

The background is a dark, blue-toned collage. On the left, a hand holds a clapperboard with text like 'SCENE', 'DATE', and 'Filter'. On the right, a green semiconductor chip with a grid of gold pins is visible. The overall theme suggests technology and media production.

Blue Line Capital

Corporate Trends Ahead Of CPI
Pharma, Streaming & Semiconductors

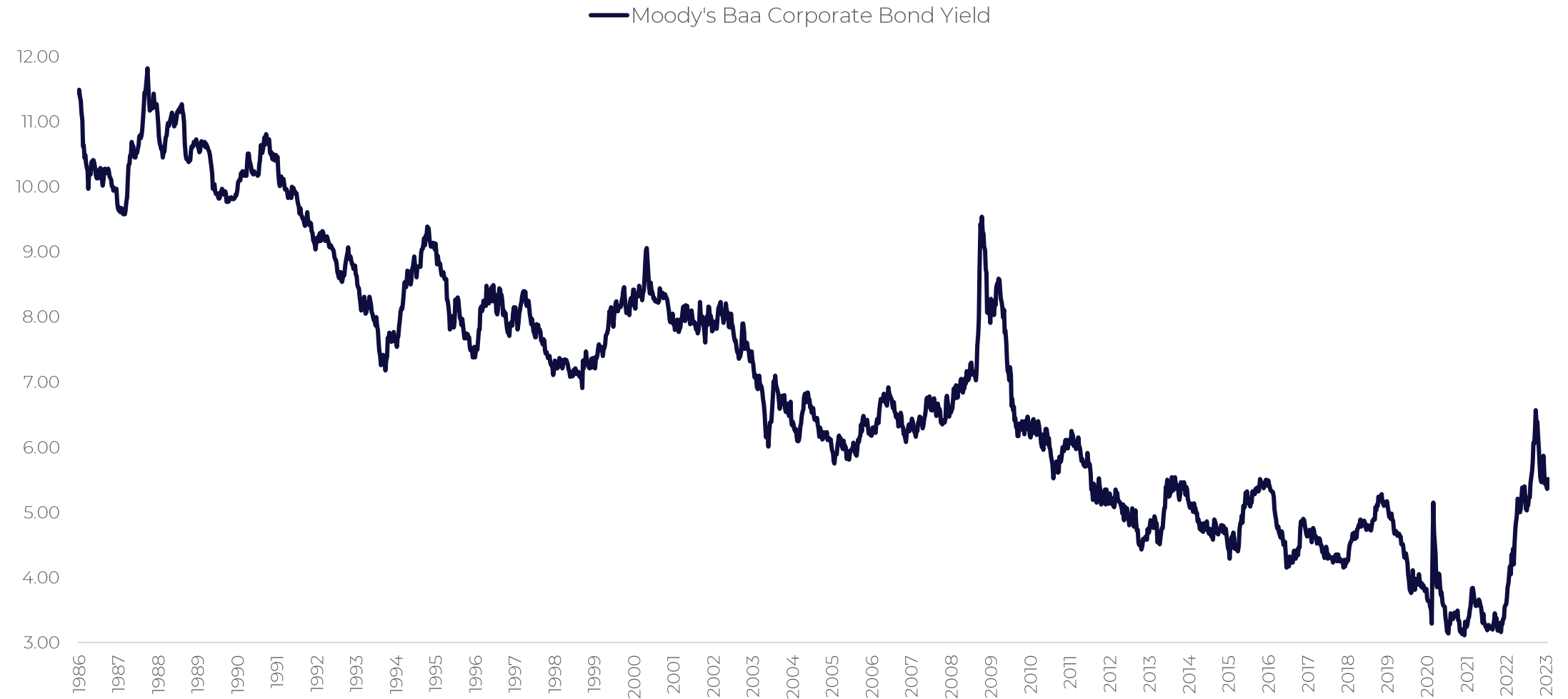


Economic Dynamics

Housing, Inflation & More

Credit Spread

Investment grade one grade above junk (Baa) finds itself less than 100bps above Fed Funds, indicating a lack of stress in credit.

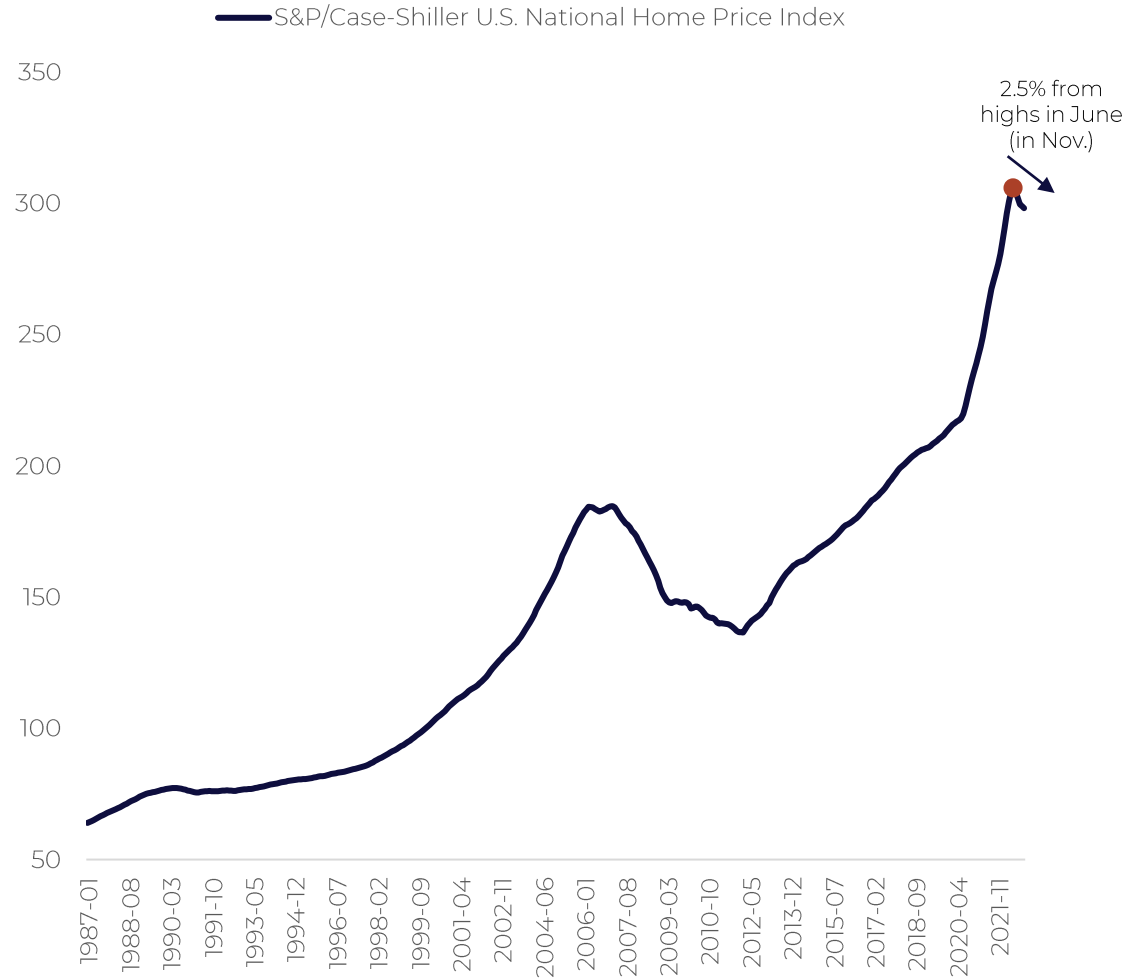


Sources: FRED, Blue Line Capital, Blue Line Futures

2/11/2023

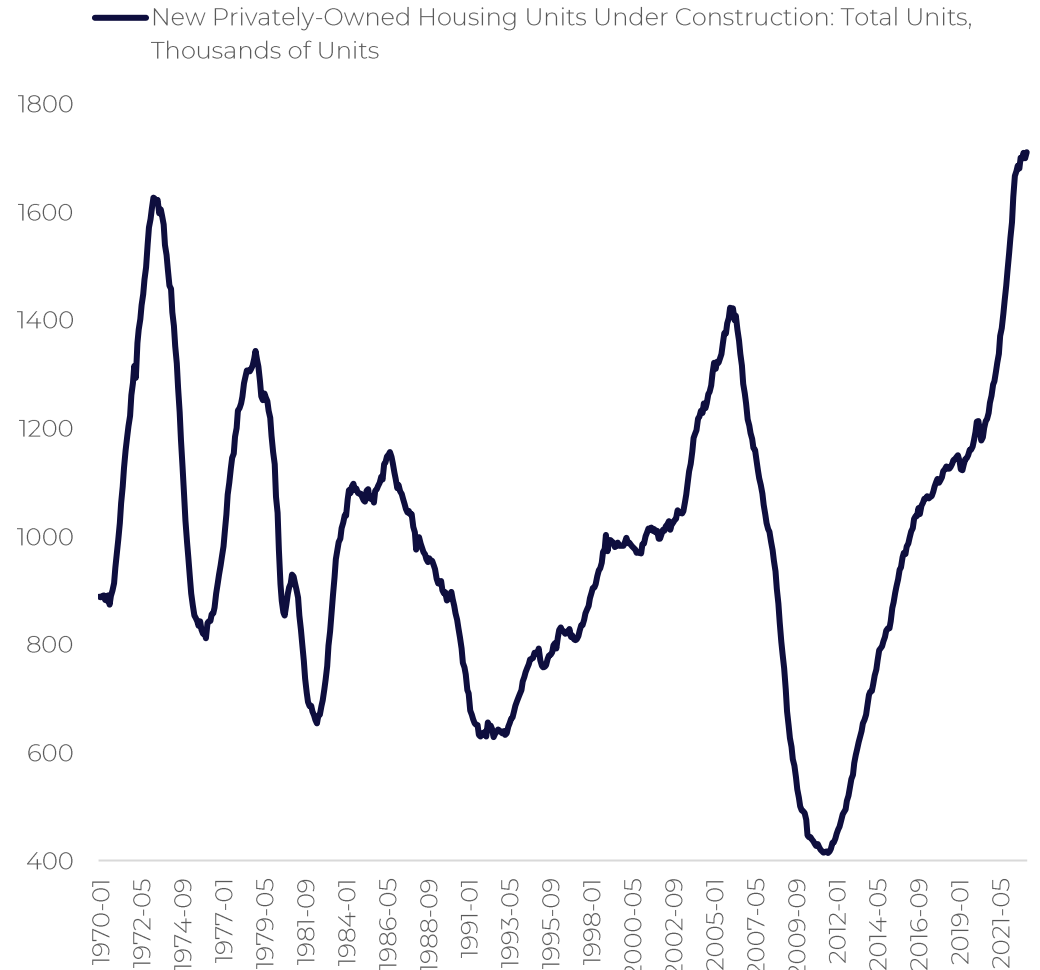
House Prices & Construction Activity

House prices have been extremely resilient despite the 30-year fixed mortgage rate rising from ~2.6% in Jan. 2021 to a high of ~7% in Oct. 2022.



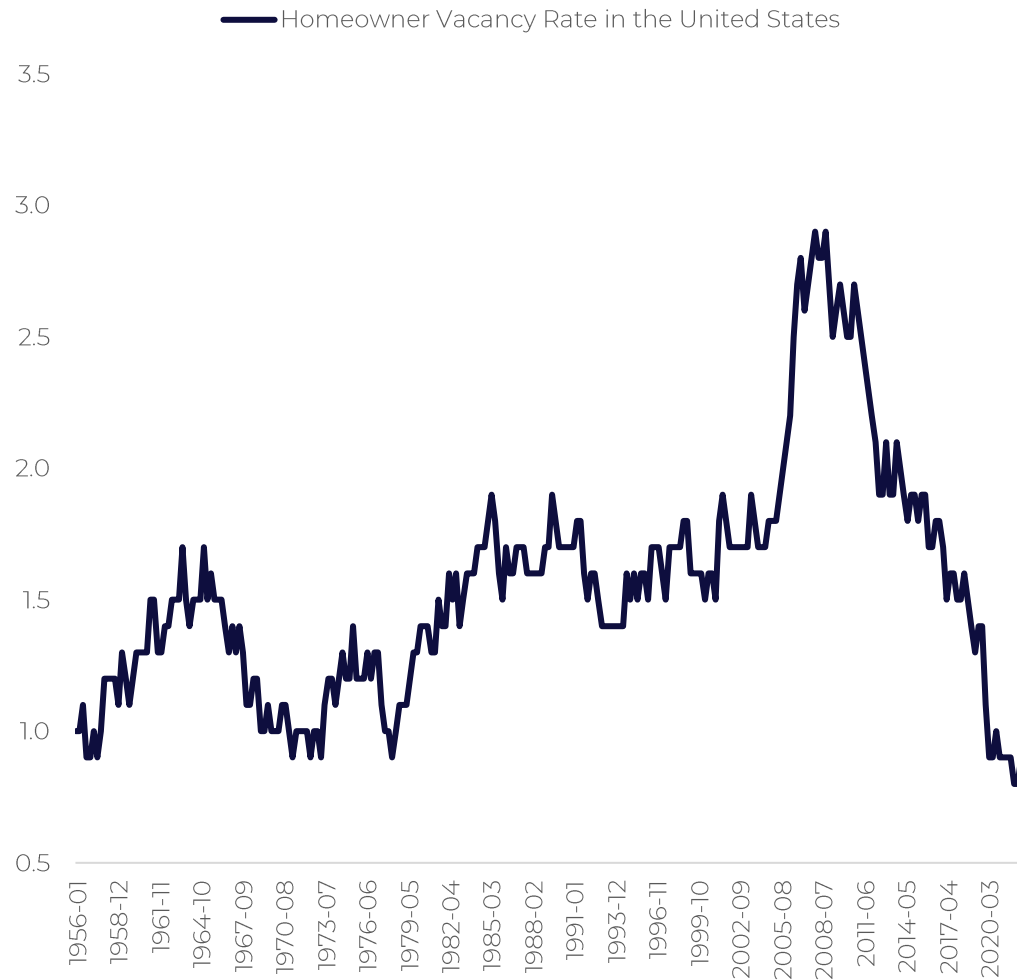
Sources: FRED, Blue Line Capital, Blue Line Futures

Housing construction activity strong after underbuilding post-GFC.



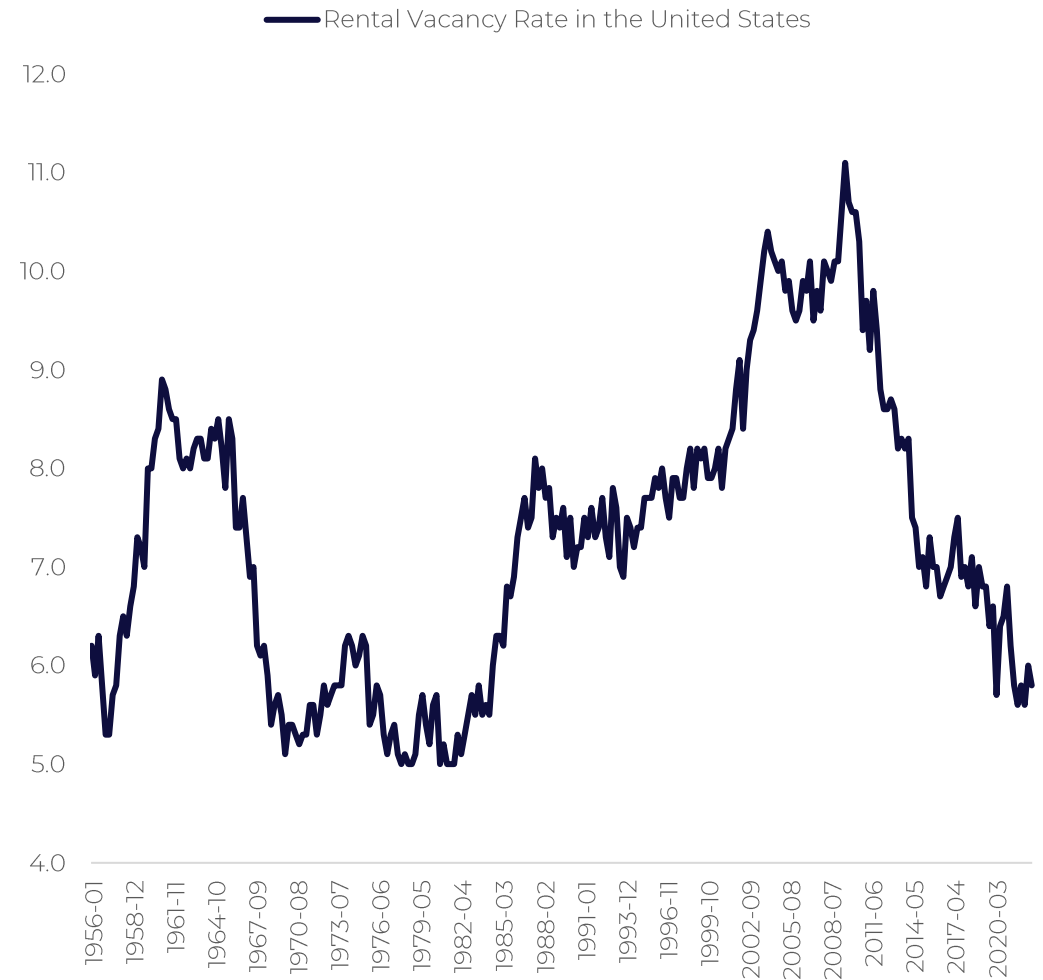
Vacancy Rates

According to Moody's, today's vacancy rate indicates the U.S. is short 1.5 years of housing supply.



