

3Q16 Semiconductor Earnings Summary—Week 1

Very Strong Quarter and Flat Guidance

The 3Q earnings season is now underway with 10 out of 67 companies in the Tokeneke Universe reporting as of this writing. The good news is that revenue growth is coming in very strong and earnings are also pretty good in general. Guidance for a flat 4Q isn't bad, but is more mixed and running weaker to expectations than the 3Q metrics. Also, the majority of companies are reporting favorable results relative to investor expectations, and I think this will continue as the earnings season progresses. The bad news is that share prices across the sector have been weak, consistent with broader equity markets. I remain cautious on the sector overall at this time after last quarter's share price rally, although specific opportunities persist.

Very Strong 3Q: 3Q revenue is coming in very strong compared to both expectations and seasonal norms. Weighted revenue for the Tokeneke Universe is up by +16.2% so far after original guidance calling for +7.4% that skewed upward to +9.2% after only six mostly positive preannouncements (upside from IDCC, INTC, SIMO and TSM; a reiteration from HIMX; and a narrowing from MCHP).

Weighted industry revenues from my Universe have increased by +16.2% so far. Excluding Intel the gain only slightly tempers to +15.8% and on an average company basis it drops to a gain of +9.9%. The semiconductor industry has averaged a 3Q sequential revenue increase of +6.2% with a high of +19.9% and a low of -11.7%, and has declined only twice in the last 26 years—and grew in each of the last 14 years, according to industry statistics.

Favorable Skew to Expectations: The Performance to Expectations histogram on Page 2 exhibits a majority of favorable results so far this earnings season, with no losers. Specifically, the category of outperformers reporting results meeting and/or exceeding expectations is running at 60% with the remaining 40% reporting 'mixed' results simultaneously missing, meeting and exceeding different expectations. No losers missing expectations yet. Recall this metric compares investor expectations to reported results for 3Q revenue and EPS, as well as 4Q revenue guidance. Note the grading metric Legend on Page 2 and the company details on Page 3.

Flat 4Q: The 4Q revenue outlook based on management guidance across the Tokeneke Universe is currently reflecting a flat sequential quarter, somewhat less than its historical seasonal recovery but more consistent with weakness in recent years. The specific weighted average guidance for revenue is centered at +0.3% ranging from -2.2% to +2.8%. If I exclude Intel from the calculation the center point significantly improves to +1.2% ranging from -0.6% to +3.0%. And on an average company basis it centers at +0.1% ranging from -1.7% to +1.9%. The semiconductor industry has averaged a 4Q sequential revenue gain of +1.3% with a high of +16.0% and a low of -24.2%, but has declined 12 times in the last 26 years—including eight of the last nine years.

Share Price Weakness: Semiconductor sector share prices have retreated so far during October, albeit somewhat consistent with broader market indices. Month-to-date the Philadelphia Semiconductor Index Option (SOX) is down by -0.8% with 40 out of 67 stocks in my Universe posting losses averaging -2.2% compared to the NASDAQ, S&P500 and DOW at -0.5%, -1.2%, and -0.8%, respectively.

Caution Reigns: I remain cautious on the semiconductor sector overall after last quarter's over 20% rally. While 3Q strength is proving to be quite impressive, flat 4Q guidance is less than inspiring—especially since it is typically followed by seasonal softness at the beginning of each year. Nevertheless, several opportunities persist. See my latest Semiconductor Investment Ideas update for specific potential opportunities.

CY3Q16 earnings announcements through October 24, 2016.

Companies sorted alphabetically by ticker across all compilations in this report.

3Q16 Earnings Review

* includes acquisition and/or divestiture

Ticker	Revenue		
	3Q16 (\$ mil)	Qtr-Qtr change	4Q16 Guidance
AMD	1,307.0	27.3%	-21-15%
GIG	15.8	2.8%	+1+3%
INTC	15,778.0	16.6%	-4+3%
ISIL	139.0	3.7%	no guidance
LLTC	373.9	0.0%	flat
MU	3,217.0	11.0%	+10+20%
MXIM	561.4	-0.8%	-7-0%
RMBS	89.9	17.5%	+5+9%
TSM	8,196.6	19.8%	-1-0%
XLNX	579.2	0.7%	flat
Total (weighted):	30,257.8	16.2%	-2+3%
<i>excluding INTC:</i>		15.8%	-0.5+3%
Average Company:		9.9%	-2+2%

