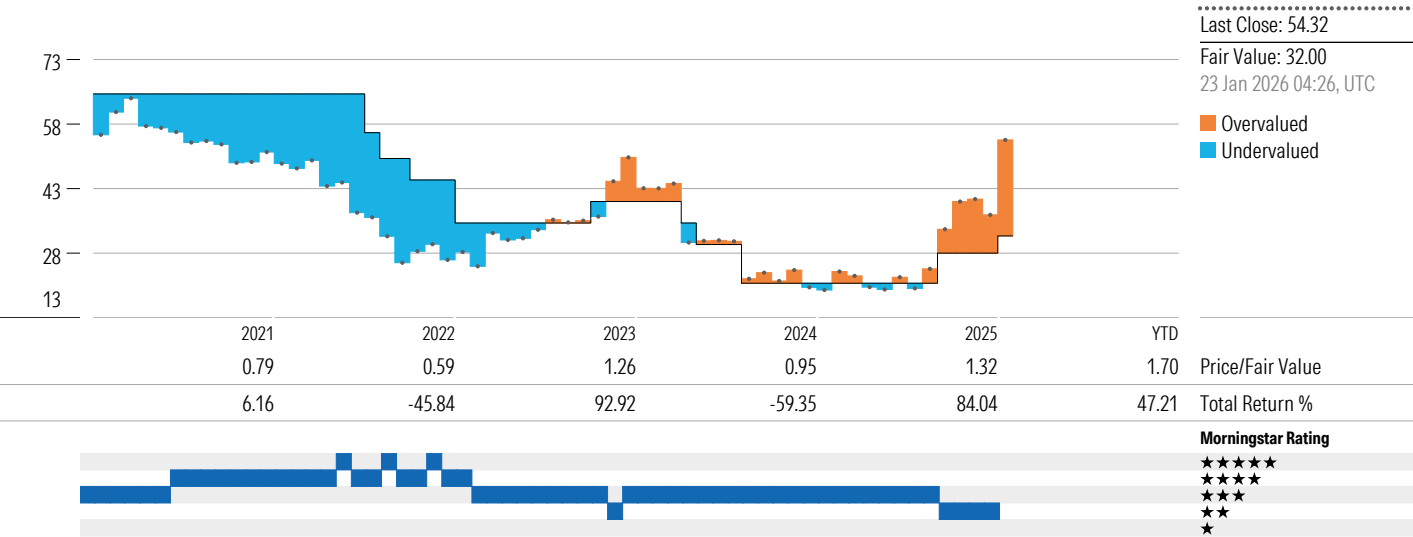


Intel CorpINTC★★23 Jan 2026 04:29, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment¹
54.32 USD 22 Jan 2026	32.00 USD 23 Jan 2026 04:26, UTC	1.70	259.11 USD Bil 22 Jan 2026	None	Large Blend	Very High	Standard	 7 Jan 2026 06:00, UTC

Price vs. Fair Value



Total Return % as of 22 Jan 2026. Last Close as of 22 Jan 2026. Fair Value as of 23 Jan 2026 04:26, UTC.

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The primary analyst covering this company does not own its stock.

¹The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

Intel Earnings: Q1 Data Center Revenue Guidance Was a Letdown; Shares Overvalued

Analyst Note Brian Colello, CPA, Senior Equity Analyst, 23 Jan 2026

Intel's fourth-quarter revenue was \$13.7 billion, flat sequentially and down 4% year over year, but toward the high end of guidance. Intel's first-quarter revenue guidance of \$12.2 billion at the midpoint would be down 11% sequentially and worse than FactSet consensus.

Why it matters: We're disappointed with Intel's forecast. We think investors were optimistic about Intel's server processor (CPU) business within its data center, or DCAI, segment. While revenue was up 15% sequentially in the fourth quarter, revenue should be down sequentially in the first quarter.

- Server CPUs appeared poised to prosper in the near term amid a tremendous artificial intelligence buildout, which might be causing shortages that will give Intel some pricing power. However, this burst in demand was ahead of Intel's capacity, so the company can't fully capitalize on it in the near term.
- We also suspect investors were optimistic about Intel announcing a large external foundry customer. This did not happen, although Intel pointed to an analyst day in the second half of this year that might give the firm a platform to announce some external customer commitments.

The bottom line: We raise our fair value estimate for no-moat Intel to \$32 from \$28 due to stronger DCAI prospects. Still, shares appear materially overvalued as investors appear too optimistic about external foundry revenue, all while we still foresee risks of further share loss in PC and server CPUs.

Intel Corp **INTC** ★★

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Sector	Industry
 Technology	Semiconductors

Business Description

Intel is a leading digital chipmaker, focused on the design and manufacturing of microprocessors for the global personal computer and data center markets. Intel pioneered the x86 architecture for microprocessors and led the semiconductor industry down the path of Moore's law for advances in semiconductor manufacturing. Intel remains the market share leader in central processing units in both the PC and server end markets. Intel is seeking to reinvigorate its chip manufacturing business, Intel Foundry, while developing leading-edge products within its Intel Products business segment.

- Intel's stock rose 16% this week ahead of earnings to \$54, but fell as much as 13% to \$47 after hours, which is roughly where the stock traded last week. We think investors were anticipating a huge revenue beat or customer announcement and instead received a letdown.
- While we see signs of life for Intel in DCAI, we can't rule out the possibility that Intel's supply shortage might drive even more customers over to rival AMD in the near term.

Business Strategy & Outlook **Brian Colello, CPA, Senior Equity Analyst, 12 Mar 2025**

Intel's best days are behind it, as it currently has a chip manufacturing disadvantage against Taiwan Semiconductor, or TSMC, and its processor partners, such as AMD, Nvidia, and Apple. It is possible that the best outcome for Intel investors is a breakup of its chip design (Intel products segment) and manufacturing (Intel Foundry) businesses.

Intel is focused on improving Intel Products, even if it means moving away from Intel Foundry and toward its former rival, TSMC. Foundry isn't giving up on focus on manufacturing improvements, such as Intel 18A, is the proper move, but we don't foresee Foundry catching TSMC in process leadership any time soon. Even if successful, Intel's Products competitors will be stronger than when the firm was dominant a decade ago. In turn, we assign Intel a no-moat rating.

We view Intel's former dominance as stemming from two areas. First, its execution of Moore's Law, which predicts transistor density on integrated circuits will double about every two years, meaning subsequent chips have substantial power, cost, and size improvements. In recent years, however, Intel was unable to keep pace. Intel's second advantage comes from its control of x86, the instruction set for virtually the entire history of the PC. Microsoft Windows was written with x86 processors in mind, which virtually guaranteed that almost all PC hardware would run on x86 processors. AMD was granted an x86 license but was a subpar second source for decades, and Intel thrived.

Lately, however, AMD forged a tight partnership with TSMC, allowing AMD to improve its competitiveness versus Intel in both PC and server CPUs. Even if Intel revives its manufacturing roadmap, we don't foresee AMD recoiling from the market. Meanwhile, Apple and its partners made the hard switch to ARM-based CPUs, and the Windows ecosystem is starting to support a similar switch.

Even if Intel achieves its aspirations of reaching five manufacturing node improvements in four years, (culminating with Intel 18A), there is no guarantee of a booming market for PC or server CPUs. Meanwhile, we think Intel is far behind Nvidia, and even AMD, in artificial intelligence products.