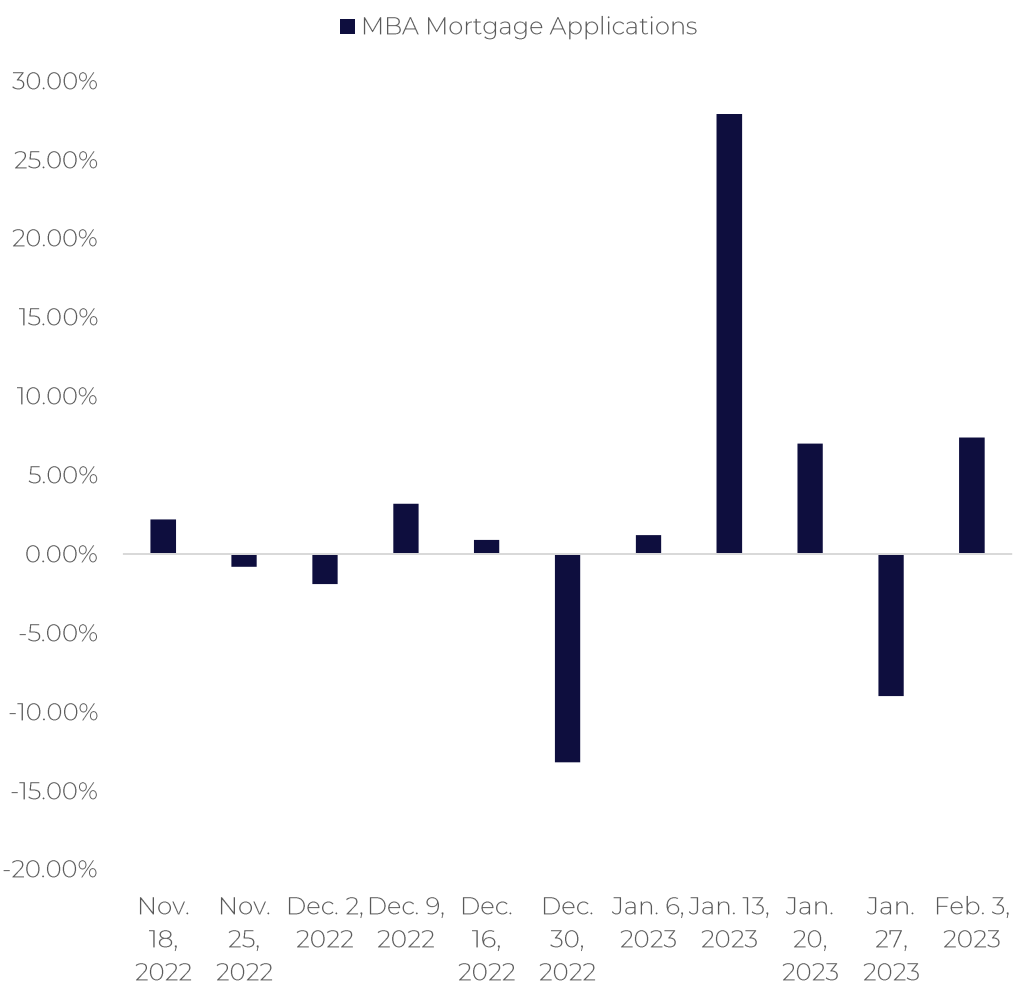
Sources: FRED, Blue Line Capital, Blue Line Futures

Rental vacancy as low as it's last been in the 1980s.



Mortgage Applications & Buyer Sentiment

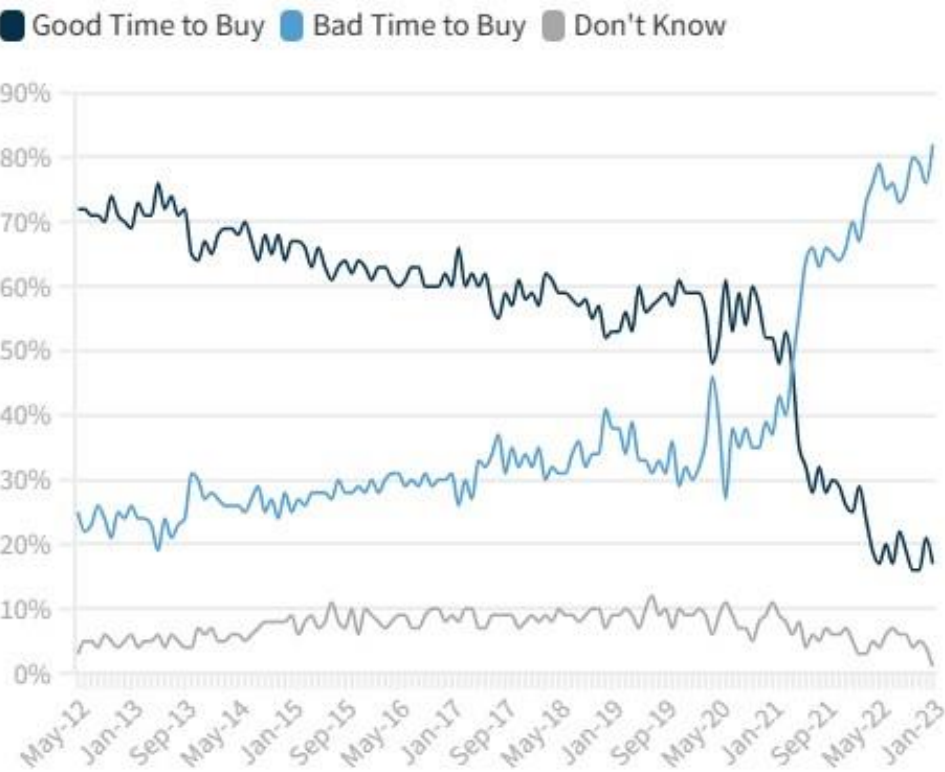
Despite higher mortgage rates, home buyers have been reluctant to retreat.



Sources: MBA, Fannie Mae, Blue Line Capital, Blue Line Futures

Buyer sentiment has come off significantly.

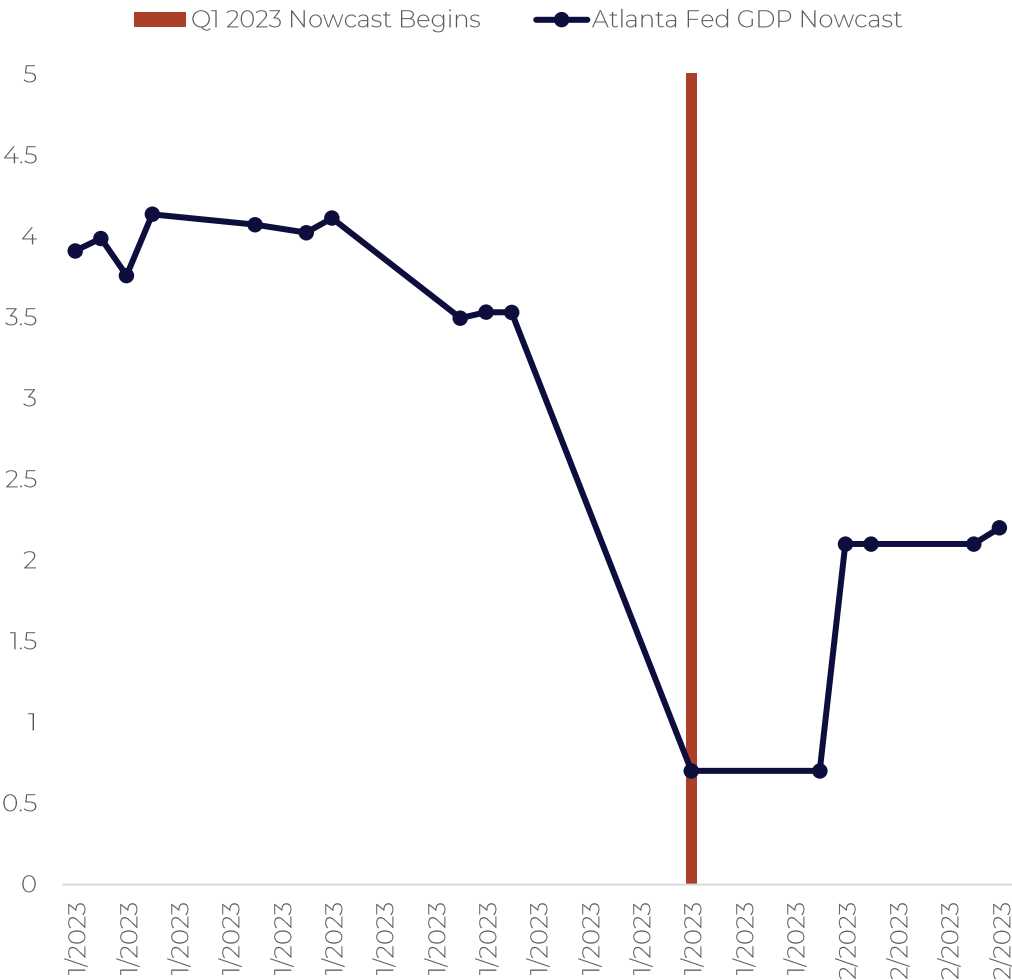
Only 17% of consumers say it's a good time to buy a home



Source: Home Purchase Sentiment Index® (HPSI)

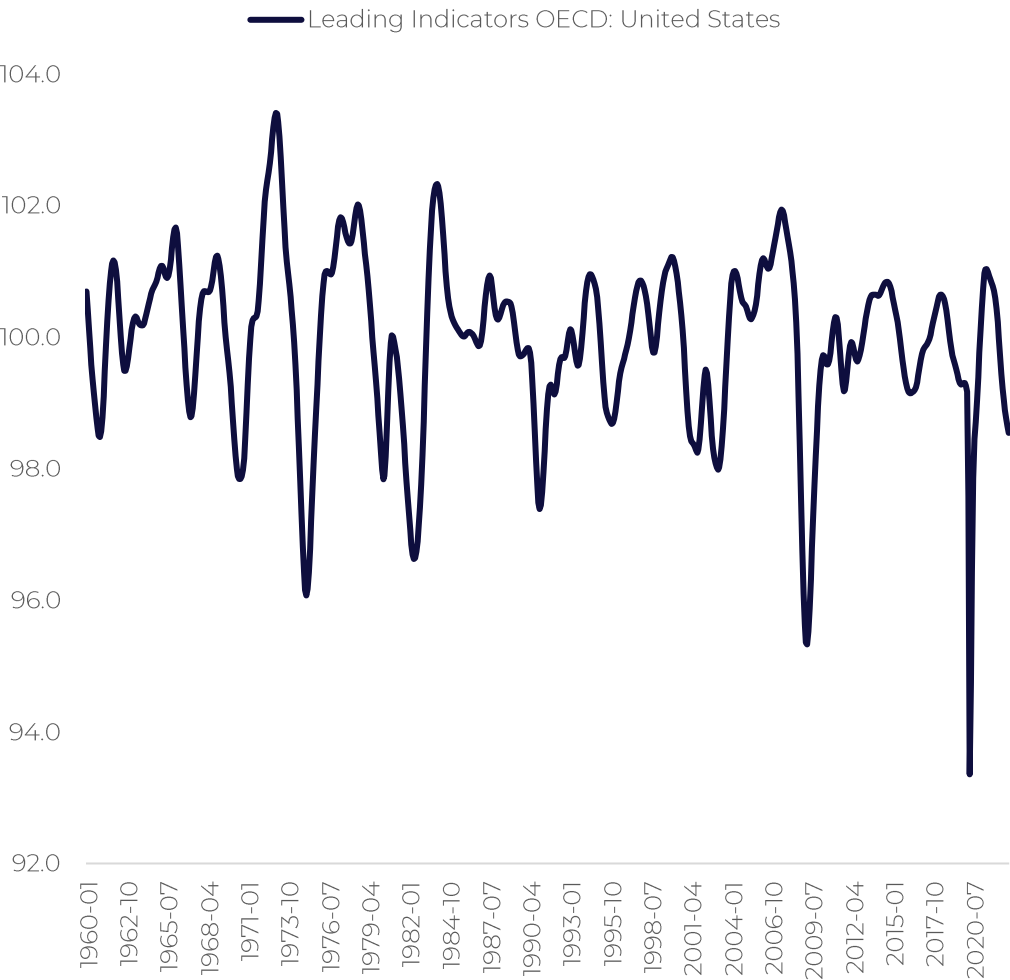
GDP & Leading Economic Indicator

GDP growth has been extraordinarily resilient as consumers have kept spending, proving resilient in response to higher rates.



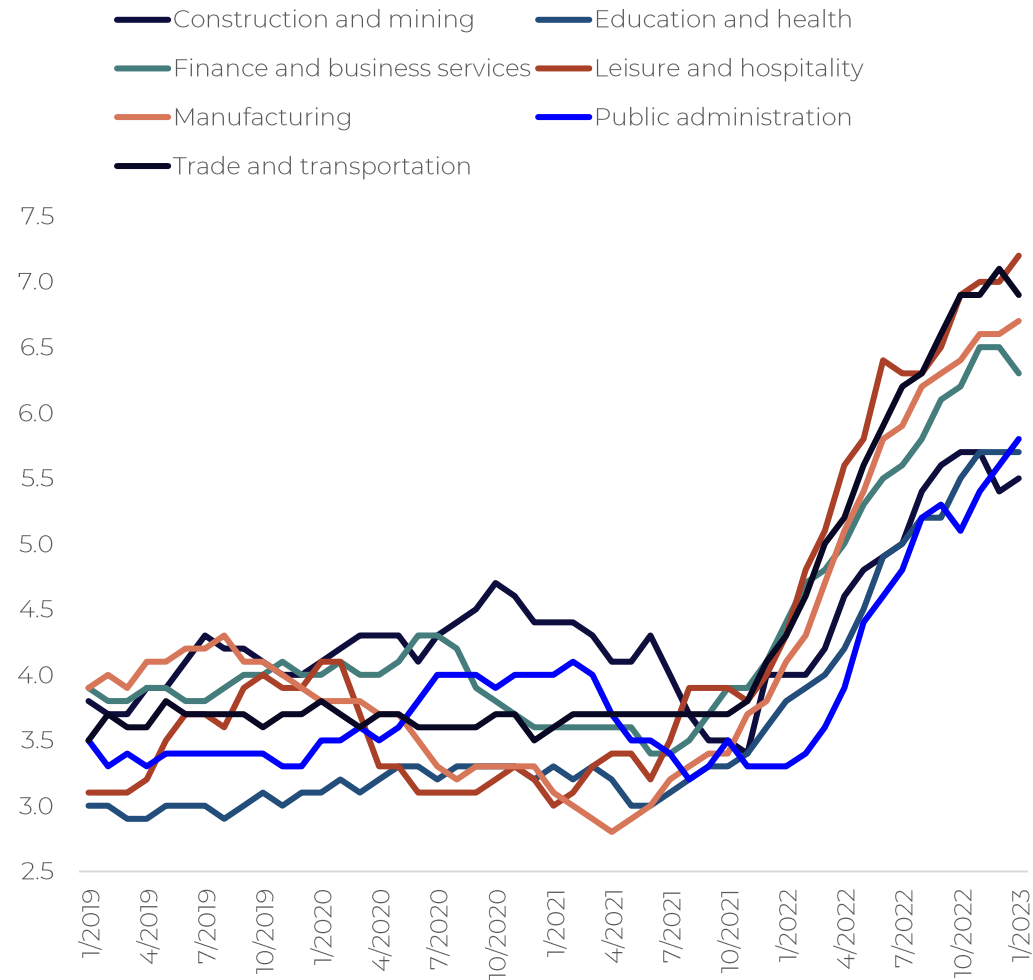
Sources: Atlanta Fed, FRED, Blue Line Capital, Blue Line Futures

Leading economic indicators have collapsed across the board (as of Dec.)



