

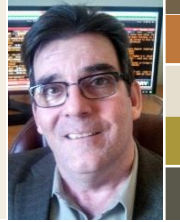
Market Strategy

Intel (INTC)

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INTC acquires control of AMD

Benefits

- Strengthens INTC by consolidating a platform
- Protects the flank of INTC
- Addresses the real competitive threat to INTC
 - ARMH and QCOM

Market Capitalization - \$billions			
Organization	10 Yrs Ago	Today	Growth
INTC	\$167	\$140	(16.2%)
AMD	\$8	\$1	(87.5%)
QCOM	\$64	\$105	64.1%
ARMH	\$3	\$23	666.7%

Over the last ten years, there has been a significant transfer of wealth – or market capitalization. Examine the preceding table and ask the following question: how did QCOM and ARMH create so much wealth?

The main reason: the ARM Chip Architecture captured most of the mobile market (phones, tablets), which has grown significantly over the last ten years. And ARM is just beginning to penetrate the strongest position of INTC: notebooks, desktops and servers. With respect, when will INTC address this transfer of wealth?

AMD is not the competition. In fact, it's an ally in the fight against the rising ARM architecture. AMD (and Global Foundries) cannot efficiently manufacture the INTC x86 architecture. So, where is the value in AMD?

Gaming Platform. AMD provides the x86-based SoC for the Nintendo, Sony and Microsoft gaming systems. This market segment creates significant opportunity for INTC, especially in virtual reality. Don't lose this market segment to the ARM chip architecture.

Graphics Platform. AMD graphics technology renders some of the best images on the market for both high-end computing / gaming as well as casual computing.

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Brand Management Position AMD as a lower cost alternative to INTC, which will ultimately strengthen the INTC brand and provide attractive pricing in the market.

Capacity Utilization Manufacture the AMD x86 chip and better utilize the manufacturing capacity of INTC.

AMD is struggling in the market. It's lost more than 87% of its market capitalization over the last ten years. It's clearly losing the x86 battle in the market, so it's beginning to develop the ARM architecture for the computer, server and data center segments of the market.

In the current market, AMD is not the competition. It's an ally in the fight against the rising ARM architecture. If AMD wants to develop the ARM architecture, let it. But first acquire control of the x86 assets from AMD and protect the brand of INTC.

If AMD doesn't manufacture a relatively high quality x86 product, it negatively effects the INTC brand – because INTC developed the x86 architecture.

Furthermore, this market anomaly opens a back door for the ARM architecture. It's time to consolidate the x86 platform and protect the INTC brand. The gaming platform creates significant opportunities in the market for INTC, especially in areas like virtual reality, because this segment continually presses the cutting edge of computing, graphics and communication technology.

Given the recent performance of AMD, INTC could acquire control of AMD or the x86 assets at a fairly attractive price. And the benefits from just the gaming platform would far outweigh the acquisition cost.

For a more detailed analysis on INTC, please visit the Capital Executive LLC website (Strategy/INTC).

Sincerely,
Ken Copley
Capital Executive LLC

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