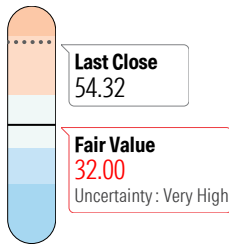
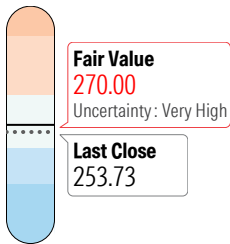
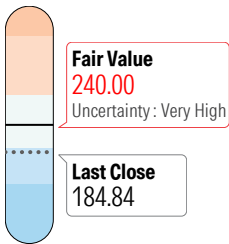
Bulls Say **Brian Colello, CPA, Senior Equity Analyst, 23 Jan 2026**

- Intel is one of the largest semiconductor companies in the world and still holds leading market share positions within the PC and server processor markets.
- Intel's Products business segment remains an innovative, profitable design team, and shifting more

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Competitors

	Intel Corp INTC	Advanced Micro Devices Inc AMD	NVIDIA Corp NVDA
			
Economic Moat	None	Narrow	Wide
Currency	USD	USD	USD
Fair Value	32.00 23 Jan 2026 04:26, UTC	270.00 12 Nov 2025 00:12, UTC	240.00 20 Nov 2025 02:28, UTC
1-Star Price	56.00	472.50	420.00
5-Star Price	16.00	135.00	120.00
Assessment	Overvalued 23 Jan 2026	Fairly Valued 22 Jan 2026	Undervalued 22 Jan 2026
Morningstar Rating	★★ 23 Jan 2026 04:29, UTC	★★★ 22 Jan 2026 23:55, UTC	★★★★ 22 Jan 2026 23:55, UTC
Analyst	Brian Colello, Senior Equity Analyst	Brian Colello, Senior Equity Analyst	Brian Colello, Senior Equity Analyst
Capital Allocation	Standard	Exemplary	Exemplary
Price/Fair Value	1.70	0.94	0.77
Price/Sales	4.66	12.93	24.28
Price/Book	2.27	6.80	37.79
Price/Earning	233.68	126.86	45.75
Dividend Yield	0.00%	0.00%	—
Market Cap	259.11 Bil	413.08 Bil	4,492.54 Bil
52-Week Range	17.67—54.55	76.48—267.08	86.62—212.19
Investment Style	Large Blend	Large Growth	Large Growth

production to Taiwan Semi might enable the firm to fend off recent market share losses.

- Intel Foundry is one of only three companies that can come close to building leading-edge processors, and additional financial support might enable the business to emerge as a viable manufacturer down the road.

Bears Say Brian Colello, CPA, Senior Equity Analyst, 23 Jan 2026

- There are no guarantees that Intel can execute on its manufacturing aspirations, such as the release of Intel 18A in 2025.
- Even if Intel can improve upon its manufacturing roadmap, AMD now sits as a far more credible chip designer in the x86 space for PC and server CPUs, while ARM-based CPUs are a much greater threat than in years past.
- Nvidia's GPUs have captured most of the artificial intelligence accelerator market, and we don't foresee Intel making a dent in AI accelerators any time soon.

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Economic Moat Brian Colello, CPA, Senior Equity Analyst, 23 Jan 2026

We assign Intel a no-moat rating. The company's returns on invested capital have fallen in recent years, and we do not foresee excess returns on capital in the years ahead. The deterioration stems from the firm's manufacturing struggles and hefty investment phase in new manufacturing processes. We acknowledge that, if Intel were to perfectly execute on its aggressive technological roadmap, it may warrant an economic moat rating in the future. However, this outcome is likely years down the road with no guarantee of success.

Intel's chip design team has decades of experience in processor designs, mostly around central processing units, or CPUs, that, in our opinion, would likely warrant a narrow moat rating in isolation. However, we view the chip manufacturing business as being at a cost and technological disadvantage today, as the firm has stumbled and lost its lead to Taiwan Semiconductor, or TSMC, the world's largest foundry. In our view, Intel's manufacturing headwinds more than offset any competitive advantages that its chip design expertise may warrant.

Intel is perhaps best known for its CPUs for PC desktops and notebooks within its client computing group, or CCG, business segment. We think that Intel has a competitive advantage in PC CPU chip designs, not only because of chip design expertise honed over decades, but also because Intel is one of two prominent firms (along with AMD) to hold an x86 instruction set architecture license.

Intel initially developed x86 in the 1970s and emerged as the instruction set required for IBM PCs and, later, Microsoft's operating systems. Intel and AMD are the primary licensees of x86 and owners of x86 intellectual property, as they have a cross-licensing agreement that covers the x86 patent portfolio and would be terminated if either firm was acquired or had a change of control. The exclusivity of the x86 license serves as a significant barrier to entry for other chipmakers (such as Qualcomm, Apple, or others) that cannot make an x86 processor without a license.

For many years, effectively all PC software (including Microsoft's Windows, Apple's Mac operating systems, and any desktop software applications running on both operating systems) was designed for the x86 architecture. Software makers could not easily deviate from building x86-optimized applications, while Microsoft and Apple would have a heavy lift to convert their operating systems to alternate instruction sets (such as those by ARM, which is the dominant instruction set for mobile devices, used in processors from Qualcomm, Samsung, Apple's iPhones, and others). In turn, Apple (for the Mac) and PC vendors (for Windows machines) had little choice than to buy x86 processors from (mostly) Intel or (on occasion) AMD to run their PCs.

Today, however, Apple has already done the heavy lifting of converting its Mac software to ARM and has now built excellent in-house processors for its Mac lineup. Further, an increasing portion of software is

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hosted in the cloud and can run on multiple operating systems and isn't tied to only x86 devices. Microsoft has dabbled in ARM-based versions of Windows but has increased its support of ARM recently, enabling Qualcomm to enter the PC CPU market, and others (perhaps Nvidia) are likely on the way.

We still think it would be a heavy lift for any on-device software makers to port their software to be compatible with ARM-based PCs, but we think the writing is on the wall here to move such software to the cloud or on to ARM-based devices like the Mac. Thus, we don't think the x86 architecture is as moaty as it once was, although we still foresee x86-based processors from Intel and AMD as making up a significant portion of the PC market for the next several years.

Intel also had a historical cost advantage in the PC processor market because of its manufacturing leadership along Moore's Law, which was coined by one of Intel's chief founders, Gordon Moore, and suggests that the number of transistors per unit area doubles approximately every two years. For decades, Intel held a manufacturing advantage that drove PC hardware makers to buy Intel chips, which gave Intel a bigger R&D budget to invest in the next wave of chip innovations, thus coming out with even better processors and keeping the positive flywheel going.

These dynamics have flipped in recent years, however, as Intel has stumbled in internal manufacturing and could no longer keep up with Moore's Law. Meanwhile, AMD has partnered closely with TSMC, the world's largest outsourced chip manufacturer or foundry. TSMC now has a market lead in making cutting edge chips, and AMD is bringing more competitive products to the PC market. In turn, AMD has gained market share over Intel in PCs in recent years.