INTC		AMD		ISIL	
LLTC		GIG		TSM	
MU		RMBS			
XLNX		MXIM			
0.0%	0.0%	40.0%	10.0%	30.0%	20.0%
F	E	D	C	B	A
<i>missed/met</i>		<i>mixed</i>	<i>met/exceeded</i>		
0.0%		40.0%	60.0%		
Total: 10 companies with estimates or guidance					

Performance to Expectations Skew**LEGEND**

	Grade
+++ exceeded the high-end of the range	A all +++
++ above consensus, within the high-end of the range	B all +
+ slightly above consensus	C all o/+
o met consensus	D mixed -/o/+
- slightly below consensus	E all o/-
-- missed consensus, within the low-end of the range	F all -
--- missed the low-end of the range	

Grade: B	AMD	3Q (17 est.)			4Q		
Rev: +++)		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: +++)	Rev (\$mil)	1,307	1,210	1,200-1,240	1,033-1,111	1,060	1,000-1,130
Rev Guide: +	EPS pf	\$0.03	\$0.00	(\$0.02)-\$0.02		(\$0.03)	(\$0.10)-\$0.02
Grade: B	GIG	3Q (5 est.)			4Q		
Rev: +++)		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: +	Rev (\$mil)	15.8	15.52	15.5-15.6	16-16.2	15.94	15.7-16.2
Rev Guide: +	EPS pf	\$0.05	\$0.04	\$0.04		\$0.04	\$0.03-\$0.05
Grade: D	INTC	3Q (29 est.)			4Q		
Rev: +++)		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: +++)	Rev (\$mil)	15,778	15,580	14,890-15,650	15,200-16,200	15,860	15,040-16,780
Rev Guide: -	EPS pf	\$0.80	\$0.72	\$0.66-\$0.79		\$0.76	\$0.70-\$0.86
Grade: A	ISIL	3Q (6 est.)			4Q		
Rev: +++)		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: +++)	Rev (\$mil)	139	137.6	137-138.8	na	134.8	133.4-138.1
Rev Guide: na	EPS pf	\$0.22	\$0.18	\$0.15-\$0.19		\$0.18	\$0.16-\$0.19
Grade: D	LLTC	F1Q (20 est.)			F2Q		
Rev: -		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: -	Rev (\$mil)	373.9	377.7	368.5-385	flat	366.3	355.1-377.9
Rev Guide: ++	EPS pf	\$0.53	\$0.54	\$0.52-\$0.56		\$0.52	\$0.47-\$0.54
Grade: D	MU	F4Q (19 est.)			F1Q		
Rev: +++)		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: ---	Rev (\$mil)	3,217	1,430	1,290-1,650	3,550-3,850	1,290	1,000-1,430
Rev Guide: +++)	EPS pf	\$0.03	(\$0.05)		\$0.13-\$0.21	(\$0.24)	
Grade: C	MXIM	F1Q (23 est.)			F2Q		
Rev: +		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: +	Rev (\$mil)	561.4	560.8	556.5-570	520-560	540.6	525-560
Rev Guide: o	EPS pf	\$0.48	\$0.47	\$0.42-\$0.48	\$0.40-\$0.46	\$0.45	\$0.39-\$0.48
Grade: B	RMBS	3Q (5 est.)			4Q		
Rev: +++)		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: +++)	Rev (\$mil)	89.9	86.6	86.5-87	94-98	94.4	87-99.8
Rev Guide: +	EPS pf	\$0.16	\$0.13	\$0.11-\$0.15	\$0.14-\$0.18	\$0.15	\$0.13-\$0.18
Grade: A	TSM	3Q (4 est.)			4Q		
Rev: +++)		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: +++)	Rev (\$mil)	8,197	7,990	7,910-8,080	8,095-8,190	7,700	7,280-7,720
Rev Guide: +++)	EPS	\$0.59	\$0.57	\$0.56-\$0.58		\$0.52	\$0.49-\$0.54
Grade: D	XLNX	F2Q (18 est.)			F3Q		
Rev: +++)		Rept'd	Expt'd	Low-High	Guided	Expt'd	Low-High
EPS: +++)	Rev (\$mil)	579.2	574.9	574.1-575.3	flat	584.5	571.7-608
Rev Guide: --	EPS	\$0.61	\$0.55	\$0.54-\$0.58		\$0.52	\$0.48-\$0.59

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