Wage Trends

12-month moving average of average hourly earnings.



Sources: Atlanta Fed, Economic Policy Institute, Blue Line Capital, Blue Line Futures

Workers' share of corporate income



Workers' share of corporate income hasn't recovered

Employee Count By Occupation

Employee count by occupation 2019 - 2022

	2022	2021	2020	2019	Δ (2022-2019)	Δ/2019
Management occupations	20199	18986	18564	18985	1214	6%
Business and financial operations occupations	9152	8878	8578	7996	1156	14%
Professional and related occupations	38749	36880	36502	37237	1512	4%
Architecture and engineering occupations	3464	3235	3169	3305	159	5%
Life, physical, and social science occupations	1840	1640	1627	1485	355	24%
Community and social service occupations	2945	2777	2717	2717	228	8%
Legal occupations	1861	1805	1882	1955	-94	-5%
Education, training, and library occupations	9220	8946	8902	9455	-235	-2%
Arts, design, entertainment, sports, and media occupations	3441	3151	3042	3285	156	5%
Healthcare practitioners and technical occupations	9808	9639	9559	9684	124	1%
Healthcare support occupations	4930	4887	4790	3758	1172	31%
Protective service occupations	3057	2987	3024	3128	-71	-2%
Food preparation and serving related occupations	7907	7370	6556	8378	-471	-6%
Supervisors of personal care and service workers	232	250	237	213	19	9%
Sales and related occupations	14316	14369	14168	15582	-1266	-8%
Office and administrative support occupations	16096	15797	15558	17789	-1693	-10%
Farming, fishing, and forestry occupations	980	1061	1045	1156	-176	-15%
Construction and extraction occupations	8427	8057	7710	8325	102	1%
Installation, maintenance, and repair occupations	4853	4840	4602	4862	-9	0%
Production occupations	8256	7950	7590	8565	-309	-4%
Transportation and material moving occupations	11826	11359	10625	10063	1763	18%

Sources: BLS, Blue Line Capital, Blue Line Futures



Earnings Data & Corporate Trends

AbbVie, Disney, Intel



AbbVie

Product Differentiation Post Humira

AbbVie Earnings Highlights & Stock Performance

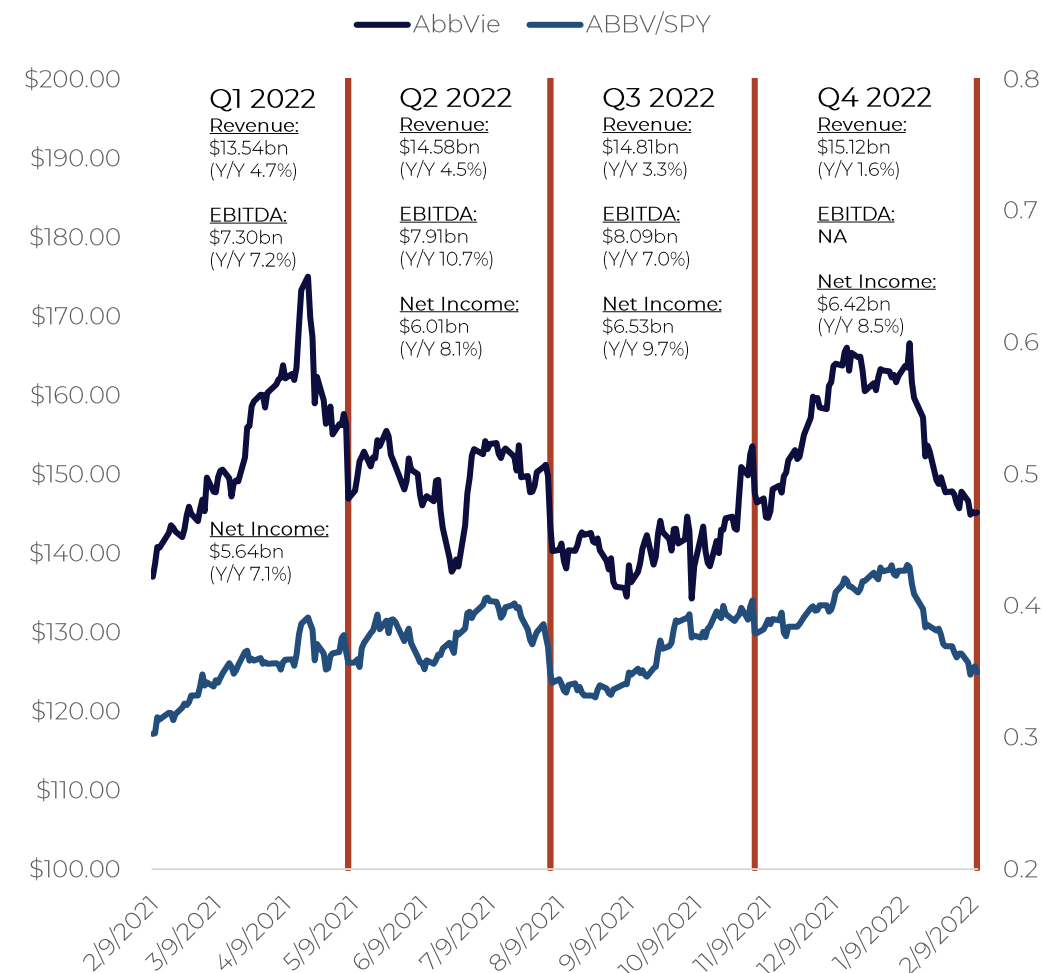
Management Commentary From Q4 2022 Earnings Call

- **Skyrizi and Rinvoq:** We anticipate these two products will collectively exceed the peak revenues achieved by HUMIRA by 2027 with significant growth expected through the end of the decade.
- **R&D:** We are committed to pursuing new ways to address patients' most serious health issues and have more than doubled our annual R&D investment since our inception. The breadth and the depth of our pipeline, which now includes more than 80 programs across all development stages.
- **Humira:** We expected headwind from direct biosimilar competition with U.S. HUMIRA sales down approximately 37%, which is at lower end of our previous erosion projection of 35% to 55%.
- **Debt:** We expect to pay down \$4bn in maturities this year bringing our cumulative debt reduction to \$34bn.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	12.82	4.84	12.59	12.03	NA
TTM	22.43	4.53	13.06	10.33	16.44
*Levered FCF					

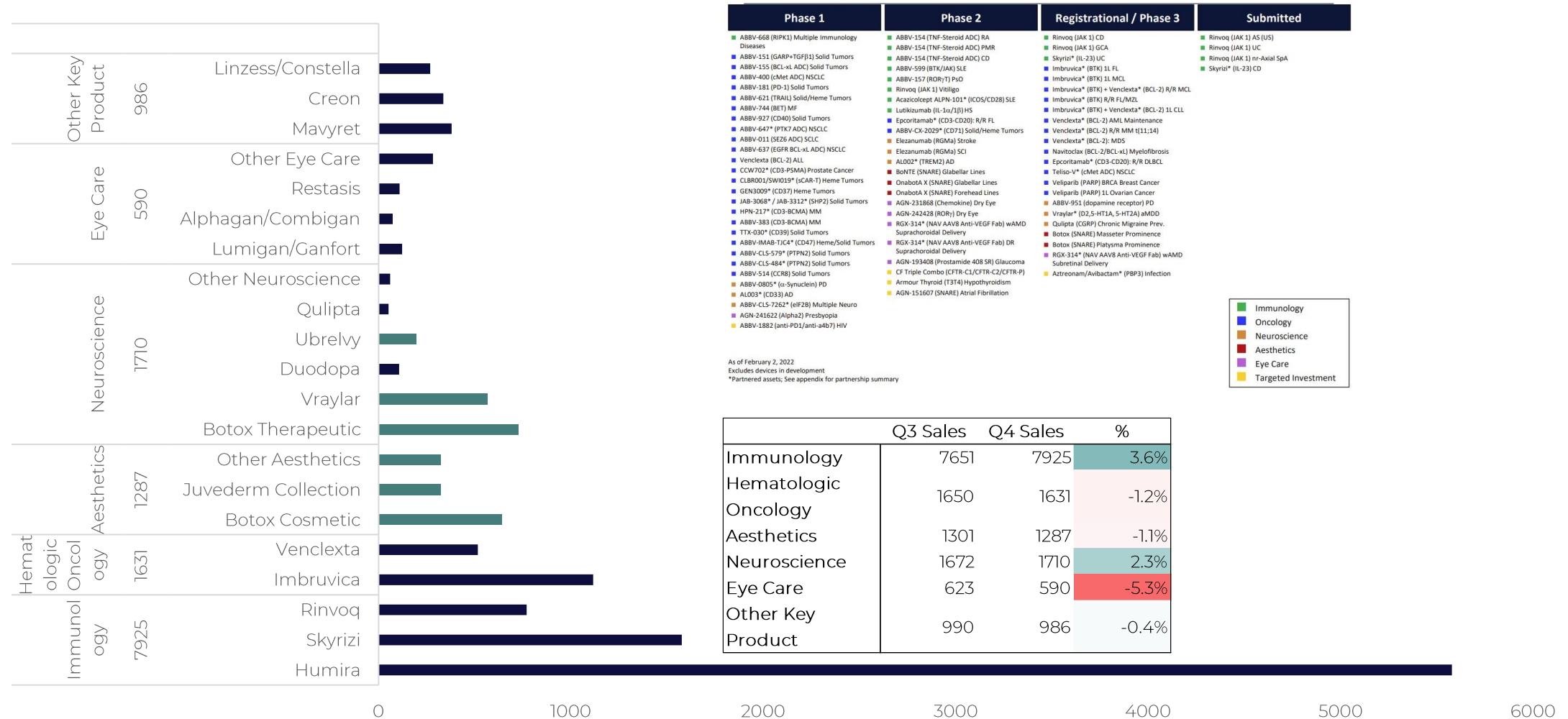
Sources: AbbVie IR, TIKR, Blue Line Capital

Quarterly Data



The AbbVie Portfolio & Pipeline

The AbbVie Portfolio & Pipeline (From Allergan Acquisition)



Sources: AbbVie IR, Blue Line Capital

2/11/2023

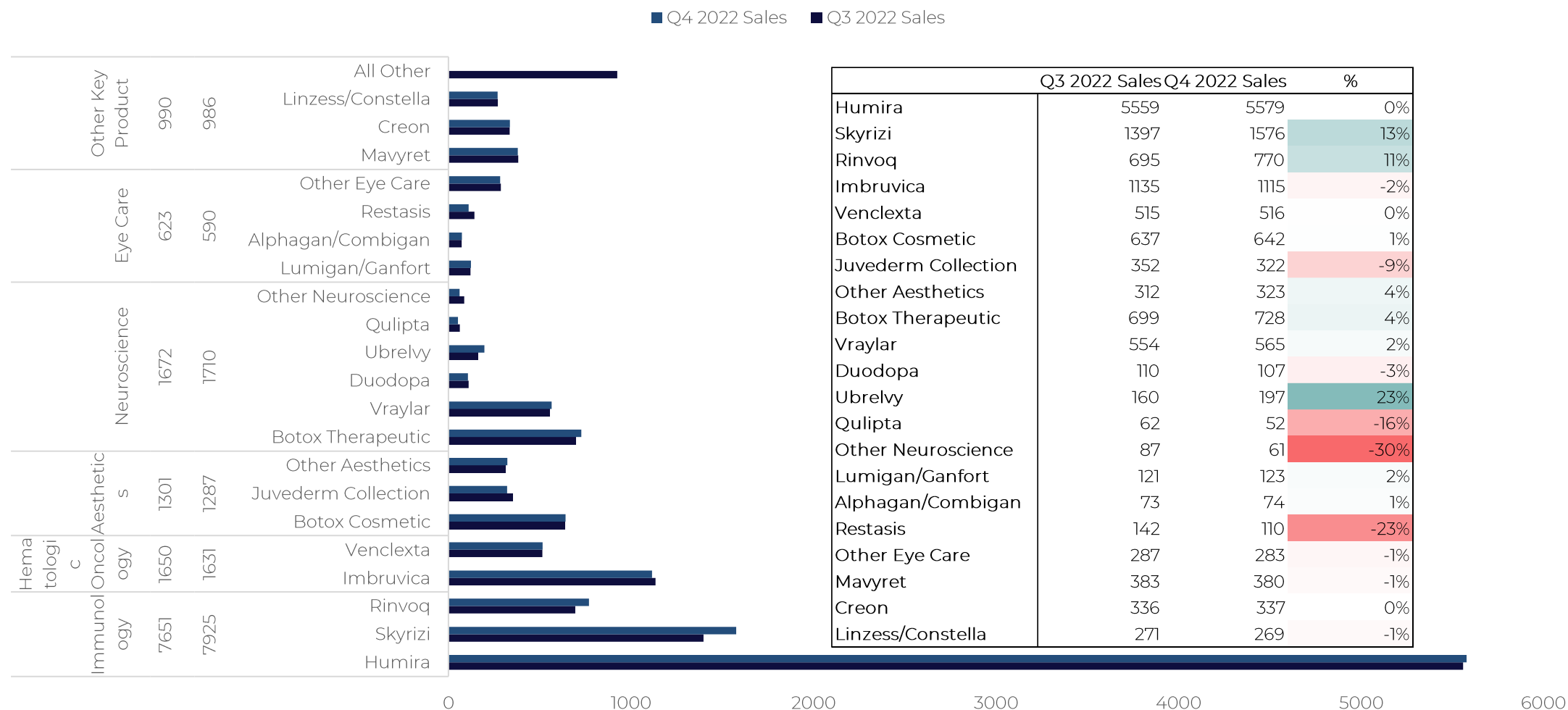
Blue Line Capital maintains a long position in AbbVie.