We view Intel's cost disadvantage as the primary reason for our moat downgrades for Intel from wide to narrow to none. If Intel did not own fabs and instead outsourced production to a foundry like TSMC, it likely would have been far more profitable in 2022 and 2023 during the slowdown in PC demand. Some investors have called for Intel to go fabless, likely to break out the crown jewel chip design team. However, we consider this narrow moat design team as buried within a much larger, struggling, non-moaty manufacturing business.

Intel is investing heavily in new process nodes to strive for manufacturing parity, if not leadership, with TSMC. If Intel is successful, it could regain some lost x86 PC market share. However, we no longer view AMD as an also-ran in PC CPUs, and even if Intel were to improve, we still think AMD could retain enough customers to maintain a healthy PC business. Further, the rise of ARM processor vendors represents an emerging threat that Intel did not face in its heyday a decade ago and earlier.

In server CPUs within Intel's data center and AI, or DCAI, segment, we see similar dynamics. Intel captured a dominant market position thanks to both x86 know-how and leading-edge manufacturing, but lost its edge on the latter front, allowing the AMD/TSMC partnership to gain credibility and market

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share in server CPUs.

We also think that any cloud-based software vendors face high switching costs to move their software from x86 servers and on to ARM-based servers, although the switching costs are likely far lower between hosting software on an Intel x86 server versus an AMD one. Still, like the PC market, we see ARM-based processors as a threat, as Amazon, Nvidia, and others are developing ARM-based processors to run traditional server workloads as well as AI applications. Optimizing data center architectures and workloads for ARM-based servers, rather than x86 ones, is again a heavy lift, from what we can gather. However, we recognize that leading hyperscalers (Microsoft, Amazon, and so on) may have the incentive to do so if they can use ARM-based processors to elevate their data centers and devices. Ultimately, we don't foresee a mass exodus away from x86 architectures in the data center for the next several years.

Intel owns some other businesses and segments that hold valuable intangible assets around design expertise. Both Altera and Mobileye were narrow-moat companies when independent. However, most of Intel's revenue comes from CCG and DCAI, and we foresee the PC and server CPU markets as driving Intel's fate for the next few years. We view Intel's current cost disadvantage as offsetting any chip design competitive advantages the firm may have in areas like Altera's field programmable gate arrays, or FPGAs, Mobileye's automotive products, or any semis developed for the communications infrastructure or networking end markets.

Fair Value and Profit Drivers **Brian Colello, CPA, Senior Equity Analyst, 23 Jan 2026**

Our fair value estimate is \$32 per share, which implies a 2026 price/earnings multiple of 33 times.

Intel's revenue fell 14% in 2023, due to a significant pause in PC spending after a couple of strong years of upgrades during the covid-19 pandemic, but also because of market share losses and more cautious spending among data center customers. Intel didn't see a huge rebound in 2024 or 2025 either, as market share losses continued, and sales fell another 2% and 0.5%, respectively. We anticipate that strong demand for server CPUs used as part of the AI buildout will lead to growth for Intel in 2026, which we model at 5%. We model growth of 8%, on average, from 2027 through 2030, thanks to healthy server CPU demand and as Intel gains external foundry customers.

Looking at Intel's client computing group, or CCG, which includes the firm's PC CPU business, we anticipate a 3% revenue decline in 2026, as memory chip shortages may weigh on overall PC demand throughout the industry. We model low- to mid-single-digit revenue growth each year thereafter. We anticipate that Intel will continue to lose share to AMD and emerging ARM-based CPU vendors but might be able to stop the bleeding somewhat, thanks to its partnership with Nvidia to include GPU tiles into its x86 CPUs.

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In data center and AI, or DCAI, we now project strong growth of 24% in 2026, as robust demand for x86 server CPUs boosts the businesses of both Intel and AMD. Our forecast assumes that Intel will be supply-constrained throughout 2026, and we think it's still likely that Intel will continue to lose share to AMD in server CPUs. We model 15% growth year in 2027 for similar reasons, a 10% decline in 2028 as strong CPU pricing likely tapers off, and flattish revenue thereafter. We are not modeling significant revenue for Intel from AI accelerators in the years ahead.

Intel is building its foundry business from the ground up. We model \$1.7 billion of revenue from foundry in 2026, mostly because wafers for the formerly internal Altera business unit are now classified as external wafers once Intel spun off Altera. Still, we think that new external customers will gravitate to Intel and we model the firm capturing \$15 billion of external foundry revenue by 2030. We acknowledge that the timing and magnitude of such revenue is highly uncertain. It's conceivable that Intel's foundry gains might come from companies that compete with Intel in products.

Intel's manufacturing missteps and a soft PC market have caused GAAP gross margins to crater from 62% in 2018 to 35% in 2025 (and non-GAAP gross margin to fall from 63% to 37%). We think this is the bottom for Intel's business as we model a 35% GAAP gross margin in 2026, expanding to 50% in 2030. Such expansion should occur as Intel moves production to TSMC while improving upon its foundry business. On a non-GAAP basis, we model a 37.5% gross margin in 2025, expanding to 51% in 2030.

On an operating margin basis, GAAP operating margin has also plummeted from 33% in 2018 to a 4% operating loss in 2025. We foresee a 4% GAAP operating margin in 2026 and improvement to a 25% operating margin in 2030. On an adjusted operating margin basis, we expect a 9% margin in 2026 and a recovery to 29% in 2030.

Risk and Uncertainty Brian Colello, CPA, Senior Equity Analyst, 12 Mar 2025

We assign Intel with a Morningstar Uncertainty Rating of Very High. Intel continually faces execution risk associated with keeping pace with Moore's Law and creating cutting-edge processors, both in terms of chip design and chip manufacturing. On the latter front, Intel stumbled in recent years, causing the firm to lose market share and suffer notable operating losses. We foresee execution risk associated with Intel's aggressive plans to achieve five processor nodes in four years, culminating with Intel 18A in 2025.

In PCs, Intel now squares off against a more formidable AMD, which has adopted chiplet designs and partnered with TSMC to develop high-end processors on par with (or better than) Intel's recent offerings. Outside of the x86 processor battles between Intel and AMD, we see a risk of Microsoft following Apple's lead and potentially pushing its PC operating system, Windows, toward greater compatibility with ARM-based processors. New ARM entrants could pose credible threats to both AMD and Intel. All the while, the PC market remains cyclical, and Intel will have to navigate the cycles

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accordingly.

In the data center, Intel again faces execution risk against the TSMC/AMD partnership, to stop its recent market share bleeding as well as the risk of ARM-based processors gaining prominence. We also foresee a wallet shift away from traditional cloud computing workloads (requiring Intel's CPUs) toward AI accelerator workloads (requiring GPUs from Nvidia). Intel's Gaudi product lineup didn't make a dent in the AI market versus Nvidia, and we have little hope that Intel will emerge as a meaningful vendor of AI accelerators in the years ahead.

On the environmental, social, and governance front, we do not foresee any material issues on the horizon. Perhaps the greatest risk is the potential scarcity of experienced chip design talent within the industry.

Capital Allocation Brian Colello, CPA, Senior Equity Analyst, 12 Mar 2025

We assign Intel a Standard Capital Allocation Rating. The rating reflects our assessments of a weak balance sheet (considering recent operating losses), fair investments associated with the firm's strategy and execution, and mixed shareholder distribution policies.

