

Objectives and Game Plan

- Become familiar with Intel's financial statements and better understand information on the Balance Sheet
- Ratio Analysis

Walking Through Intel's Annual Report

- CEO's Letter
- Financial Statements
 - Income Statement
 - Balance Sheet
 - SCF
 - SE
 - Notes
- Auditor's report
- MD&A

ROE (Dupont) Analysis

$$\frac{\text{NI}}{\text{SE}} = \underbrace{\frac{\text{NI} + (\text{int. exp.})}{\text{Assets}}}_{\text{Operating Performance}} \times \underbrace{\frac{\text{NI}}{\text{NI} + (\text{int. exp.})} \times \frac{\text{Assets}}{\text{SE}}}_{\text{Capital Structure}}$$

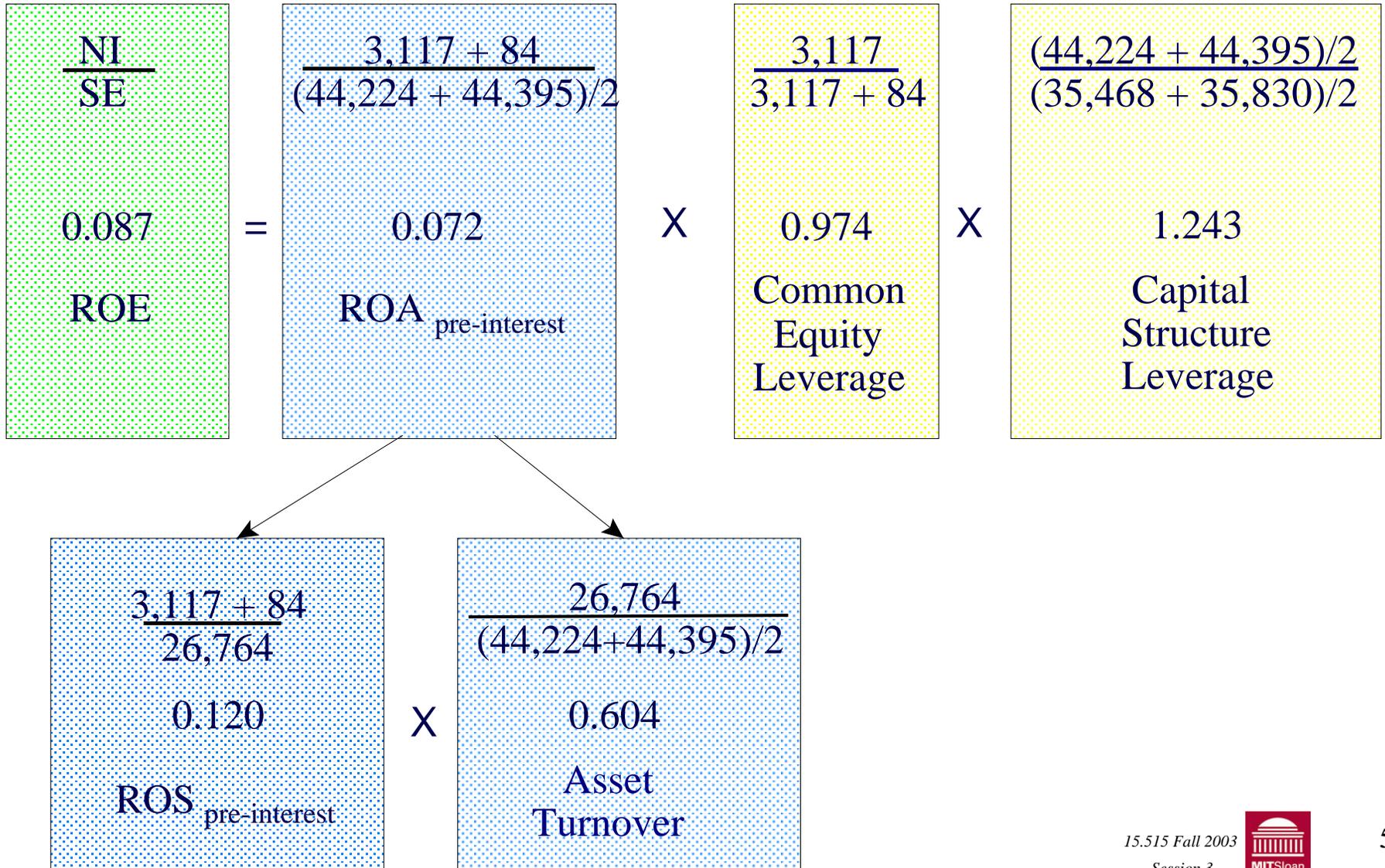
“return on assets”