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The AbbVie Portfolio | Q3 vs. Q4 Sales By Product

The AbbVie Portfolio & Trends



Sources: AbbVie IR, Blue Line Capital

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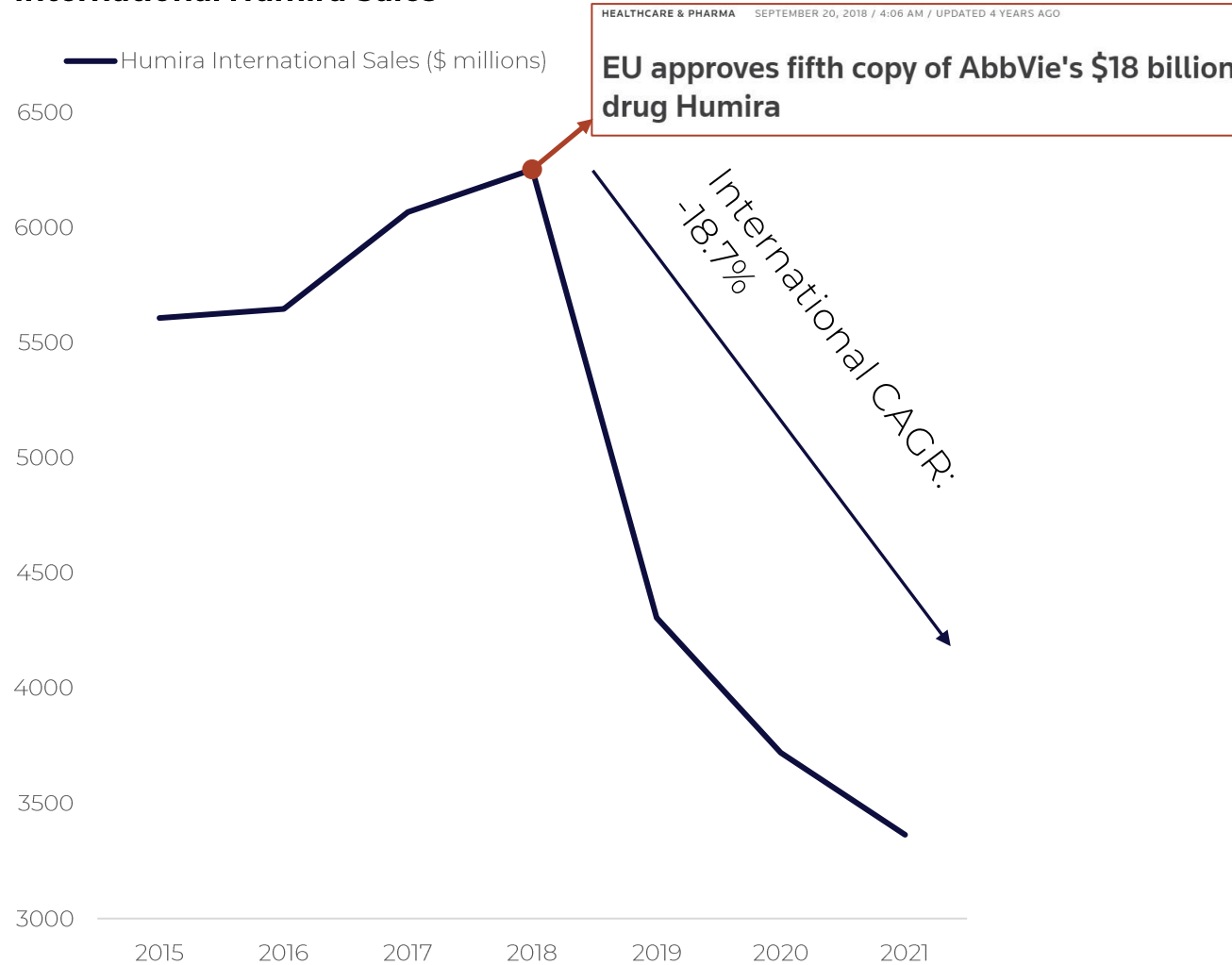
Blue Line Capital maintains a long position in AbbVie.

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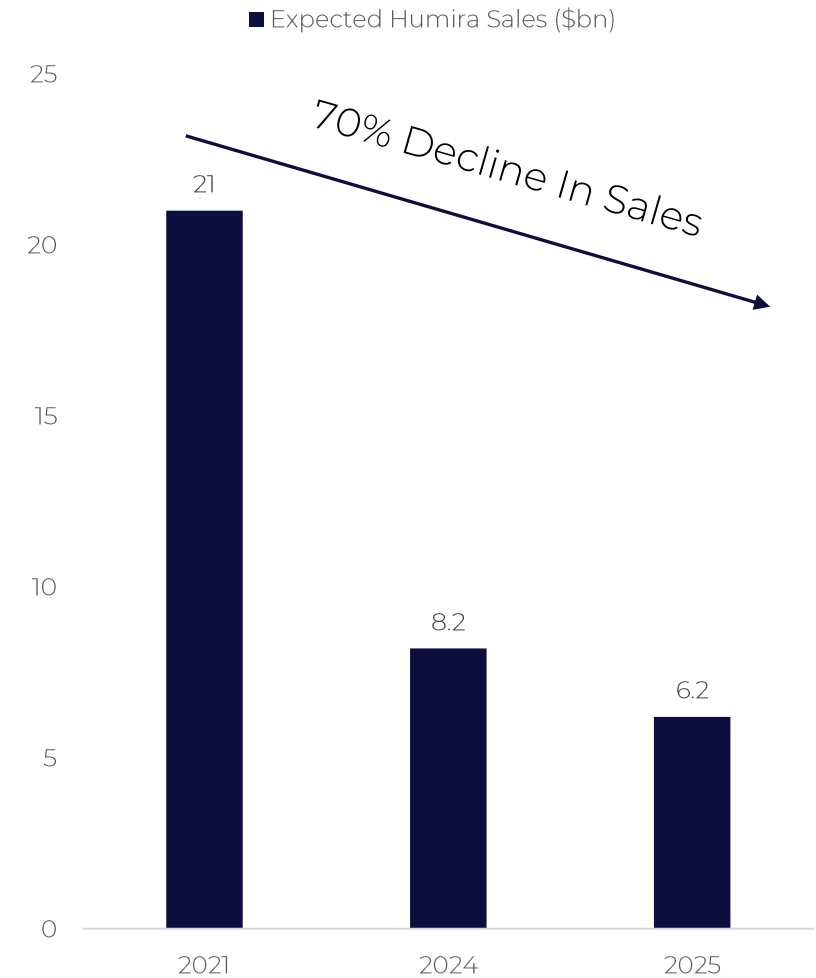
Humira Patent Loss

International Humira Sales



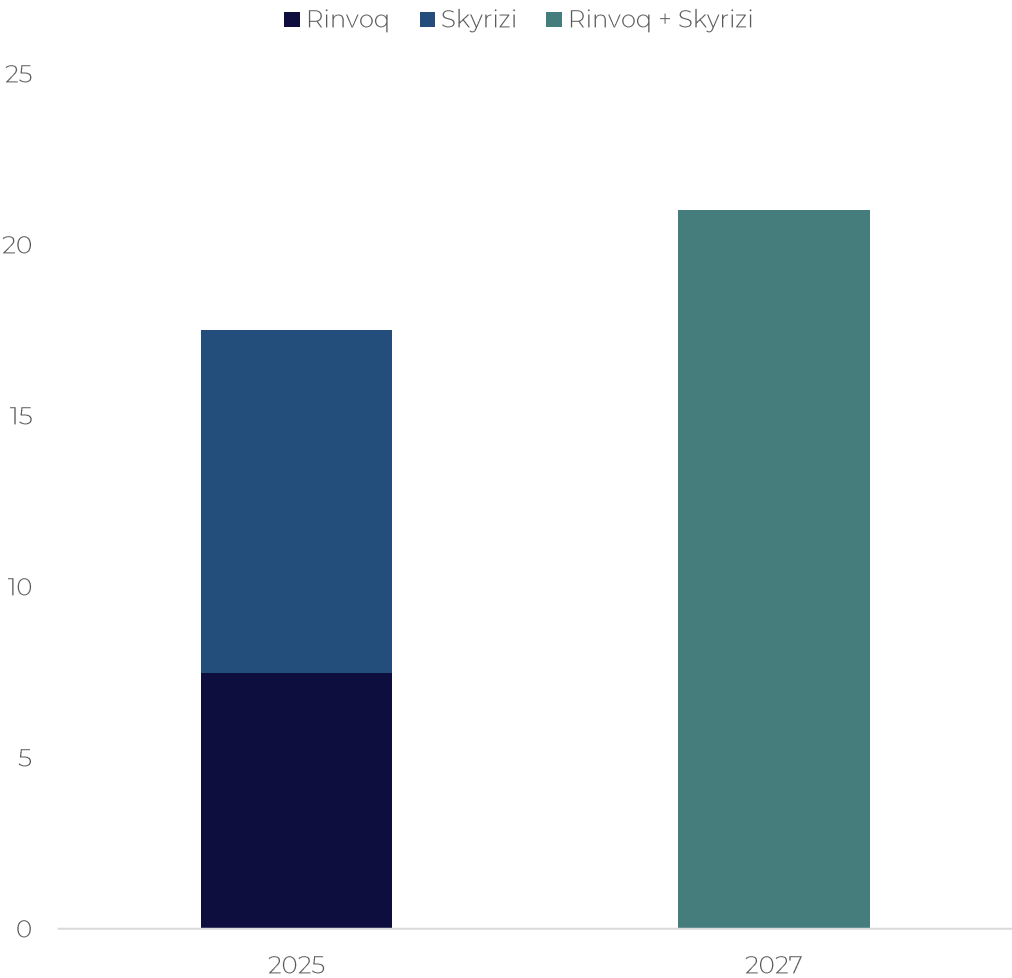
Sources: AbbVie IR, Reuters, WSJ, FactSet, Blue Line Capital

Humira Global Sales Projections (FactSet)



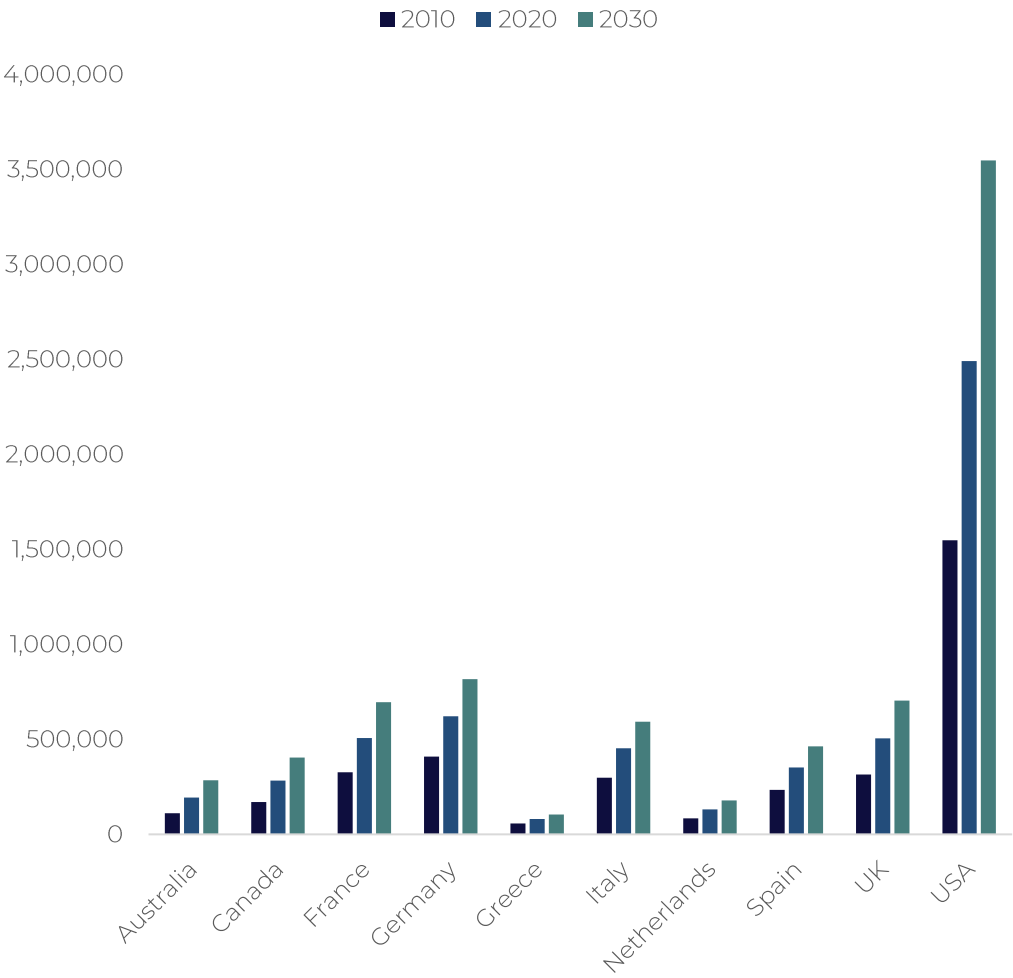
Replacing Humira Sales

Revenue By Segment



Sources: AbbVie IR, Statista, Blue Line Capital

IBD Disease Projections (Includes Crohn's Diseases)



AbbVie Expectations & Returns

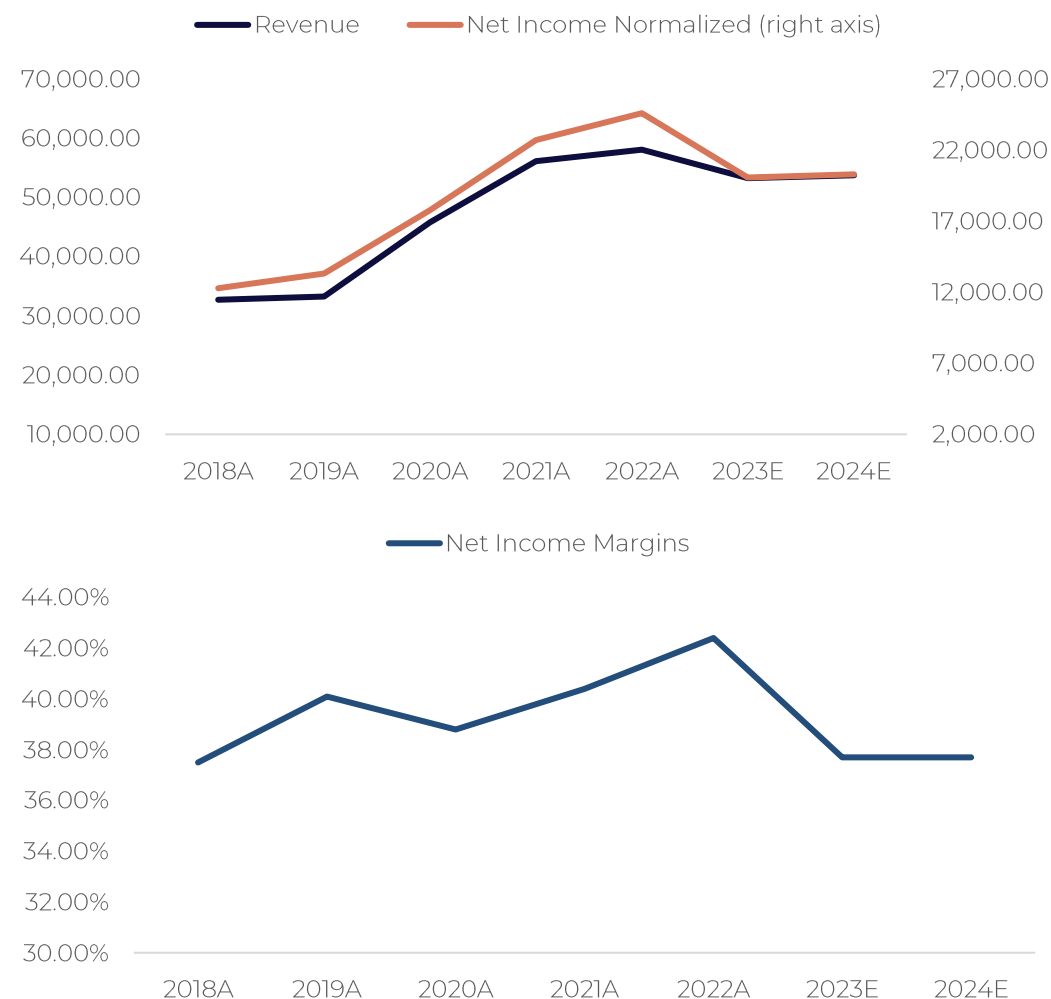
Return Ratios Compared To 2019

Return and profit ratios have remained stable across the board.