Intel does not have a sound balance sheet today, in our view, given the company's recent inability to generate free cash flow and its aspirations for hefty capital investments into its next wave of chip manufacturing across the globe. As of December 2024, Intel held \$22.1 billion of cash and investments, as compared with \$50 billion of debt. Intel was regularly earning \$10 billion-plus of free cash flow per year in its heyday but burned free cash flow in each year from 2022 to 2024. Financial contributions from partners will be needed to prevent further free cash flow burn in 2025.

Intel has a mixed track record of acquisitions, in our view. Mobileye, acquired for \$15.3 billion in 2017, did well, although the business (publicly traded) carries a lower market cap (as of March 2025) than what Intel paid for it. Intel's acquisition of Habana Labs (\$2 billion in December 2019) was crucial in its AI accelerator strategy, but still did not allow for the firm to make up for a hardware, software, or networking advantage amassed by Nvidia in this space.

We consider Intel's acquisition of Altera (\$16.7 billion in 2015) as mixed—while Altera remains a prominent field programmable gate array, or FPGA, chip designer, we have little evidence that it has fared better under the Intel umbrella, and perhaps it fared worse than its rival Xilinx (since acquired by AMD). Intel's proposed deal for Tower Semiconductor (\$5.4 billion) made strategic sense to us as Intel will need to raise its game in foundry services for others, but the deal was terminated as it failed to receive approval in China.

Intel's internal investments are a sound strategic move, in our view. We believe Intel Foundry should continue to invest in leading-edge chip manufacturing, unlike AMD's decision a decade ago to spin out its fabs into GlobalFoundries. In our view, Intel has little choice but to strive to get back on track in chip

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manufacturing to come close to parity with TSMC. Such investments will strain the balance sheet, however, and will still require a host of government incentives and investment partnerships to come to fruition. It's conceivable that Intel might try to spin off the foundry business.

On the capital distribution front, negative free cash flow forced Intel to slash its previously healthy dividend.

Analyst Notes Archive

Intel Earnings: Relatively Strong, but Turnaround Risks Remain; \$28 Fair Value Maintained Brian Colello, CPA, Senior Equity Analyst, 24 Oct 2025

Intel reported third-quarter revenue of \$13.7 billion, up 6% sequentially, up 3% year over year, and above the high end of guidance. Adjusted gross margin of 40% also exceeded guidance of 36%. Why it matters: Intel reported strong third-quarter results, led by healthy PC demand amid upgrades to Microsoft Windows 11. Yet the bigger stories, in our view, pertain to news in recent weeks, such as investments made into Intel by the US government and Intel's partnership with Nvidia. Still, we're pleased with Intel's third-quarter gross margin, which increased due to a favorable product mix. We're also encouraged by recent cost savings, as third-quarter GAAP operating expenses were down 20% year over year. Client computing revenue rose 5% year over year, thanks to the PC refresh to Windows 11. However, Intel continues to sell a higher mix of older PC processors, which is good for margins, but concerns us on the technological front, as customers aren't massively adopting Intel's best products. The bottom line: We maintain our \$28 fair value estimate for no-moat Intel. Shares rose about 7% after hours on the strong third-quarter results, but we still think Intel has a long way to go to successfully complete its turnaround. We think the stock price appreciation is a bit overdone. One key valuation driver is whether Intel can attract external foundry customers to use Intel 14A over the next couple of years. Admittedly, Intel said it is optimistic about recent foundry customer engagements, but we'd like to see Intel get closer to deals before we become more excited. Second, Intel will need to halt its market share losses to AMD in x86 PC and server processors, especially at the high end of the market. AMD is yet to report earnings, and while Intel's PC growth is encouraging, it's plausible that AMD might be faring even better in the market.

Intel: Collaboration With Nvidia Is a Welcome Positive; Raising Fair Value Estimate to \$28 From \$21 Brian Colello, CPA, Senior Equity Analyst, 18 Sep 2025

Intel and Nvidia announced a collaboration to jointly develop multiple generations of custom data center and PC products. Nvidia will also invest \$5 billion in Intel's common stock at a price of \$23.28 per share. Why it matters: This is another win for Intel as it raises funds for its manufacturing business, Intel Foundry. Yet the deal doesn't alter our Intel thesis, as Nvidia has not committed to shifting massive portions of its chip production to Intel Foundry and away from TSMC. While the cash infusion will

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support Foundry, the collaboration should help to solidify Intel's Products business. A cozier partnership in x86 CPUs in the data center, and integrating Nvidia RTX GPU chiplets into PC CPUs, may help Intel slow its recent market share losses to AMD in CPUs. The bottom line: We raise our fair value estimate for no-moat Intel to \$28 from \$21 as we are more optimistic about long-term support for Intel's Products segment. We retain our Very High fair value Uncertainty Rating. The 20%-plus rally in shares appears slightly overdone to us. We continue to view the bull case for Intel as one where it solidifies its Products business while receiving outside support to ensure a healthy Foundry business. We view the deal as progress on both fronts, but not a seismic shift, and there is more work to be done on all fronts. Big picture: The game-changer for Intel, in our view, would be if Nvidia were to shift a hefty portion of its GPU production to Intel 14A in the future. We don't expect this to happen, given Nvidia's long relationship with TSMC and the latter's plans to expand manufacturing in the US. That said, a cozier relationship between Intel and Nvidia brings optimism that Nvidia might explore Intel Foundry as a minority, if not substantial, manufacturing partner someday, perhaps in GPUs or future PC CPUs, which Nvidia is rumored to be developing.

Intel: Trump Administration Takes a 9.9% Stake in Intel; Maintain \$21 Fair Value Estimate Brian Colello, CPA, Senior Equity Analyst, 24 Aug 2025

On Friday, Aug. 22, Intel and the US government formally announced an agreement in which the US government will make an \$8.9 billion investment in Intel's common stock at a price of \$20.47 per share, representing a 9.9% stake. Why it matters: We think Intel investors should be encouraged by the initial terms of the deal. The US government ownership will be passive "with no Board representation or other governance or information rights." Our early fears were that a host of strings, or even unintended consequences, factored into this deal, thus becoming a case of "be careful what you wish for." The initial terms assuage these concerns. The bottom line: We maintain our \$21 fair value estimate for no-moat Intel and retain our Very High Uncertainty Rating. Admittedly, the announcement is good news for Intel shareholders, but we still believe that Intel faces execution risks as its turnaround continues. In our view, the best-case scenario of the agreement will be if the US government will subsequently encourage, if not require, leading US fabless chip designers to use Intel Foundry for at least a portion of their manufacturing needs over time, all without any sort of onerous tax or pricing terms. On the other hand, this investment likely locks Intel into ongoing investment in Intel 14A and beyond. The bearish scenario we envision would be if Intel continues to invest heavily in Foundry but still fails to capture large customers, similar to current business conditions. Key stats: The agreement replaces the US government's previous Chips Act funding plans. Previous Chips Act grants will make up \$5.7 billion of the investment, and \$3.2 billion is part of the Secure Enclave program, where Intel will provide semis to the government. Intel noted that it previously received \$2.2 billion of Chips Act grants, which do not involve ownership of Intel's shares, thus making the government's total investment in Intel equal to \$11.1 billion.