“return on sales”

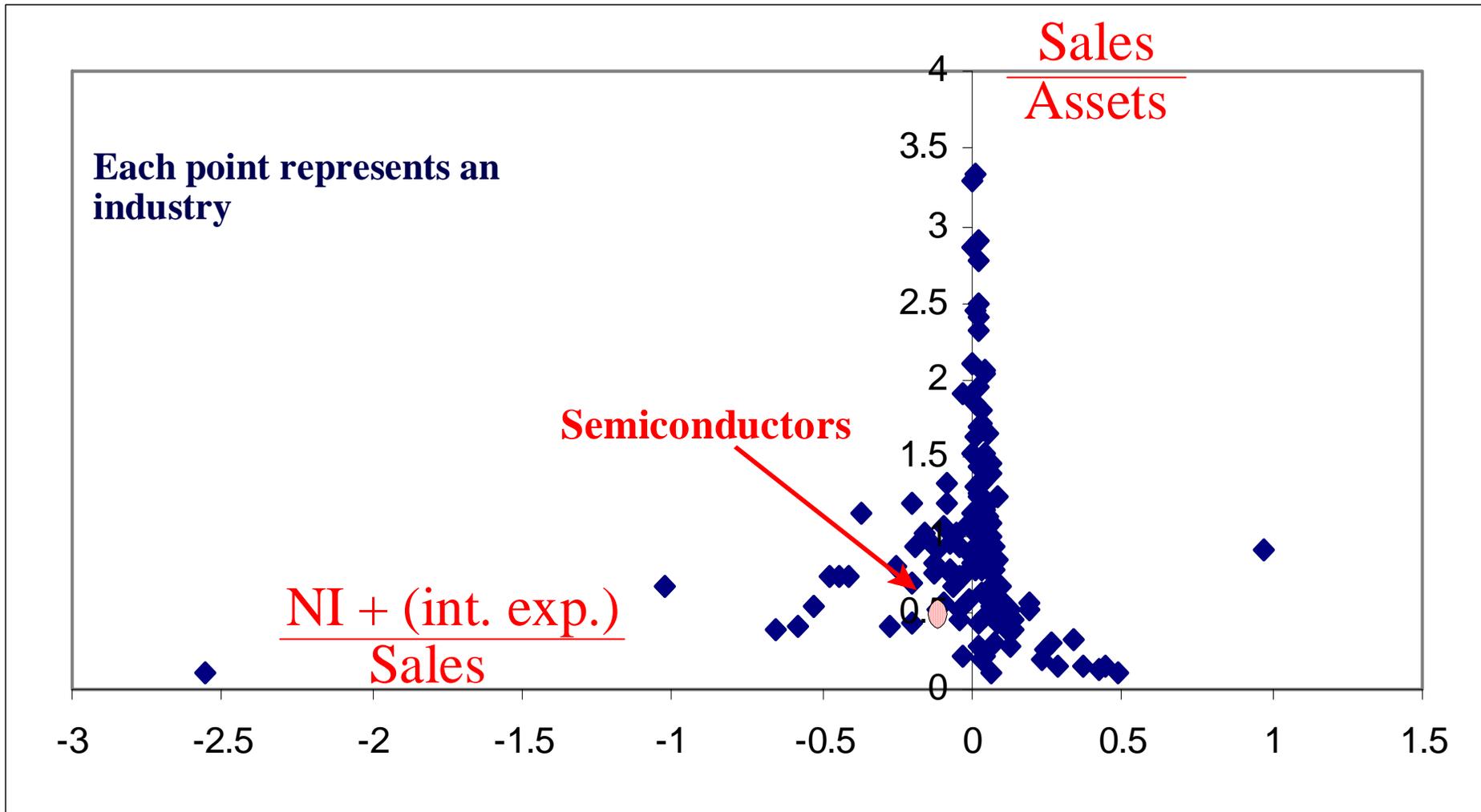
“asset turnover”

$$\frac{\text{NI} + (\text{int. exp.})}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}}$$