		LTM	2019
Return Ratios	RoA	9.30%	12.00%
	RoC	26.40%	23.70%
	RoE	75.30%	-94.90%
Margins	Gross Profit Margin	71.50%	77.60%
	EBITDA Margin	53.50%	48.90%
	Net Income Margin	20.40%	23.70%
	Levered Free Cash Flow Margin	34.90%	26.30%
Asset Turnover	Asset Turnover	0.41	0.37
	Fixed Asset Turnover	11.54	10.75
	Receivables Turnover	5.77	61.5
	Inventory Turnover	5.57	4.35
Solvency	Total Debt/Equity	436.80%	-821.90%
	Total Debt/Capital	81.40%	111.70%
	EBITDA/Interest Expense	15.21	9.24
	(EBITDA/Capex)/Interest Expense	15.21	8.93

Sources: AbbVie IR, TIKR, Blue Line Capital

Revenue and Net Income Estimates



AbbVie Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
AbbVie (ABV)	12.69	13.59	-4%	2%	-7%
Amgen (AMGN)	10.01	13.58	-16%	-4%	-2%
Gilead (GILD)	7.51	12.66	6%	5%	3%
Regeneron (REGN)	11.6	18.26	2%	17%	12%
Merck (MRK)	11.96	15.13	9%	18%	15%
Johnson & Johnson (JNJ)	12.16	15.43	-3%	-1%	-9%
Bristol-Myers Squibb (BMY)	9.32	9.02	-3%	-1%	-6%
Median	11.60	13.59	-3%	2%	-2%
Mean	10.75	13.95	-1%	5%	1%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains a long position in AbbVie.

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BLUE LINE CAPITAL



Disney

Telling The Streaming Story

Disney Earnings Highlights & Stock Performance

Management Commentary From Q1 2023 Earnings Call

- **Cost Savings:** Targeting \$5.5bn of cost savings across the company. We will be reducing our workforce by approximately 7,000 jobs.
- **Priorities:** Instead, our priority is the enduring growth and profitability of our streaming business. Our current forecasts indicate Disney+ will hit profitability by the end of fiscal 2024, and achieving that remains our goal.
- **Disney+:** The Disney+ domestic price increase has been playing out as expected, with only modestly higher churn, which may also negatively impact the fiscal second quarter given the timing of the December price increase.
- **Succession Planning:** And finally, on the topic of succession, the Board recently established a dedicated Succession Planning Committee.
- **Cash Content Spend:** We still expect cash content spend company-wide to remain in the low \$30bn range for fiscal 2023.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	24.38	2.2	46.9	15.89	NA
TTM	60.64	2.39	41.52	21.37	2.1
*Levered FCF					

Sources: Disney IR, TIKR, Blue Line Capital

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Blue Line Capital maintains a long position in Disney.

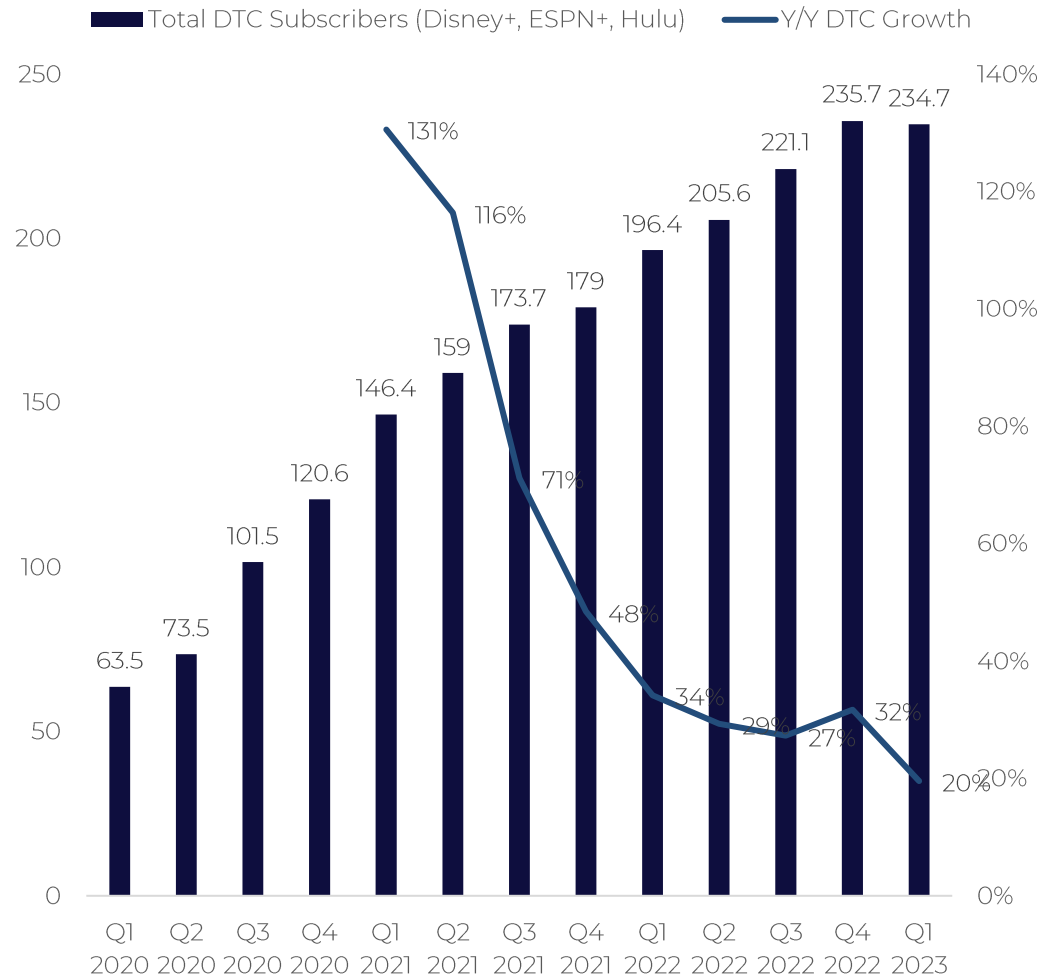
Quarterly Data



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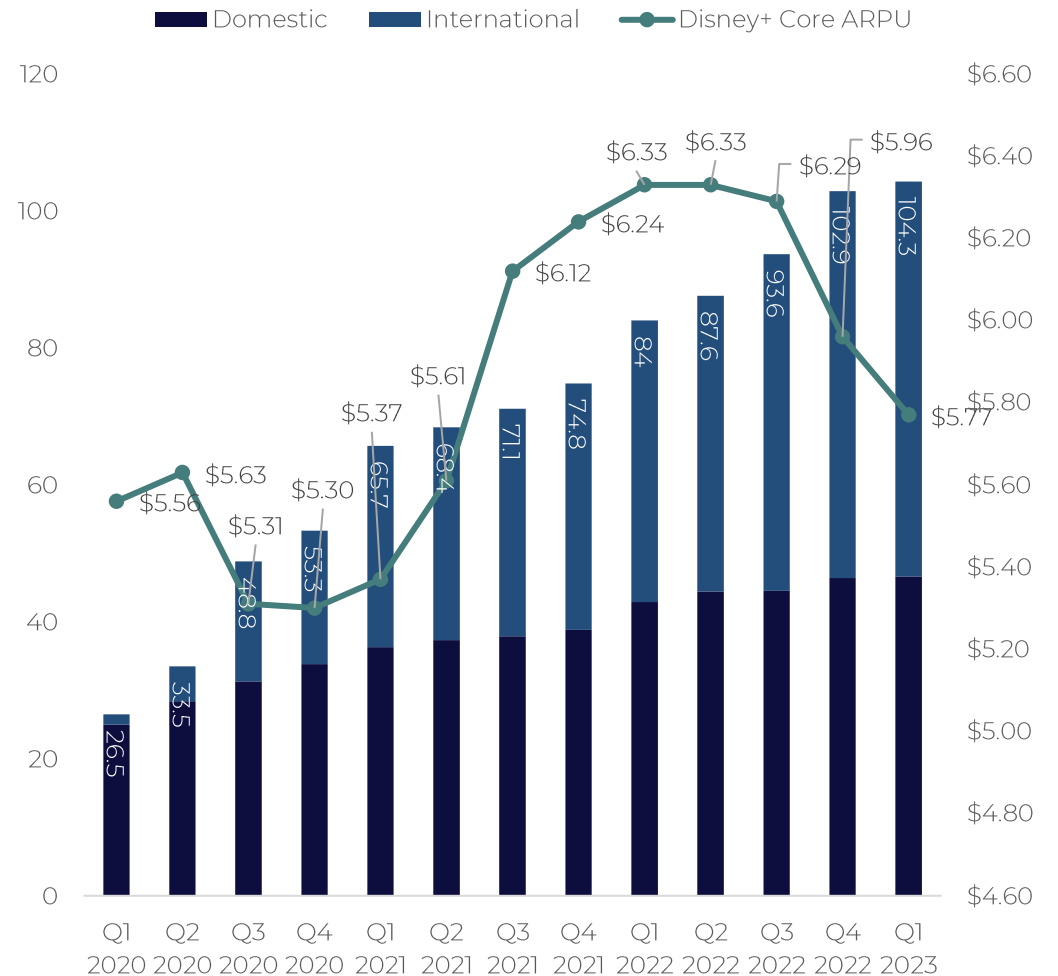
Disney – DTC Subscribers & Disney+