Intel Corp **INTC** ★★ 23 Jan 2026 04:29, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment¹
54.32 USD 22 Jan 2026	32.00 USD 23 Jan 2026 04:26, UTC	1.70	259.11 USD Bil 22 Jan 2026	None	Large Blend	Very High	Standard	7 Jan 2026 06:00, UTC

Intel: Maintaining \$21 Fair Value Estimate as Intel Foundry Receives Outside Support Brian Colello, CPA, Senior Equity Analyst, 19 Aug 2025

Intel announced that SoftBank Group will buy \$2 billion of Intel shares at \$23 per share as SoftBank invests in US chip manufacturing. Separately, the US government appears to be closer to a deal to use Chips and Science Act funds to acquire a 10% stake in Intel. Shares rose 7% on the news. Why it matters: The two deals increase the likelihood of Intel's foundry business remaining on track to invest in advanced chip manufacturing (Intel 14A), not only for Intel's internal products businesses, but more importantly, for external foundry customers. Intel foundry was unable to secure significant external customer orders for its upcoming 18A process, but a government stake might either incentivize or outright force some large US fabless chip designers (perhaps Nvidia, Advanced Micro Devices, or Apple) to use Intel foundry on 14A. The SoftBank stake could lead to another of SoftBank's holdings, Arm, to use Intel foundry, as Arm reportedly aspires to build its own line of semiconductors. The bottom line: We maintain our \$21 fair value estimate for no-moat Intel and retain our Very High Uncertainty Rating. Admittedly, these investments bring us closer to a bullish scenario for shareholders where Intel receives support to prop up Intel foundry. While the investments would be good for Intel's revenue and chip manufacturing within the US, Intel will still need to invest heavily to bring this production to fruition. 14A is likely uneconomical without an inflow of external orders. Long view: We also question the profitability of this revenue if the US government is heavily involved in ownership of Intel. Intel might have to offer pricing concessions on these external foundry orders. Also, it's conceivable the US government may strive to earn a tax on this foundry revenue, like the proposed deal for the 15% it seeks on Nvidia's and AMD's AI GPU sales into China once they receive export licenses.

Intel: A US Financial Stake in Intel Would Be Good for Shareholders; Maintain \$21 Valuation Brian Colello, CPA, Senior Equity Analyst, 14 Aug 2025

Bloomberg reported that the US government is in discussions with Intel to potentially take a stake in the chipmaker. Intel's shares rose 7% on the news. Why it matters: Intel no longer controls its own destiny in terms of building leading edge fabs to support its once-dominant processor (CPU) businesses. Rather, Intel will require capital from investors or governments, along with orders from external customers, to support the business. We also believe the US government wants to ensure that leading-edge chip manufacturing is done onshore. These fabs are led by Taiwan Semiconductor, or TSMC, in Taiwan today. Even though TSMC is investing heavily in US fabs, we suspect the US strategically wants Intel to succeed. This report suggests that Intel CEO Lip-Bu Tan's meeting with US President Donald Trump earlier this week was a successful one. The bottom line: We maintain our \$21 fair value estimate for no-moat Intel and retain our Very High Uncertainty Rating. We view the stock reaction as reasonable if a deal were to fall in place but don't have much confidence that such a deal will ultimately be consummated. That said, this report is nothing but good news to Intel investors. We still view the best-

Intel Corp **INTC** ★★ 23 Jan 2026 04:29, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment¹
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case scenario for Intel investors is if the company were to receive an infusion to support its fab buildouts, either from a consortium of partners/customers or, in this case, the US government. Coming up: The Bloomberg report specifically cited potential investment in Intel's new fabs in Ohio, where production has been delayed. Tan was clear that it will not invest in next-generation Intel 14A chip production if it can't secure enough potential chip orders from outside customers.

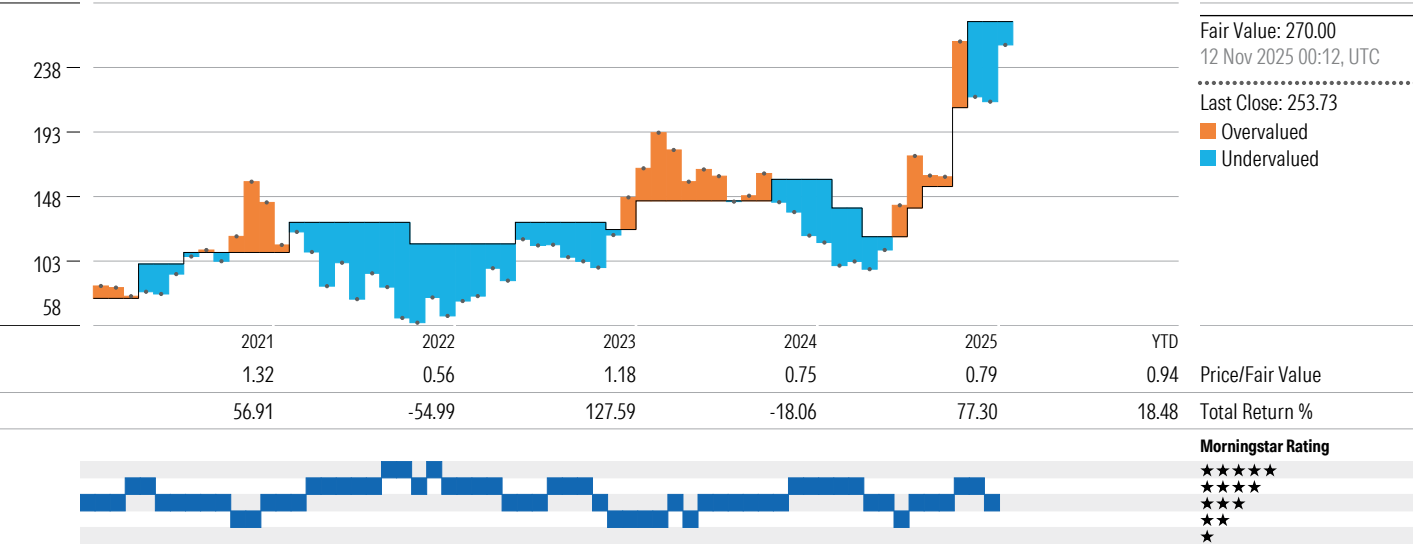
Intel Earnings: Solid Near-Term Revenue but a Somber “State of the Union” Address Brian Colello, CPA, Senior Equity Analyst, 25 Jul 2025

Intel reported second-quarter revenue of \$12.9 billion, flat year over year, up 1.5% sequentially and above the high end of guidance. Third-quarter revenue guidance of \$13.1 billion was ahead of FactSet consensus estimates and would be up 2% sequentially and down 1% year over year. Why it matters: Intel's revenue was better than expected, although the firm couldn't rule out tariff-related pull-ins as a contributing factor. Meanwhile, new CEO Lip-Bu Tan provided investors with (in our opinion) a realistic, but sobering, overview of the business and Intel's challenges ahead. The bottom line: We maintain our \$21 fair value estimate for no-moat Intel. Shares sold off about 5% after hours and appear fairly valued to us. We continue to foresee a wide range of outcomes for Intel's future, underpinning our Very High Uncertainty Rating. Intel's manufacturing remains top of mind for us. We're encouraged that Intel's latest process, 18A, remains on track to be introduced by the end of 2025. However, next gen 14A, which is built since inception with external foundry customers in mind, might not arrive until 2028, if not 2029. Tan also stated that he believed Intel's recent foundry investments were excessive. We're disappointed to hear that Intel was overly optimistic, but encouraged by Tan's focus on improving free cash flow and reducing capital expenditure. Coming up: Intel's third-quarter revenue guidance was good, although management generally expects revenue in the second half of 2025 to be below normal seasonal patterns. Adjusted gross margin guidance of 36% represents a downtick as 18A production ramps up. As part of Intel's fiscal prudence, the company will not continue its manufacturing projects in Germany or Poland, while slowing its pace of expansion in Ohio, US (while maintaining flexibility to kickstart Ohio expansion as needed). ■■