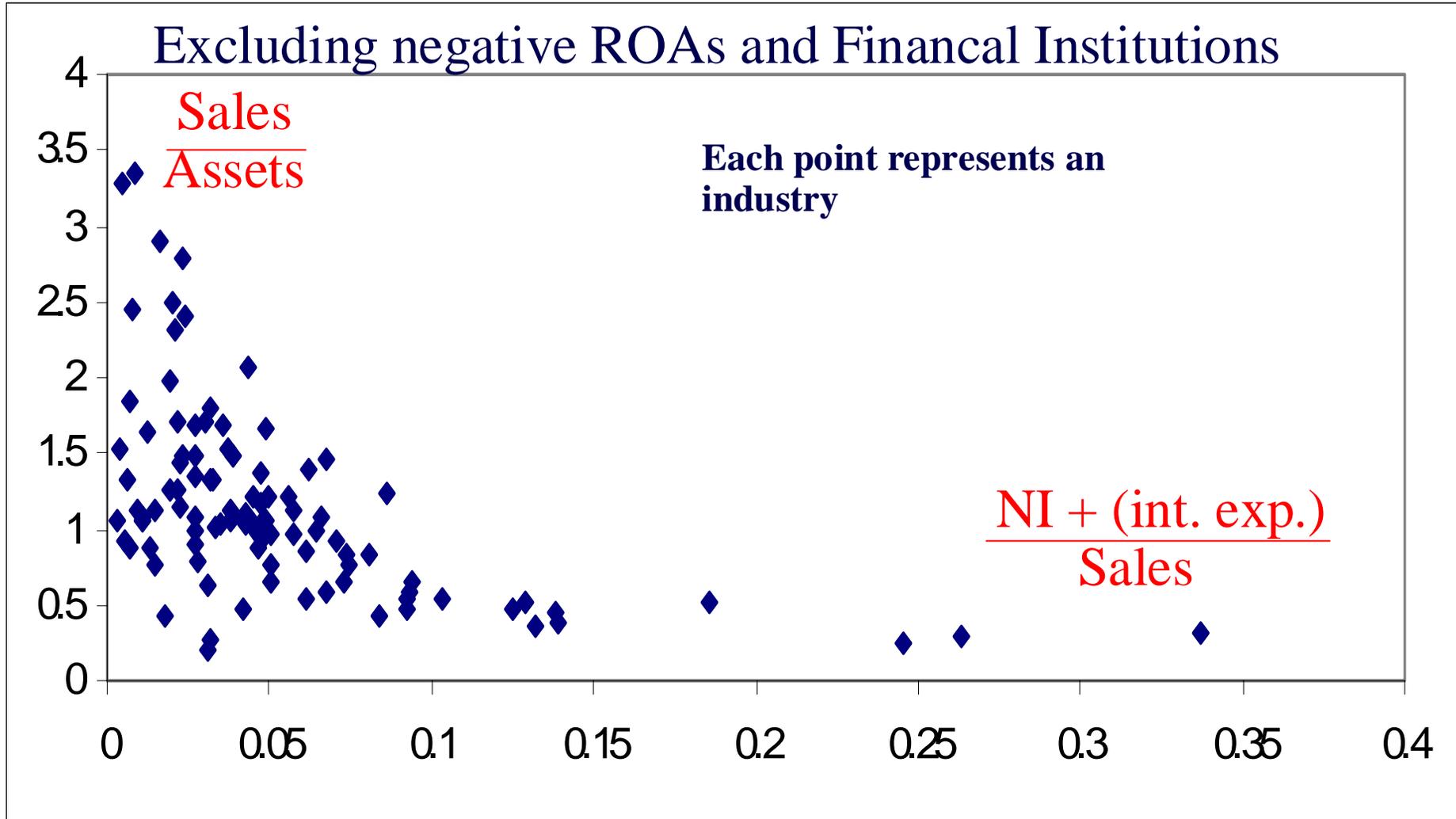
ROE (Dupont) Analysis – Intel 2002



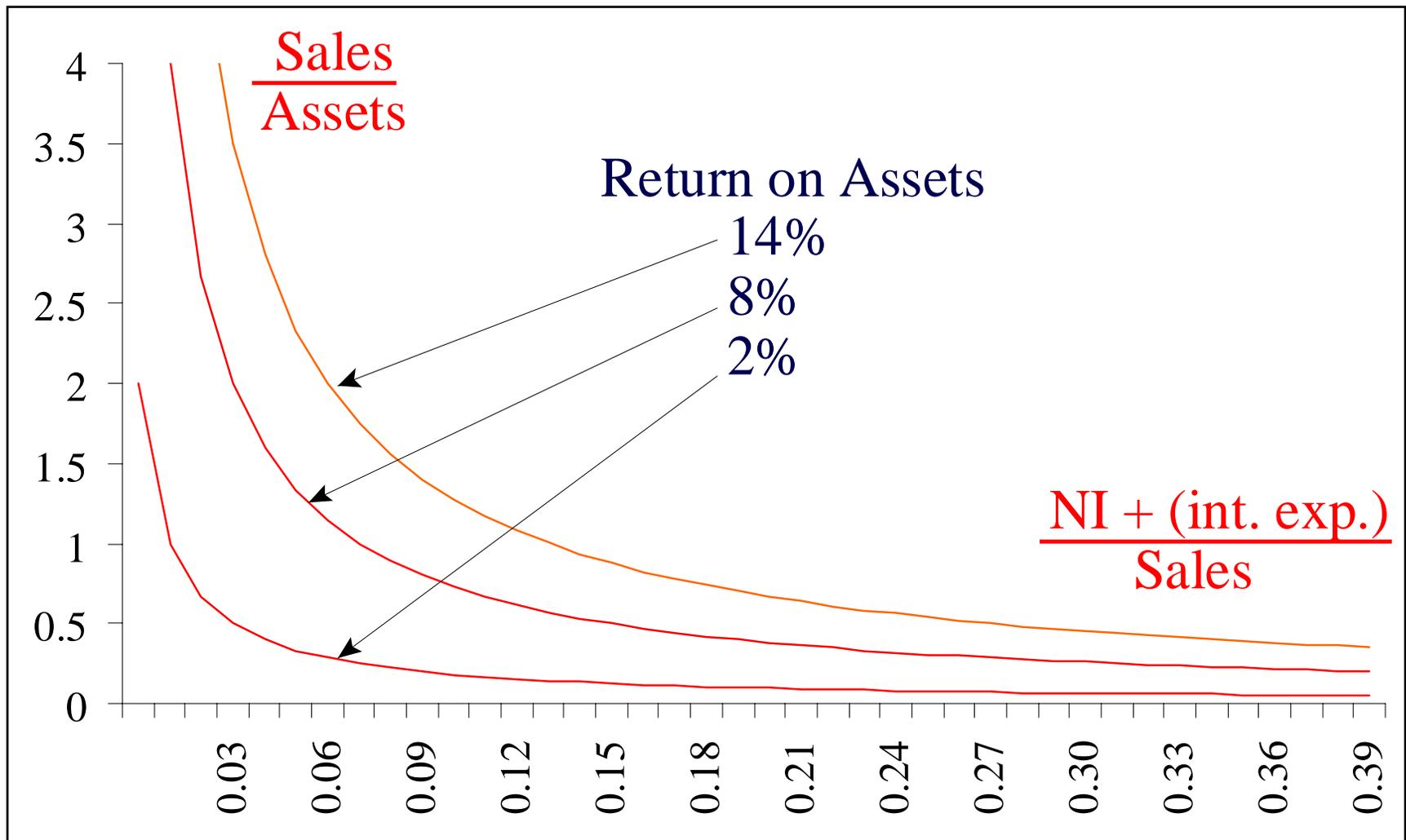
Return on Sales vs. Asset Turnover



Return on Sales vs. Asset Turnover



Curves Showing Equal Return on Assets



Intel 1998 - 2002

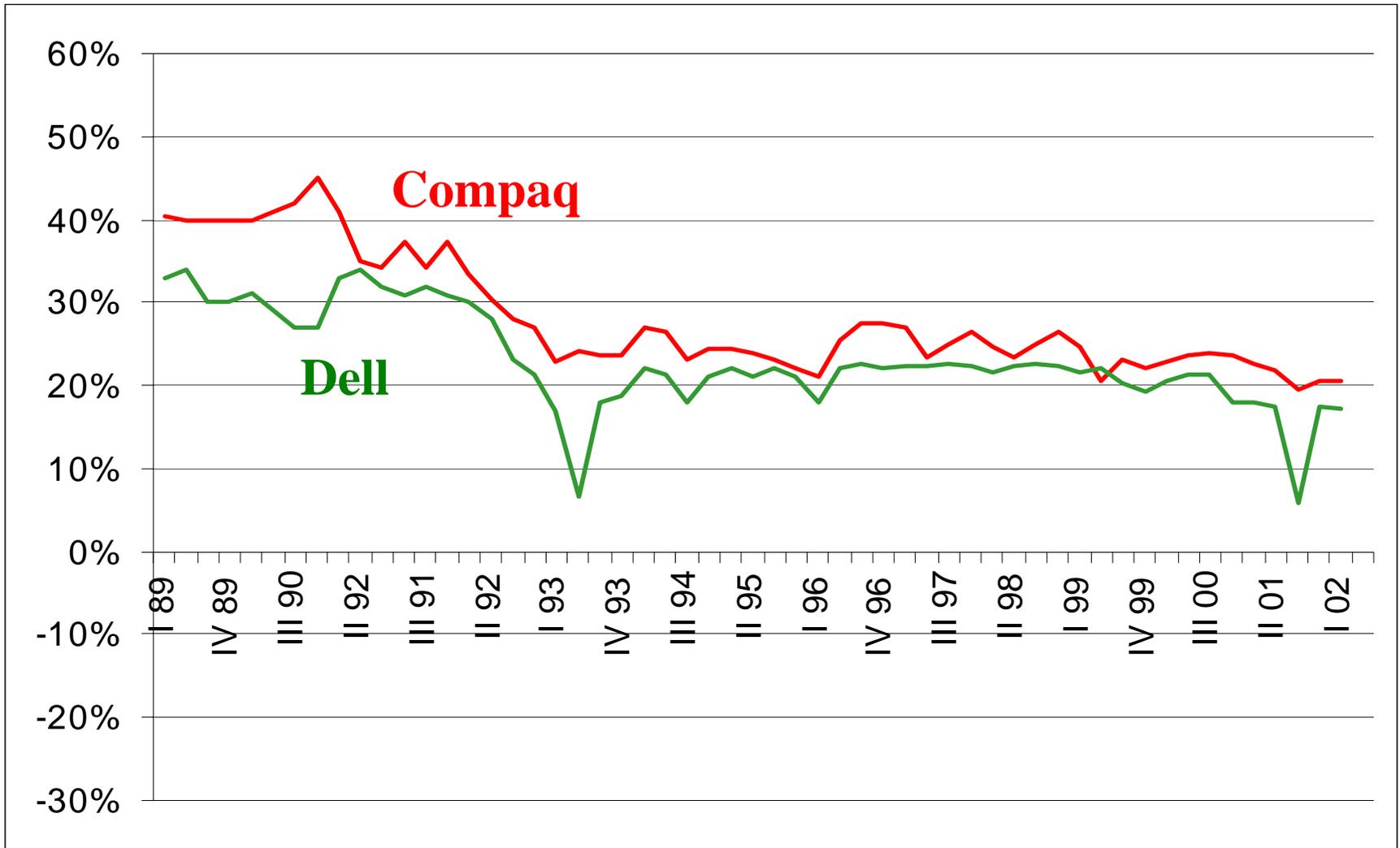
	ROE	ROA	Common Equity Leverage	Capital Structure Leverage		ROS	Sales over Assets
1998	0.270	0.202	0.993	1.344		0.232	0.871