Total Disney Direct-to-Consumer Subscriber Count



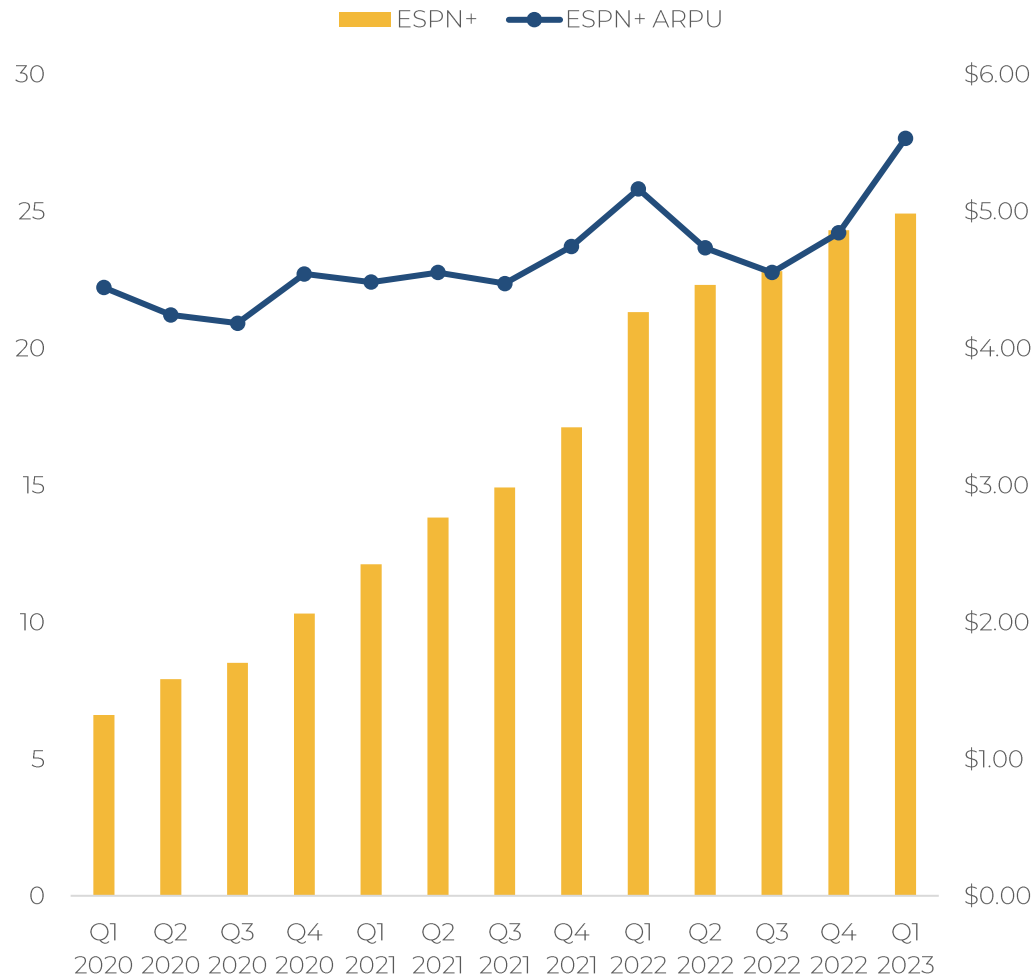
Sources: Disney IR, Blue Line Capital

Disney+ Subscribers & ARPU

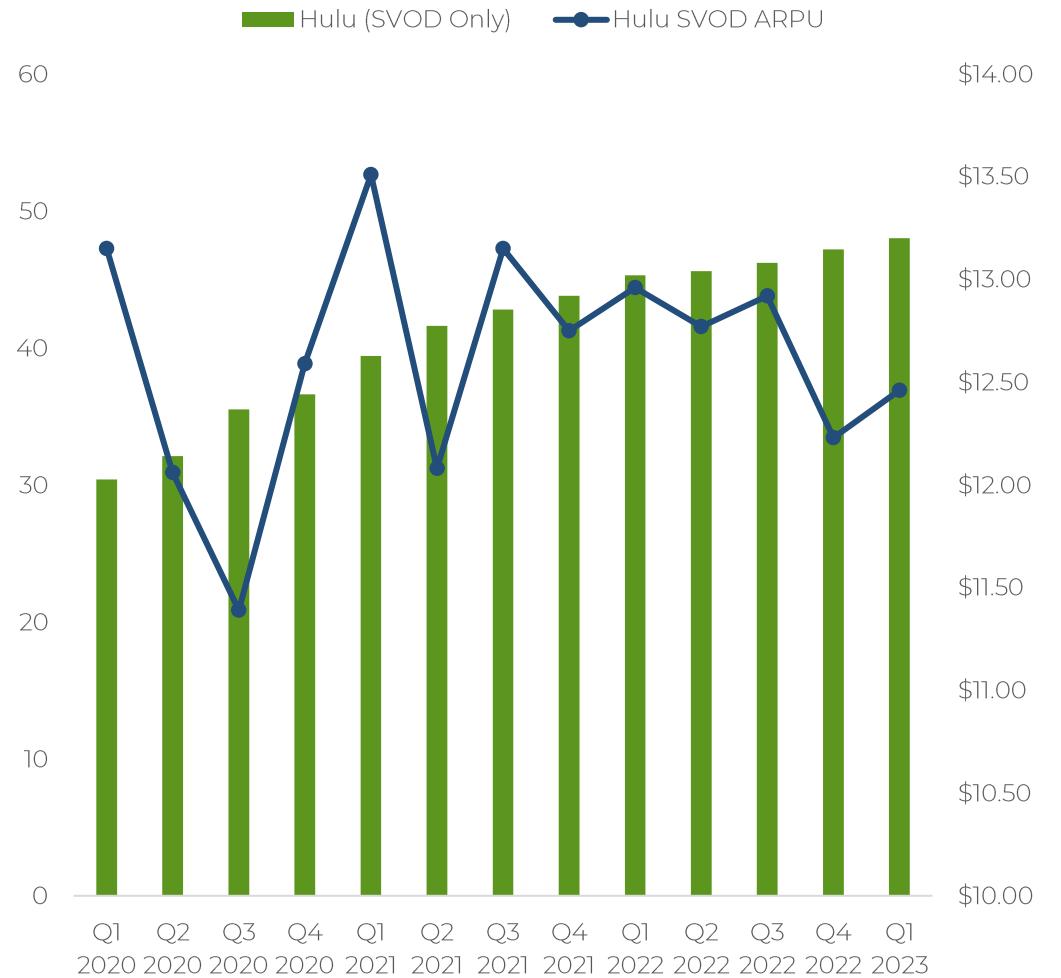


Disney – ESPN+ & Hulu

ESPN+ Subscriber Count & ARPU



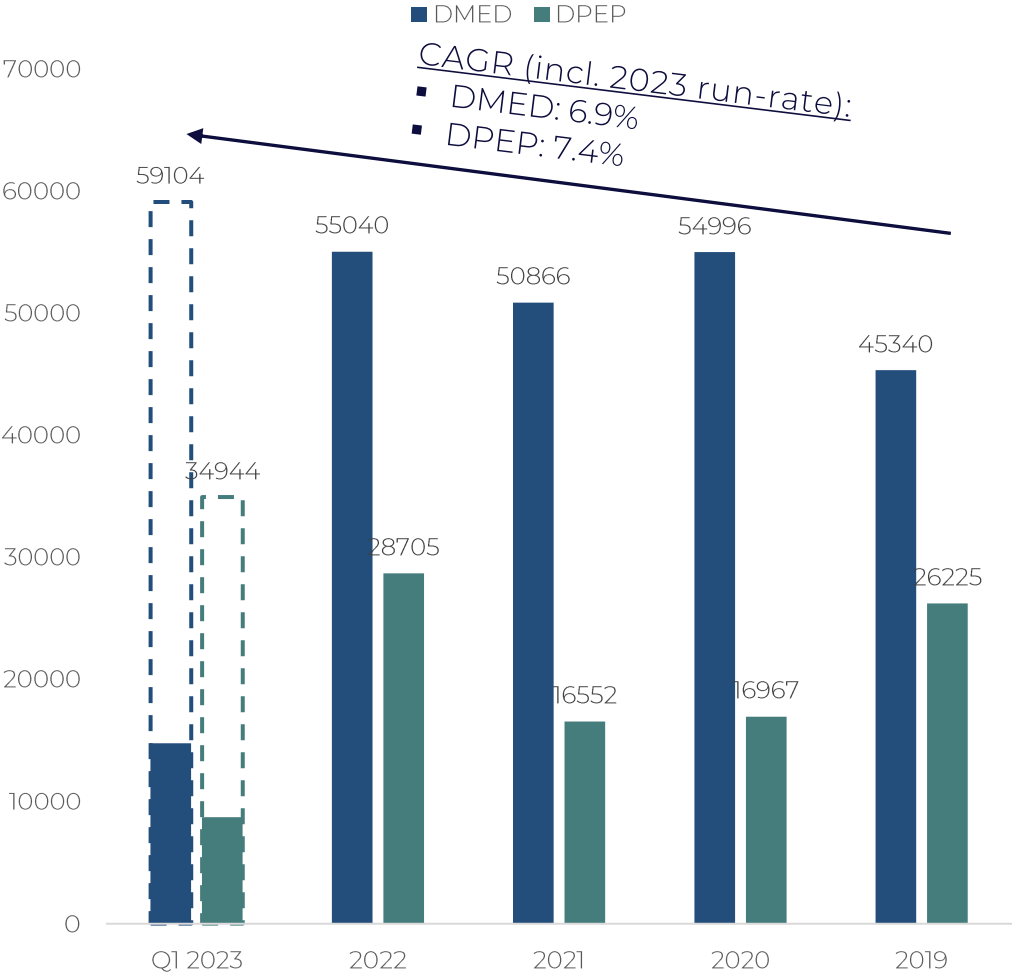
Hulu Subscriber Count & ARPU



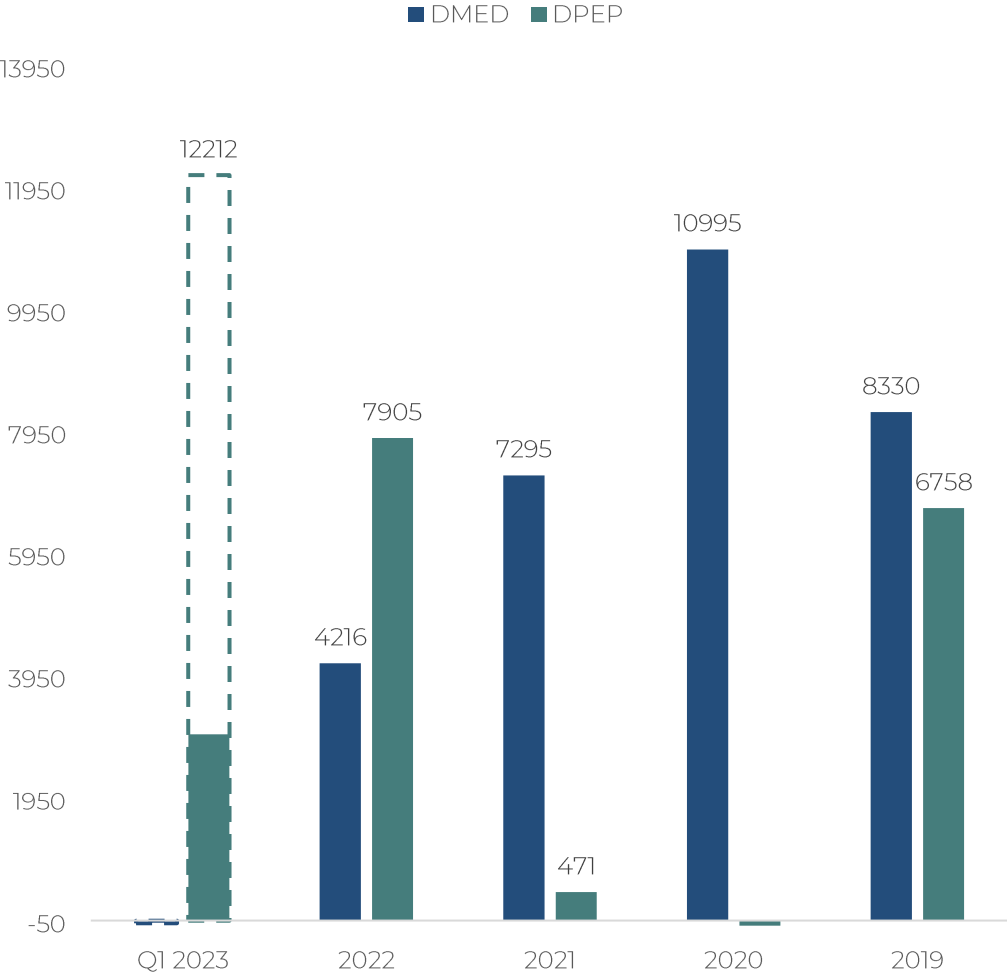
Sources: Disney IR, Blue Line Capital

Parks & Others vs. Media | Sales & Operating Income

Media & Park Revenues (Including Q1 Run-Rate)



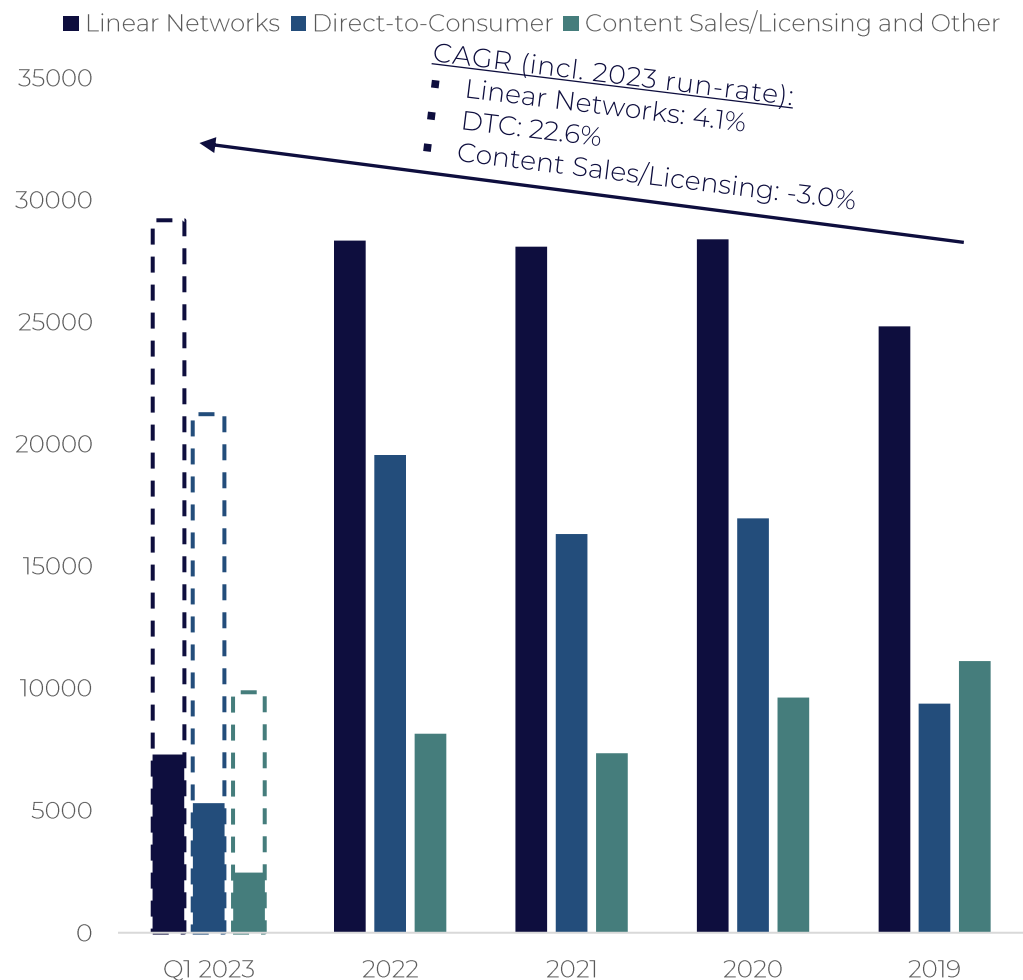
Media & Parks Operating Income (Including Q1 Run-Rate)



Sources: Disney IR, Blue Line Capital

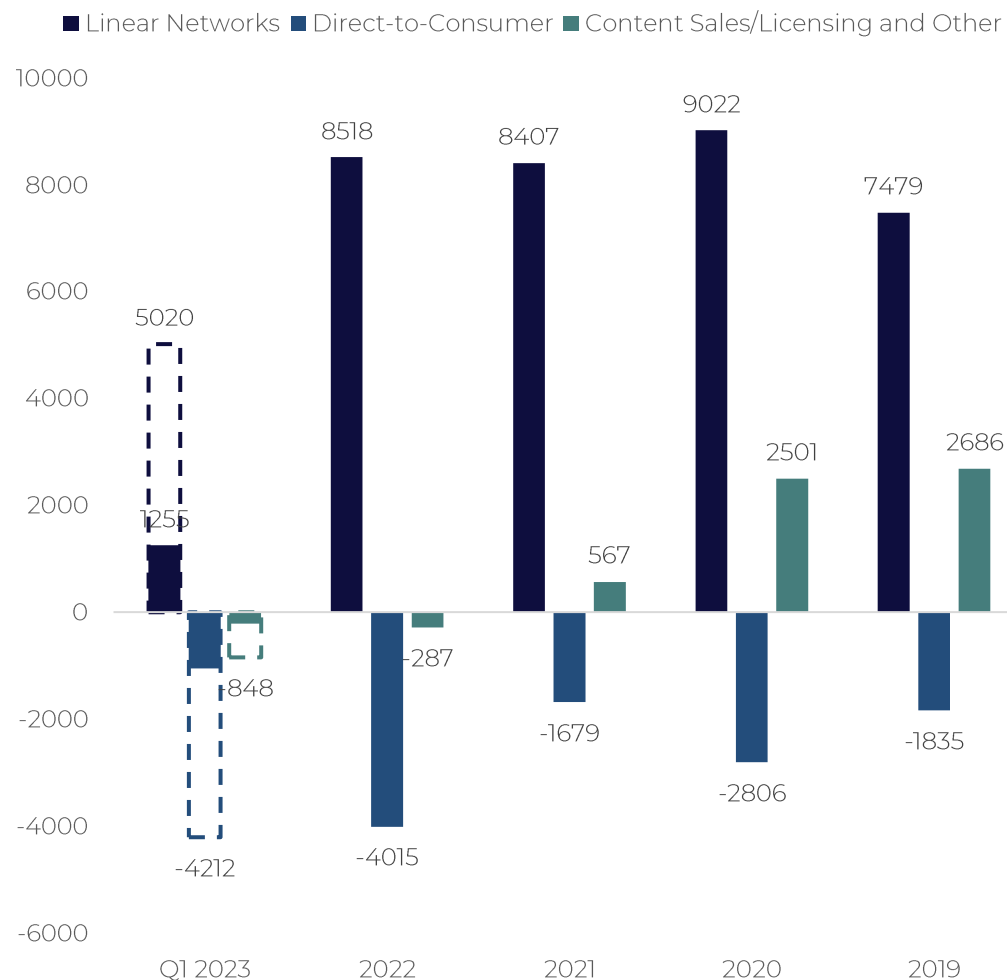
Disney - The Transition From Linear To Streaming

Linear vs. Streaming Revenue



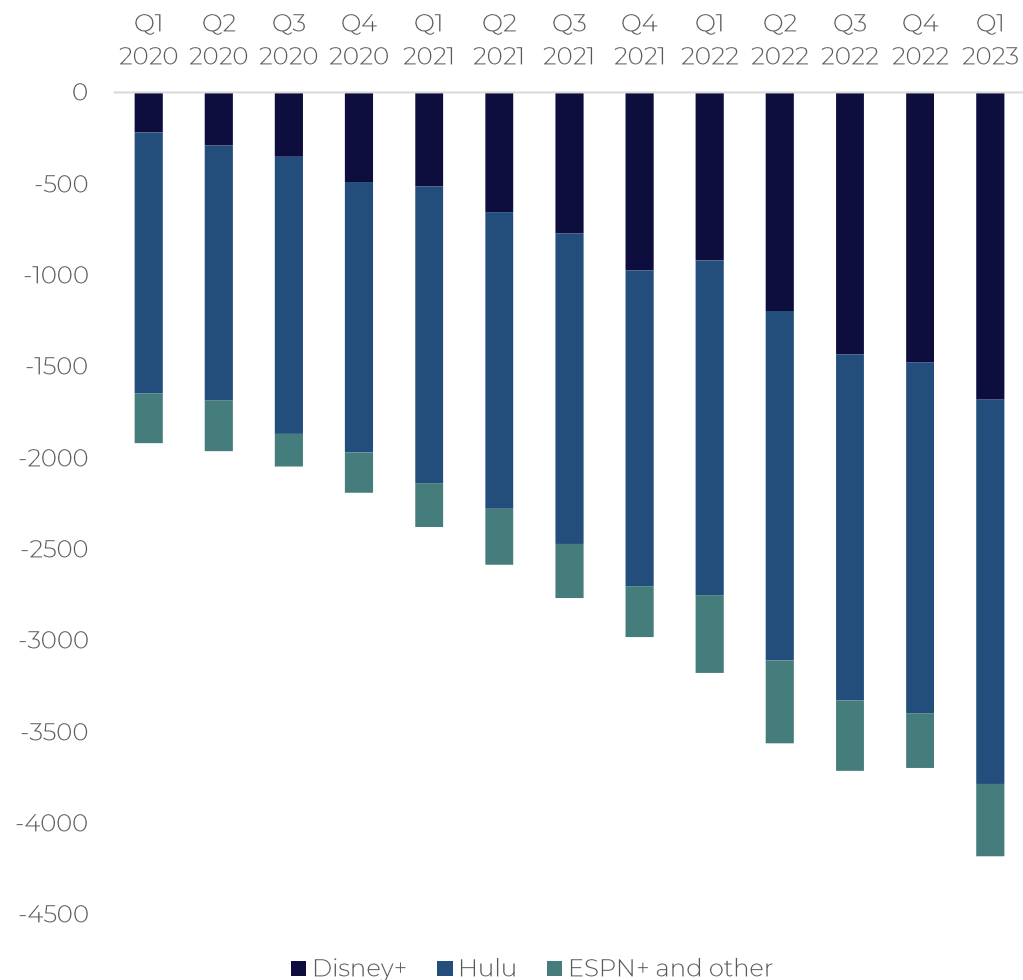
Sources: Disney IR, Blue Line Capital

Linear vs. Streaming Operating Income



Disney Content Spend Trends

Disney Direct-To-Consumer Content Spend

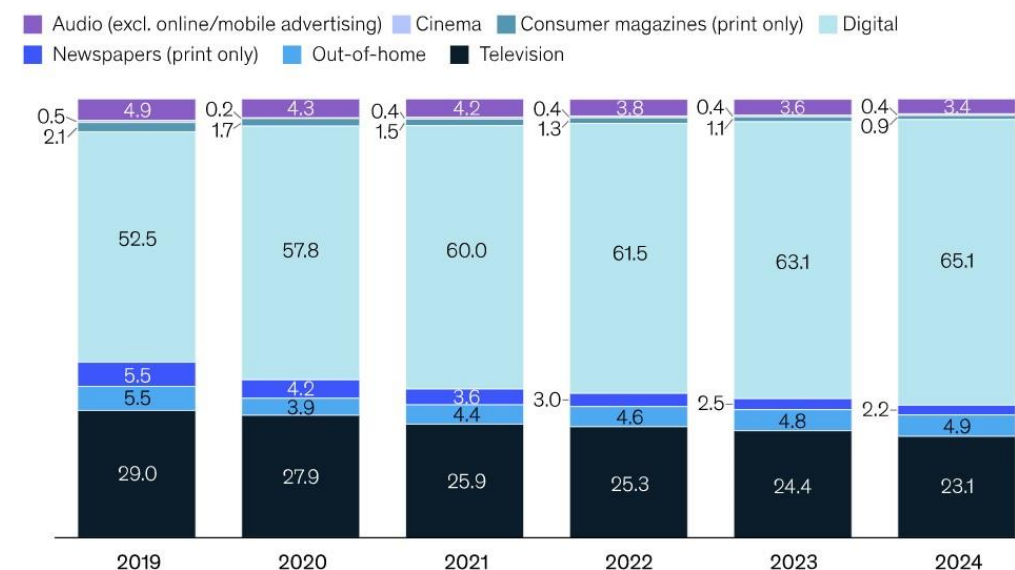


Sources: Disney IR, [McKinsey, Marketing Charts](#), Blue Line Capital

Streaming Spend & Shift From Linear Advertising

- According to Marketing Charts, 60% of surveyed participants did stream or download TV while 73% of participants watched linear TV. In 2021, 77% of people indicated they streamed and 61% indicated they watched linear TV.
- A study by McKinsey indicates that television (linear TV) will only account for 23.1% of global ad spend in 2024 (down from 29% in 2019).