Intel Corp **INTC** ★★ 23 Jan 2026 04:29, UTC

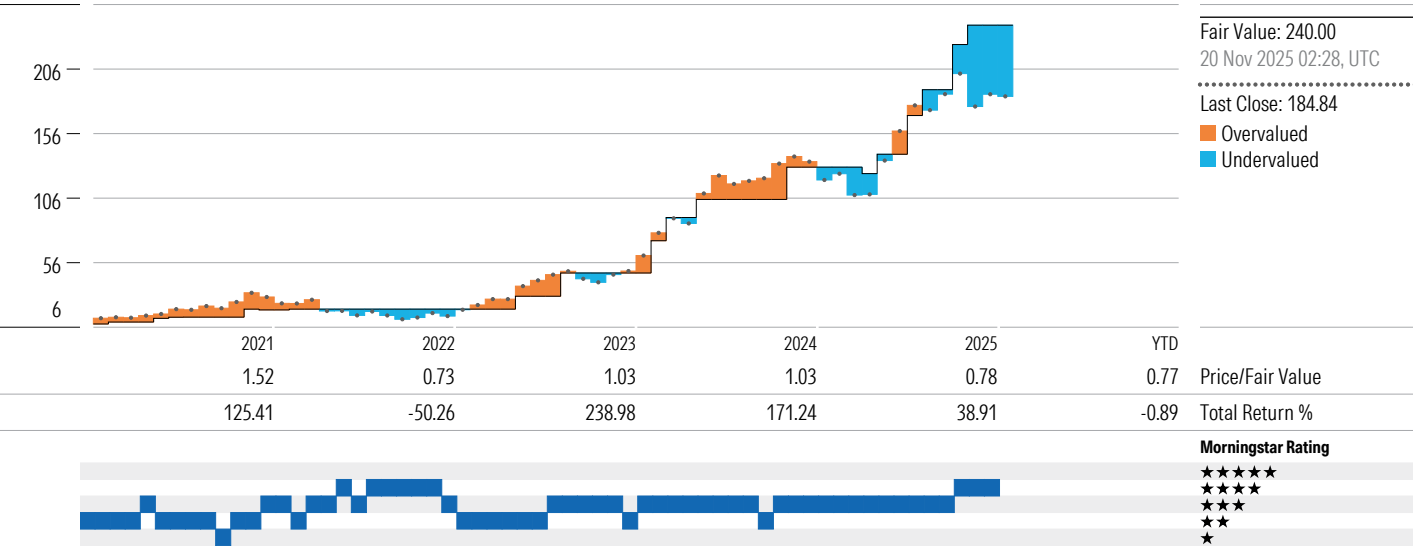
Competitors Price vs. Fair Value

Advanced Micro Devices Inc **AMD**



Total Return % as of 22 Jan 2026. Last Close as of 22 Jan 2026. Fair Value as of 12 Nov 2025 00:12, UTC.

NVIDIA Corp **NVDA**



Total Return % as of 22 Jan 2026. Last Close as of 22 Jan 2026. Fair Value as of 20 Nov 2025 02:28, UTC.

Intel Corp **INTC** ★★ 23 Jan 2026 04:29, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment¹
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Morningstar Valuation Model Summary

Financials as of 22 Jan 2026

Fiscal Year, ends 31 Dec	Actual			Forecast				
	2023	2024	2025	2026	2027	2028	2029	2030
Revenue (USD Mil)	54,228	53,101	52,853	55,602	60,514	62,552	68,215	75,518
Operating Income (USD Mil)	31	-4,708	-23	2,206	7,426	9,658	13,703	18,893
EBITDA (USD Mil)	9,695	-299	9,492	15,262	21,832	25,414	30,809	37,349
Adjusted EBITDA (USD Mil)	9,695	-299	9,492	15,262	21,832	25,414	30,809	37,349
Net Income (USD Mil)	1,689	-18,756	-267	1,157	6,024	8,034	11,291	15,900
Adjusted Net Income (USD Mil)	4,420	-566	1,907	4,965	9,443	11,380	15,106	19,846
Free Cash Flow To The Firm (USD Mil)	-11,677	-7,733	475	2,250	-2,405	6,929	9,353	13,050
Weighted Average Diluted Shares Outstanding (Mil)	4,212	4,280	4,530	5,100	5,100	5,100	5,100	5,100
Earnings Per Share (Diluted) (USD)	0.40	-4.38	-0.06	0.23	1.18	1.58	2.21	3.12
Adjusted Earnings Per Share (Diluted) (USD)	1.05	-0.13	0.42	0.97	1.85	2.23	2.96	3.89
Dividends Per Share (USD)	0.74	0.38	0.00	0.00	0.00	0.00	0.00	0.00

Margins & Returns as of 22 Jan 2026

	Actual			Forecast					5 Year Avg
	3 Year Avg	2023	2024	2025	2026	2027	2028	2029	
Operating Margin %	-8.7	0.1	-8.9	0.0	4.0	12.3	15.4	20.1	15.4
EBITDA Margin %	—	17.9	-0.6	18.0	27.5	36.1	40.6	45.2	—
Adjusted EBITDA Margin %	—	17.9	-0.6	18.0	27.5	36.1	40.6	45.2	39.8
Net Margin %	-10.9	3.1	-35.3	-0.5	2.1	10.0	12.8	16.6	12.5
Adjusted Net Margin %	3.6	8.2	-1.1	3.6	8.9	15.6	18.2	22.1	18.2
Free Cash Flow To The Firm Margin %	-11.7	-21.5	-14.6	0.9	4.1	-4.0	11.1	13.7	8.4

Growth & Ratios as of 22 Jan 2026

	Actual			Forecast					5 Year CAGR
	3 Year CAGR	2023	2024	2025	2026	2027	2028	2029	
Revenue Growth %	-5.7	-14.0	-2.1	-0.5	5.2	8.8	3.4	9.0	7.4
Operating Income Growth %	—	-98.7	-15287.1	-99.5	-9690.4	236.7	30.1	41.9	—
EBITDA Growth %	-1,138.2	-36.9	-103.1	-3274.6	60.8	43.1	16.4	21.2	32.5
Adjusted EBITDA Growth %	-14.8	-36.9	-103.1	-3274.6	60.8	43.1	16.4	21.2	31.5
Earnings Per Share Growth %	—	-79.4	-1192.8	-98.7	-485.0	420.5	33.4	40.5	—
Adjusted Earnings Per Share Growth %	—	-43.0	-112.6	-418.4	131.3	90.2	20.5	32.7	—

