</b>     |
|  |              |             |   |  | <b>% Compd Ann Rate of Ret</b> | <b>15.1%</b>     |
|  |              |             |   |  |                                | <b>21.5%</b>     |



Trailing 4 quarters

# PERT Worksheet-A Graph

Company INTEL CORPORATION (INTC)