Global advertising shares by category, %



Source: McKinsey & Company, Wilkofsky Gruen Associates

Disney Expectations & Returns

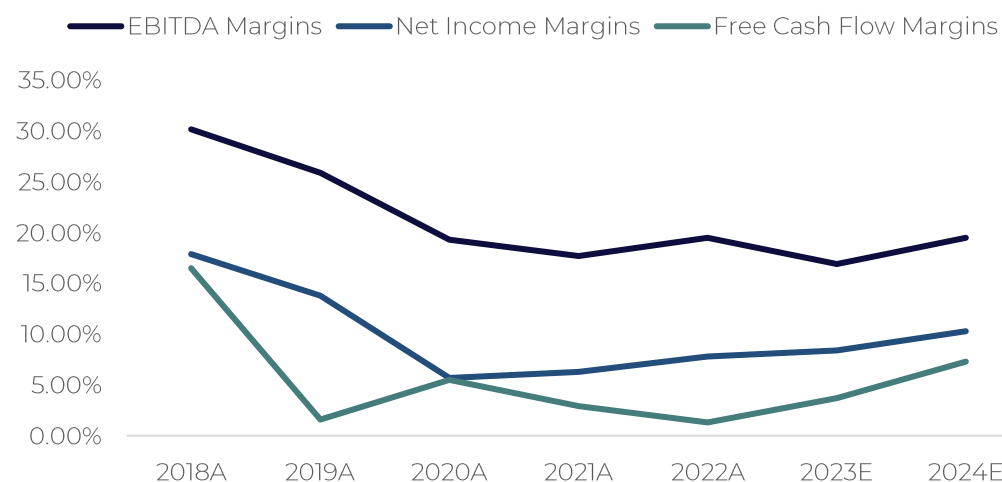
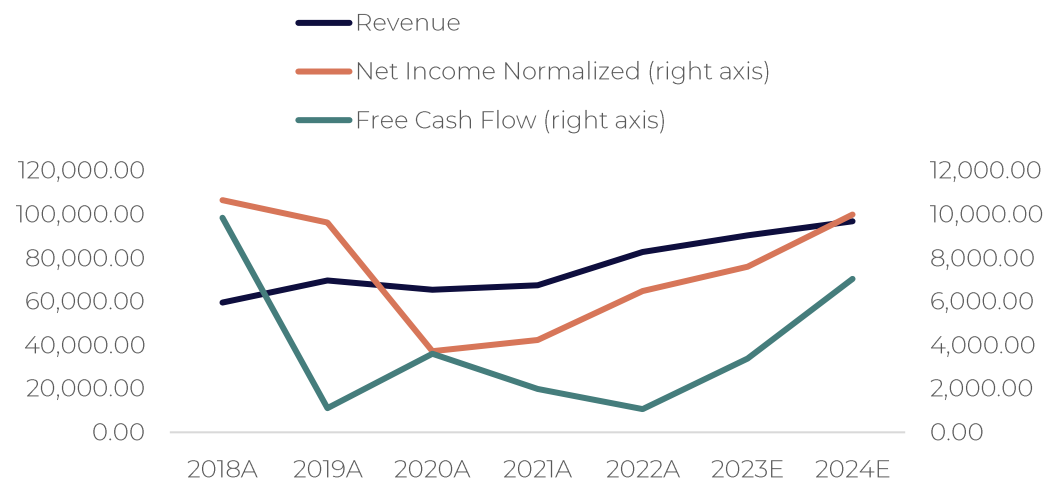
Return Ratios Compared To 2019

In the transition to DTC, Disney's return metrics have suffered across the board.

		LTM	2019
Return Ratios	RoA	2.10%	5.10%
	RoC	4.00%	7.60%
	RoE	3.50%	13.90%
Margins	Gross Profit Margin	33.40%	39.60%
	EBITDA Margin	14.10%	23.30%
	Net Income Margin	3.90%	15.90%
	Levered Free Cash Flow Margin	5.80%	7.30%
Asset Turnover	Asset Turnover	0.42	0.36
	Fixed Asset Turnover	2.52	2.28
	Receivables Turnover	5.85	6.74
	Working Capital Turnover	-534.27	-21.64
Solvency	Total Debt/Equity	44.40%	45.80%
	Total Debt/Capital	29.20%	29.90%
	EBITDA/Interest Expense	7.9	13
	(EBITDA/Capex)/Interest Expense	4.79	9.09

Sources: Disney IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Disney Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Disney (DIS)	15.62	24.03	18%	-10%	3%
Netflix (NFLX)	21.9	30.44	26%	47%	93%
Warner Bros Discovery (WBD)	8.3	-61.13	23%	11%	-21%
Fox Corp (FOXA)	7.83	11.25	16%	-2%	2%
Charter Communications (CHTR)	7.36	11.56	2%	-16%	-15%
Comcast (CMCSA)	7.31	10.52	14%	-4%	-10%
Paramount (PARA)	10.8	16.71	19%	-16%	-31%
Median	8.30	11.56	18%	-4%	-10%
Mean	11.30	6.20	17%	1%	3%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains a long position in Disney.

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BLUE LINE CAPITAL



Intel

An Iconic Chip Brand's Difficulties

Intel Earnings Highlights & Stock Performance

Management Commentary From Q4 2022 Earnings Call

- PC: In Q3, we provided an estimate for the calendar year '23 PC consumption TAM of 270 million to 295 million units. Given continued uncertainty and demand signals we see in Q1, we expect the lower end of that range is more likely outcome. Near term, the PC ecosystem continues to deplete inventory.
- Server: We expect Q1 server consumption TAM to decline both sequentially and year-over-year at an accelerated rate with first half'23 server consumption TAM down year-on-year before returning to growth in the second half.
- Foundry Cost Cuts: We expect additional efficiencies as we implement our internal foundry model, which is a key element to accomplish our \$8bn to \$10bn of cost savings exiting 2025.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	52.07	2.26	-14.13	12.67	NA
TTM	14.29	1.82	26.7	8.42	1.13
*Levered FCF					

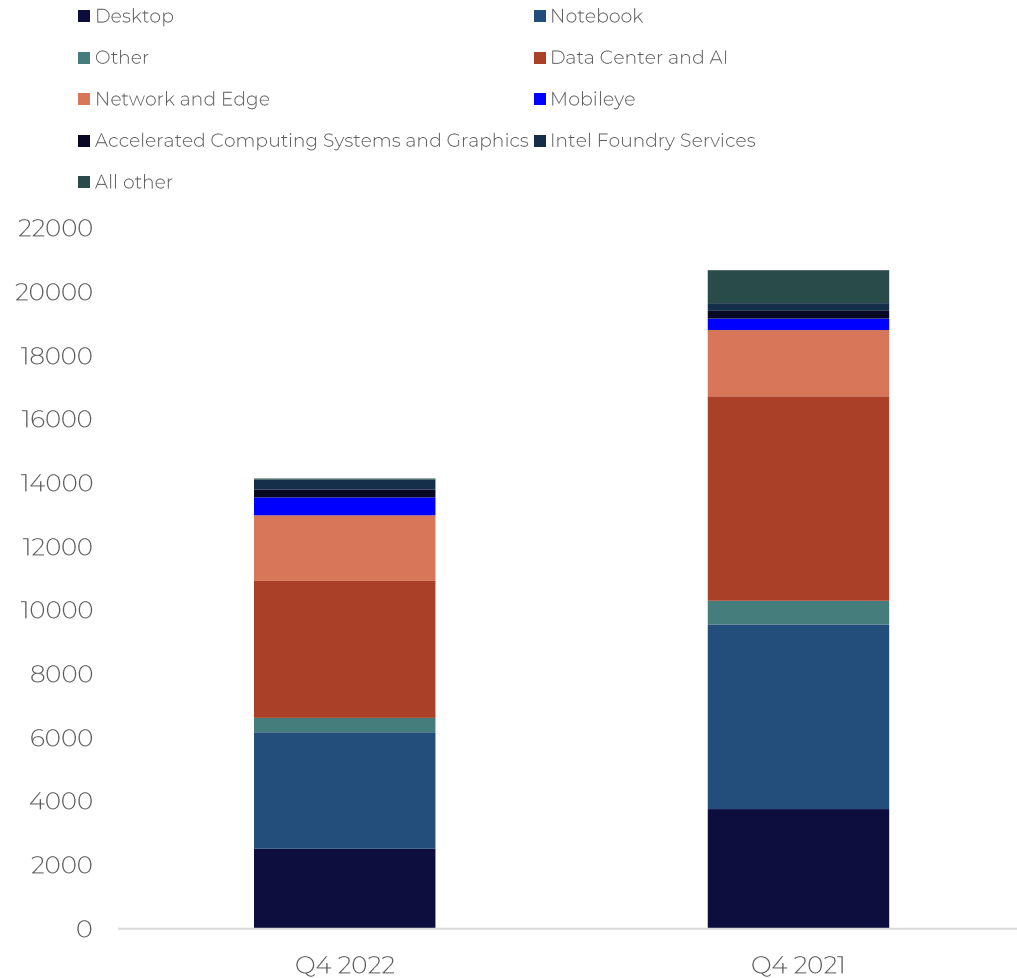
Sources: Intel IR, TIKR, Blue Line Capital

Quarterly Data



Intel Quarterly Revenues & Income Trends

Revenue By Segment



Sources: Intel IR, Blue Line Capital

Quarterly Revenue Trends

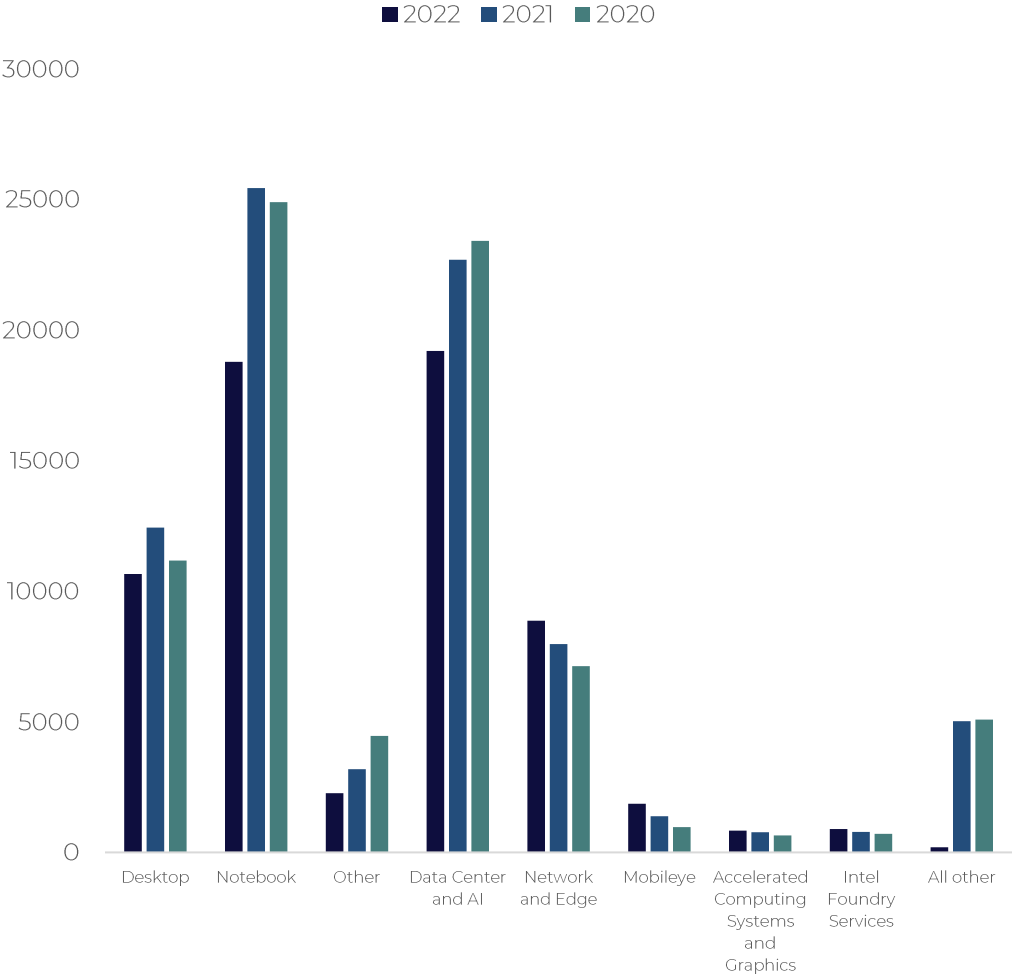
	Q4 2022	Q4 2021	%
Desktop	2509	3756	-33%
Notebook	3663	5809	-37%
Other	453	738	-39%
Data Center and AI	4304	6426	-33%
Network and Edge	2061	2086	-1%
Mobileye	565	356	59%
Accelerated Computing Systems and Graphics	247	245	1%
Intel Foundry Services	319	245	30%
All other	30	1033	-97%