Valuation as of 22 Jan 2026

	Actual			Forecast				
	2023	2024	2025	2026	2027	2028	2029	2030
Price/Earning	47.9	-154.2	87.9	56.0	29.4	24.4	18.4	14.0
Price/Sales	2.0	4.0	1.6	4.7	4.3	4.1	3.8	3.4
Price/Book	2.0	0.9	1.5	2.4	2.3	2.1	2.0	1.8
Price/Cash Flow	—	—	—	—	—	—	—	—
EV/EBITDA	13.0	-788.3	11.9	17.6	12.3	10.6	8.7	7.2
EV/EBIT	4,065.8	-50.1	-4,911.6	121.6	36.1	27.8	19.6	14.2
Dividend Yield %	1.5	1.9	—	—	—	—	—	—
Dividend Payout %	70.5	-283.6	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow Yield %	—	—	—	—	—	—	—	—

Operating Performance / Profitability as of 22 Jan 2026

Fiscal Year, ends 31 Dec	Actual			Forecast				
	2023	2024	2025	2026	2027	2028	2029	2030
ROA %	0.9	-9.6	-0.1	0.5	2.9	3.8	5.0	6.6
ROE %	1.5	-17.9	-0.2	1.0	4.9	6.1	7.9	10.0
ROIC %	0.6	-1.3	-0.8	-0.2	2.0	3.3	5.1	7.1

Intel Corp **INTC** ★★

23 Jan 2026 04:29, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment¹
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Financial Leverage (Reporting Currency)

Fiscal Year, ends 31 Dec	Actual			Forecast				
	2023	2024	2025	2026	2027	2028	2029	2030
Debt/Capital %	18.9	36.6	—	22.1	19.4	17.3	15.1	13.2
Assets/Equity	1.7	1.9	1.7	1.7	1.7	1.6	1.6	1.5
Net Debt/EBITDA	2.5	-93.5	—	0.2	0.2	-0.2	-0.6	-0.9
Total Debt/EBITDA	5.1	-167.3	—	3.3	2.1	1.7	1.3	1.0
EBITDA/ Net Interest Expense	-14.5	0.6	-2.5	-24.1	-28.3	-27.7	-28.9	-30.7

Forecast Revisions as of 22 Jan 2026

Prior data as of 23 Oct 2025	2026		2027		2028	
	Current	Prior	Current	Prior	Current	Prior
Fair Value Estimate Change (Trading Currency)	32.00	28.00	—	—	—	—
Revenue (USD Mil)	55,602	52,584	60,514	54,158	62,552	57,089
Operating Income (USD Mil)	2,206	-412	7,426	2,315	9,658	5,096
EBITDA (USD Mil)	15,262	8,758	21,832	15,336	25,414	19,467
Net Income (USD Mil)	4,965	1,607	9,443	4,996	11,380	7,418
Earnings Per Share (Diluted) (USD)	0.23	-0.08	1.18	0.28	1.58	0.77
Adjusted Earnings Per Share (Diluted) (USD)	0.97	0.35	1.85	1.00	2.23	1.48
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00

Key Valuation Drivers as of 22 Jan 2026

Cost of Equity %	9.0
Pre-Tax Cost of Debt %	8.0
Weighted Average Cost of Capital %	8.5
Long-Run Tax Rate %	21.0
Stage II EBI Growth Rate %	8.0
Stage II Investment Rate %	60.0
Perpetuity Year	10

Additional estimates and scenarios available for download at <https://pitchbook.com/>.

Discounted Cash Flow Valuation as of 22 Jan 2026

	USD Mil
Present Value Stage I	20,869
Present Value Stage II	19,656
Present Value Stage III	123,427
Total Firm Value	163,953
Cash and Equivalents	37,416
Debt	46,585
Other Adjustments	0
Equity Value	154,784
Projected Diluted Shares	4,856
Fair Value per Share (USD)	32.00

Intel Corp **INTC** ★★ 23 Jan 2026 04:29, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment¹
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ESG Risk Rating Breakdown

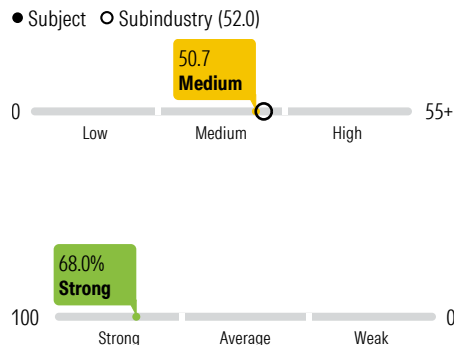
Exposure

Company Exposure¹	50.7
- Manageable Risk	46.6
Unmanageable Risk²	4.1

Management

Manageable Risk	46.6
- Managed Risk³	31.6
Management Gap⁴	14.9

Overall Unmanaged Risk 19.1



- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 68.0% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment⁵



ESG Risk Rating is of Jan 07, 2026. Highest Controversy Level is as of Jan 08, 2026. Sustainalytics Subindustry: Semiconductor Design and Manufacturing. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 07 Jan 2026

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure		Management		ESG Risk Rating	
Intel Corp	50.7 Medium	0 ——— 55+	68.0 Strong	100 ——— 0	19.1 Low	0 ——— 40+
Advanced Micro Devices Inc	31.1 Low	0 ——— 55+	67.1 Strong	100 ——— 0	11.6 Low	0 ——— 40+
NVIDIA Corp	30.2 Low	0 ——— 55+	62.9 Strong	100 ——— 0	12.4 Low	0 ——— 40+
Taiwan Semiconductor Co Ltd	49.9 Medium	0 ——— 55+	55.4 Strong	100 ——— 0	24.7 Medium	0 ——— 40+
—	— —	0 ——— 55+	— —	100 ——— 0	— —	0 ——— 40+

Appendix

Historical Morningstar Rating

Intel Corp **INTC** 23 Jan 2026 04:29, UTC

Dec 2026	Nov 2026	Oct 2026	Sep 2026	Aug 2026	Jul 2026	Jun 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026
—	—	—	—	—	—	—	—	—	—	—	★★
Dec 2025 ★★	Nov 2025 ★★	Oct 2025 ★★	Sep 2025 ★★★	Aug 2025 ★★★★	Jul 2025 ★★★★	Jun 2025 ★★★★	May 2025 ★★★★	Apr 2025 ★★★★	Mar 2025 ★★★★	Feb 2025 ★★★★	Jan 2025 ★★★★
Dec 2024 ★★★★	Nov 2024 ★★★★	Oct 2024 ★★★★	Sep 2024 ★★★★	Aug 2024 ★★★★	Jul 2024 ★★★★	Jun 2024 ★★★★	May 2024 ★★★★	Apr 2024 ★★★★	Mar 2024 ★★★★	Feb 2024 ★★★★	Jan 2024 ★★★★
Dec 2023 ★★	Nov 2023 ★★★★	Oct 2023 ★★★★	Sep 2023 ★★★★	Aug 2023 ★★★★	Jul 2023 ★★★★	Jun 2023 ★★★★	May 2023 ★★★★	Apr 2023 ★★★★	Mar 2023 ★★★★	Feb 2023 ★★★★	Jan 2023 ★★★★
Dec 2022 ★★★★★	Nov 2022 ★★★★★	Oct 2022 ★★★★★	Sep 2022 ★★★★★	Aug 2022 ★★★★★	Jul 2022 ★★★★★	Jun 2022 ★★★★★	May 2022 ★★★★★	Apr 2022 ★★★★★	Mar 2022 ★★★★★	Feb 2022 ★★★★★	Jan 2022 ★★★★★
Dec 2021 ★★★★	Nov 2021 ★★★★	Oct 2021 ★★★★	Sep 2021 ★★★★	Aug 2021 ★★★★	Jul 2021 ★★★★	Jun 2021 ★★★★	May 2021 ★★★★	Apr 2021 ★★★★	Mar 2021 ★★★★	Feb 2021 ★★★★	Jan 2021 ★★★★