1999	0.260	0.195	0.994	1.339		0.250	0.780
2000	0.301	0.230	0.996	1.312		0.314	0.735
2001	0.035	0.029	0.955	1.262		0.051	0.575
2002	0.087	0.072	0.974	1.243		0.120	0.604

Data Source: Intel Corporation

Comparative ROEs

		ROE	ROA	Common Equity Leverage	Capital Structure Leverage	ROS	Sales over Assets
2001	CONAME MICROSOFT	0.166	0.132	1.000	1.257	0.290	0.454
2001	STARBUCKS CORP	0.144	0.108	1.000	1.325	0.068	1.584
2001	IHOP CORP	0.141	0.102	0.656	2.103	0.189	0.539
2001	LILLY (ELI) & CO	0.423	0.192	0.929	2.367	0.259	0.742
2001	MERCK & CO	0.472	0.185	0.940	2.717	0.162	1.137
2001	PFIZER INC	0.453	0.223	0.960	2.114	0.253	0.883
2001	TIFFANY & CO	0.177	0.121	0.897	1.630	0.120	1.005
2001	LIMITED BRANDS	0.205	0.126	0.939	1.740	0.059	2.126
2001	TJX COMPANIES	0.391	0.166	0.925	2.551	0.051	3.281
2001	99 CENTS ONLY	0.169	0.154	0.998	1.098	0.084	1.837

Gross Profit Percentage



Gross Profit Percentage