Quarterly Operating Income Trends

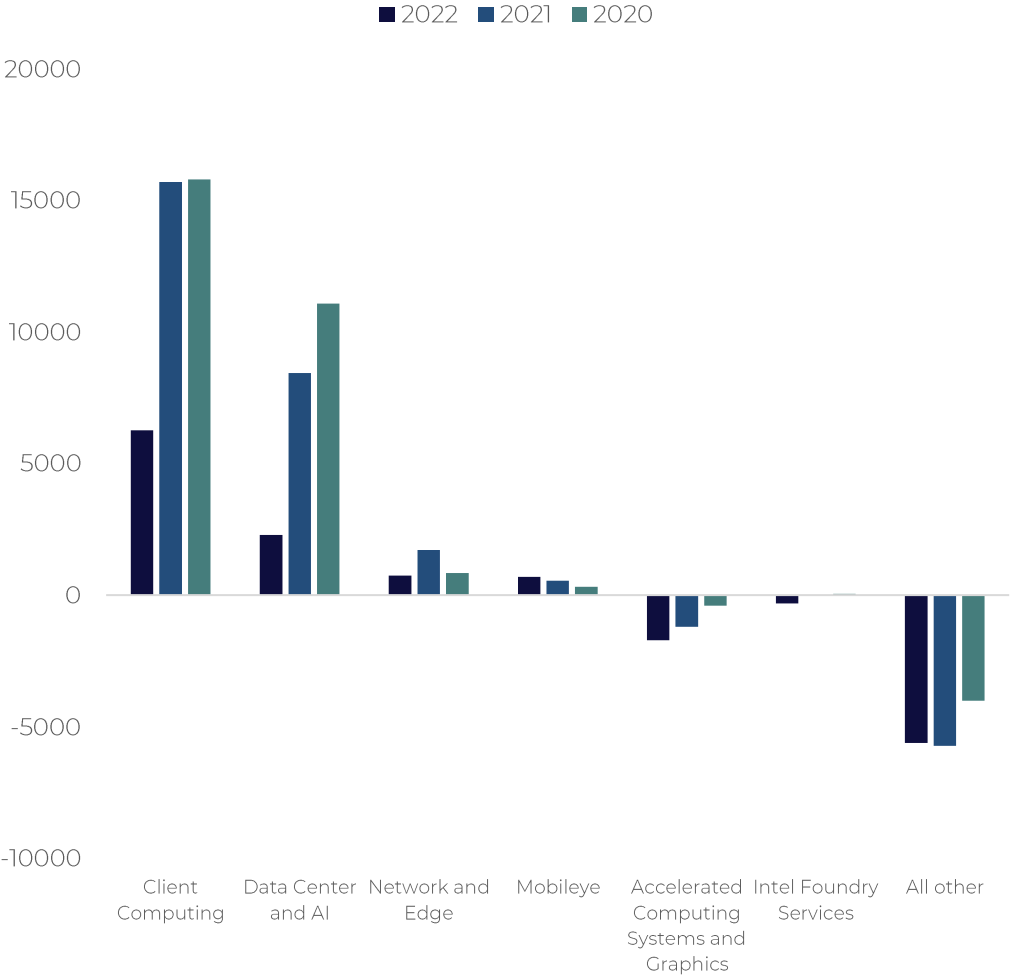
	Q4 2022	Q4 2021	%
Client Computing	699	3795	-82%
Data Center and AI	371	2350	-84%
Network and Edge	58	352	-84%
Mobileye	210	123	71%
Accelerated Computing Systems and Graphics	-441	-641	31%
Intel Foundry Services	-31	3	-1133%
All other	-1998	-993	-101%

Intel Annual Revenue & Income Trends

Revenue By Segment



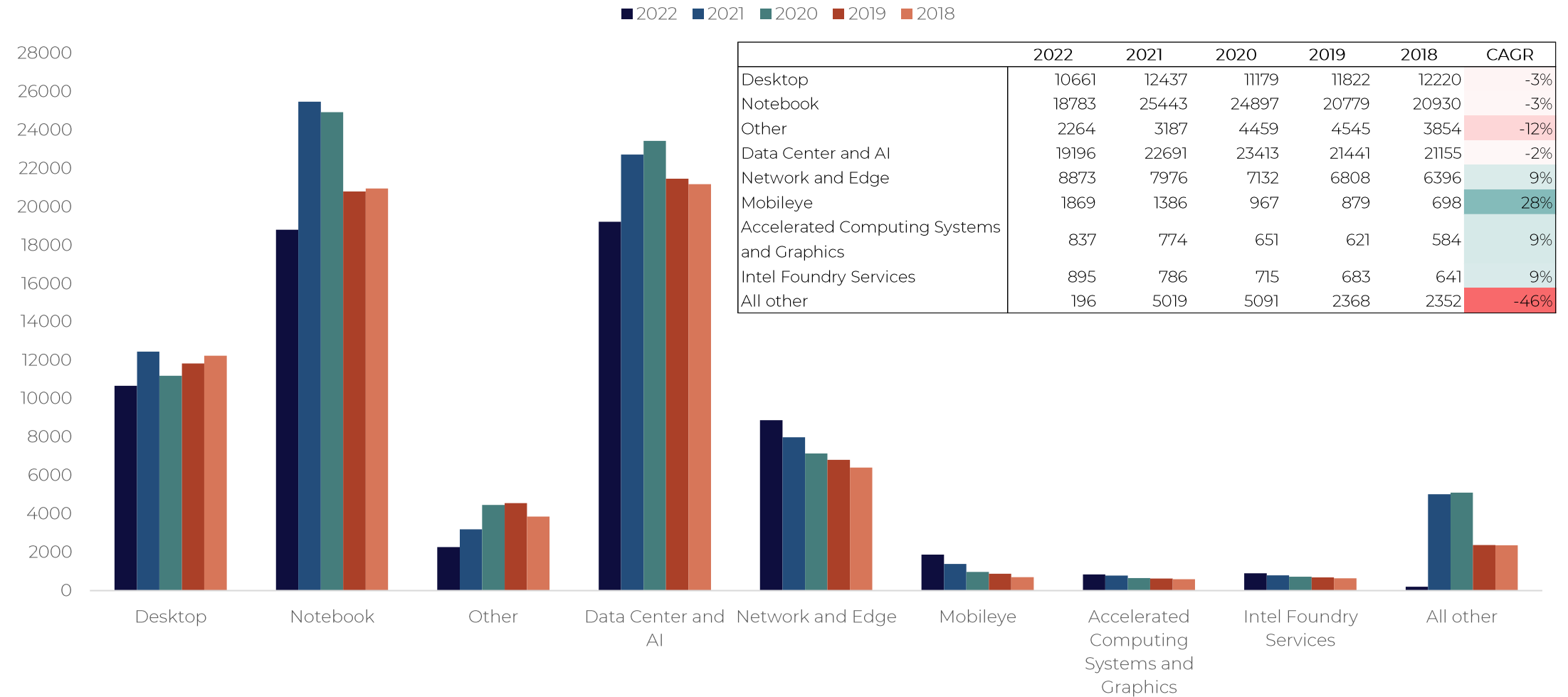
Operating Income(Loss) By Segment



Sources: Intel IR, Blue Line Capital

Intel Annual Revenue Trend

Revenue By Segment



Sources: Intel IR, Blue Line Capital

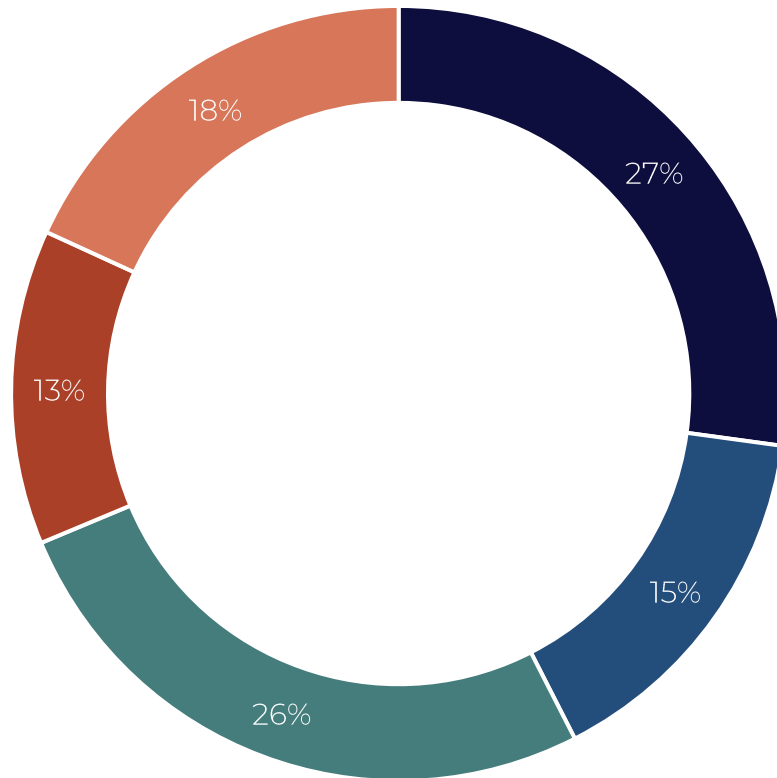
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Blue Line Capital maintains no position in Intel.

Intel – Geographic Exposure & Notebook, PC Trends

Sales By Geography

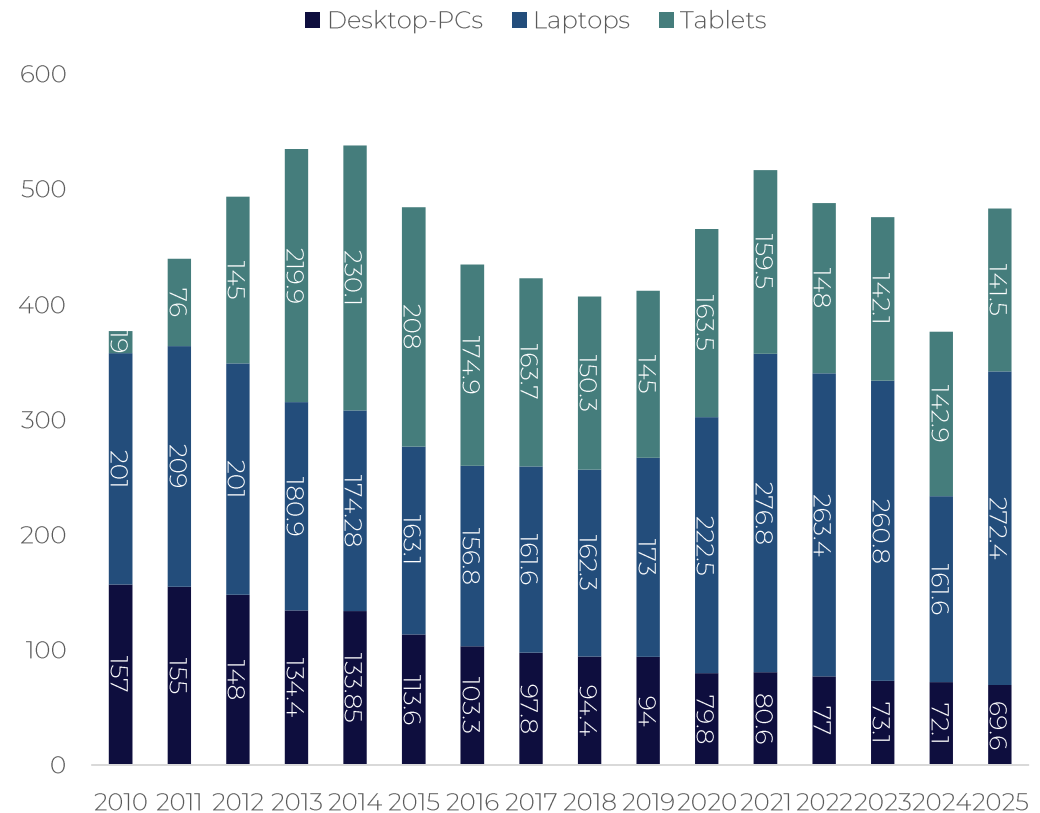
■ China ■ Singapore ■ United States ■ Taiwan ■ Other Regions



Sources: Intel IR, [Statista](#), Blue Line Capital

Intel In Too Many Places

- Given that Intel both competed with and manufactured for competitors, the company had to keep spending on foundry technology while falling behind TSMC and Samsung.



Intel Expectations & Returns

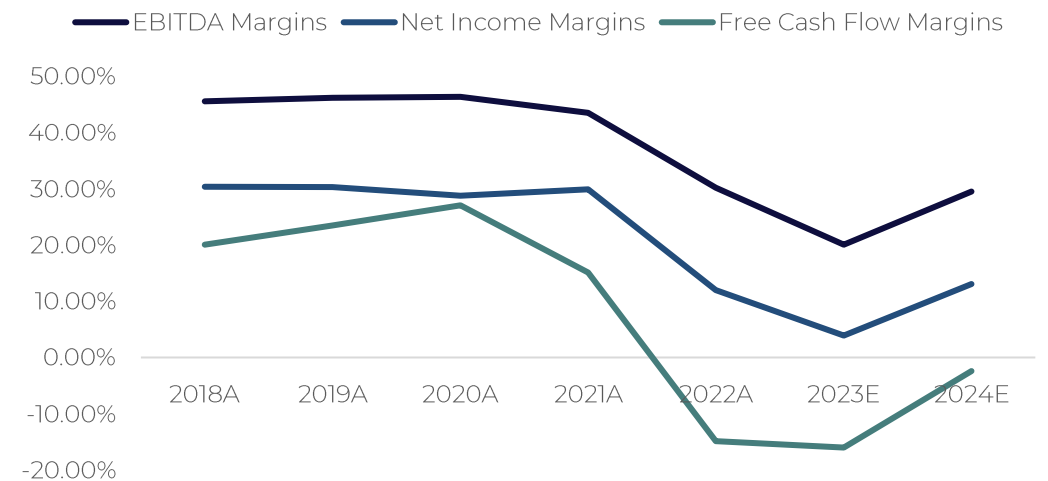
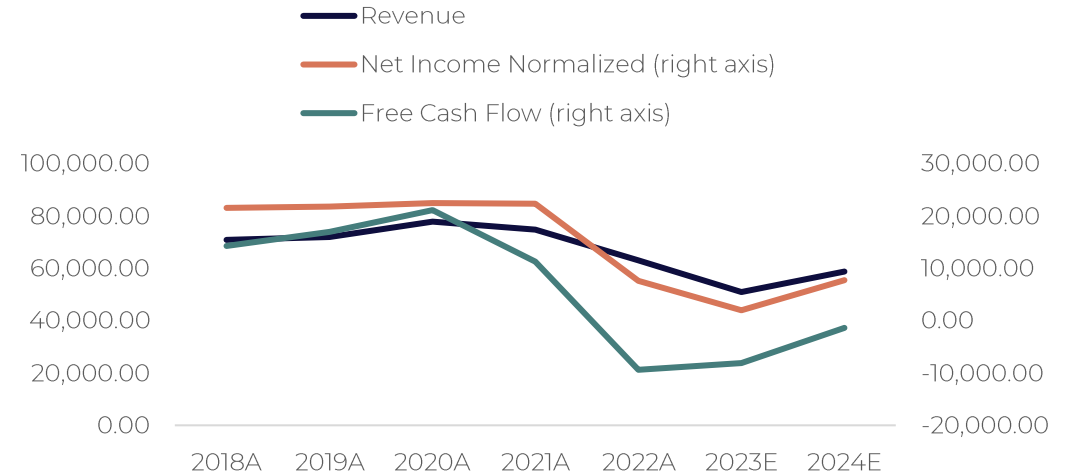
Return Ratios Compared To 2019

Intel has disappointed across metrics.

		LTM	2019
Return Ratios	RoA	0.80%	10.60%
	RoC	1.60%	20.70%
	RoE	8.10%	27.70%
Margins	Gross Profit Margin	42.60%	58.60%
	EBITDA Margin	24.40%	46.20%
	Net Income Margin	12.70%	29.20%
	Levered Free Cash Flow Margin	6.80%	17.00%
Asset Turnover	Asset Turnover	0.35	0.53
	Fixed Asset Turnover	0.87	1.38
	Receivables Turnover	9.28	10.01
	Inventory Turnover	3.02	3.73
Solvency	Total Debt/Equity	41.40%	37.50%
	Total Debt/Capital	29.10%	26.80%
	EBITDA/Interest Expense	32.46	68
	(EBITDA-Capex)/Interest Expense	-18.04	34.85

Sources: Intel IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Intel Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Intel (INTC)	12.69	51.39	-7%	-22%	-36%
NVIDIA (NVDA)	59.24	54.99	36%	17%	22%
Taiwan Semicond. (TSM)	8.58	16.16	28%	3%	1%
Broadcom (AVGO)	12.39	14.55	16%	8%	-1%
Qualcomm (QCOM)	10	12.81	9%	-13%	-5%
AMD (AMD)	16.42	26.74	17%	-16%	-17%
Micron (MU)	12	-30.15	-4%	-7%	-19%
Median	12.39	16.16	16%	-7%	-5%
Mean	18.76	20.93	14%	-4%	-8%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains no position in Intel.

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BLUE LINE CAPITAL

Data Disclosures

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