Advanced Micro Devices Inc **AMD** 22 Jan 2026 23:55, UTC

Dec 2026	Nov 2026	Oct 2026	Sep 2026	Aug 2026	Jul 2026	Jun 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026
—	—	—	—	—	—	—	—	—	—	—	★★★★
Dec 2025 ★★★★	Nov 2025 ★★★★	Oct 2025 ★★★	Sep 2025 ★★★	Aug 2025 ★★★★	Jul 2025 ★★	Jun 2025 ★★★★	May 2025 ★★★★	Apr 2025 ★★★★	Mar 2025 ★★★★	Feb 2025 ★★★★	Jan 2025 ★★★★
Dec 2024 ★★★★	Nov 2024 ★★★★	Oct 2024 ★★★	Sep 2024 ★★★	Aug 2024 ★★★★	Jul 2024 ★★★★	Jun 2024 ★★★★	May 2024 ★★	Apr 2024 ★★★★	Mar 2024 ★★	Feb 2024 ★★	Jan 2024 ★★
Dec 2023 ★★	Nov 2023 ★★★★	Oct 2023 ★★★★	Sep 2023 ★★★★	Aug 2023 ★★★★	Jul 2023 ★★★★	Jun 2023 ★★★★	May 2023 ★★★★	Apr 2023 ★★★★	Mar 2023 ★★★★	Feb 2023 ★★★★	Jan 2023 ★★★★
Dec 2022 ★★★★★	Nov 2022 ★★★★★	Oct 2022 ★★★★★	Sep 2022 ★★★★★	Aug 2022 ★★★★★	Jul 2022 ★★★★★	Jun 2022 ★★★★★	May 2022 ★★★★★	Apr 2022 ★★★★★	Mar 2022 ★★★★	Feb 2022 ★★★★	Jan 2022 ★★★★
Dec 2021 ★★	Nov 2021 ★★	Oct 2021 ★★★	Sep 2021 ★★★	Aug 2021 ★★★★	Jul 2021 ★★★★	Jun 2021 ★★★★	May 2021 ★★★★	Apr 2021 ★★★★	Mar 2021 ★★★★	Feb 2021 ★★★★	Jan 2021 ★★★★

NVIDIA Corp **NVDA** 22 Jan 2026 23:55, UTC

Dec 2026	Nov 2026	Oct 2026	Sep 2026	Aug 2026	Jul 2026	Jun 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026
—	—	—	—	—	—	—	—	—	—	—	★★★★
Dec 2025 ★★★★	Nov 2025 ★★★★	Oct 2025 ★★★	Sep 2025 ★★★	Aug 2025 ★★★★	Jul 2025 ★★★★	Jun 2025 ★★★★	May 2025 ★★★★	Apr 2025 ★★★★	Mar 2025 ★★★★	Feb 2025 ★★★★	Jan 2025 ★★★★
Dec 2024 ★★★	Nov 2024 ★★★★	Oct 2024 ★★	Sep 2024 ★★★★	Aug 2024 ★★★★	Jul 2024 ★★★★	Jun 2024 ★★★★	May 2024 ★★★★	Apr 2024 ★★★★	Mar 2024 ★★★★	Feb 2024 ★★★★	Jan 2024 ★★
Dec 2023 ★★★	Nov 2023 ★★★★	Oct 2023 ★★★★	Sep 2023 ★★★★	Aug 2023 ★★★★	Jul 2023 ★★	Jun 2023 ★★	May 2023 ★★	Apr 2023 ★★	Mar 2023 ★★	Feb 2023 ★★	Jan 2023 ★★★★
Dec 2022 ★★★★	Nov 2022 ★★★★	Oct 2022 ★★★★	Sep 2022 ★★★★	Aug 2022 ★★★★	Jul 2022 ★★★★	Jun 2022 ★★★★	May 2022 ★★★★	Apr 2022 ★★★★	Mar 2022 ★★	Feb 2022 ★★★★	Jan 2022 ★★★★
Dec 2021 ★★	Nov 2021 ★★	Oct 2021 ★	Sep 2021 ★★	Aug 2021 ★★	Jul 2021 ★★	Jun 2021 ★★	May 2021 ★★★★	Apr 2021 ★★	Mar 2021 ★★	Feb 2021 ★★	Jan 2021 ★★

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Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss short-term market-price movements), but we believe these negatives are mitigated by deep analysis and our long-term approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a

long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working capital accounts, and capital spending. Based on these projections, we calculate earnings before interest,

after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

Morningstar Equity Research Star Rating Methodology



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outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

Margin of Safety		
Qualitative Analysis	★★★★★ Rating	★ Rating
Uncertainty Ratings		
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

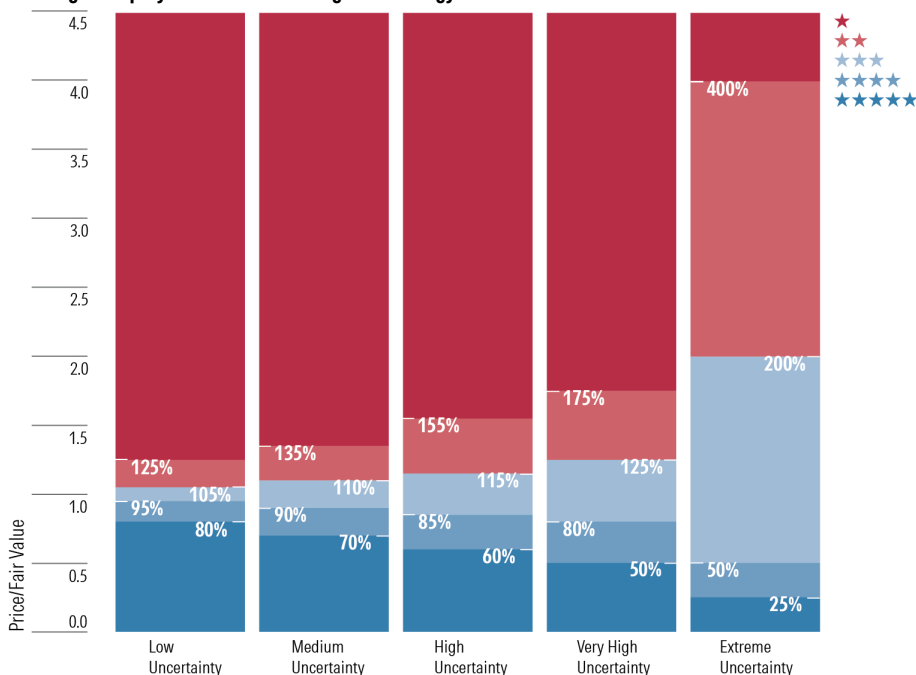
Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multi-year time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,

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and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

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Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score.

Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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