

3Q19 Semiconductor Earnings Summary—Week 2
Blowout 3Q Eases, 4Q Guidance Doubles, Chip Sector Rally Continues

The 3Q earnings season is over half complete with 30 out of 57 companies in my Tokeneke Universe having reported through last week. 3Q results eased a bit but remain very strong with revenue growth well above both norms and expectations, and 4Q guidance for sequential revenue growth nearly doubled to an above-average metric from below-average. In addition, chip sector share prices continued to rally and extended their relative outperformance compared to broader equity markets. While current business conditions are much better than expected, macroeconomic and geopolitical uncertainty continues to temper outlooks amid the rally. Stock-picking remains pretty tricky, but see my latest Semiconductor Investment Ideas publication for potential opportunities.

Memories Disproportionately Affect Growth: DRAM and NAND memories drove semiconductor industry growth last year, but are expected to drag the industry into a decline this year. According to market researcher IC Insights, DRAM accounted for 21% of total industry sales last year while NAND accounted for 12.7%. For 2019, the Semiconductor Industry Association expects memories to *decline* by -30.6%, thereby dragging otherwise flat-ish non-memory revenue down to an overall industry decline of -12.1%. Recall that three-quarters of the industry’s memory suppliers are *NOT* in my US-equity-based Tokeneke Universe (Samsung, Hynix and Toshiba—but Micron is included), so my Universe will structurally *outperform* 2019 aggregate industry growth this year. I differentiate Intel due to its size and Micron due to its growth rate.

		3Q	4Q	4Q Range
Week 1	Weighted	13.6%	0.8%	-0.4+2.0%
13 co's	excl-Intel	11.4%	1.5%	-0.7+3.7%
\$42.0B	ex-Micron	15.3%	0.6%	-0.2+1.4%
	avg company	7.4%	-4.7%	-7.0-2.3%
Week 2	Weighted	12.1%	1.5%	+0.2+2.8%
30 co's	excl-Intel	9.7%	2.3%	+0.2+4.5%
\$52.0B	ex-Micron	13.2%	1.4%	+0.3+2.4%
	avg company	7.9%	-0.8%	-3.0+1.4%

Blowout 3Q Eases: Chip industry 3Q revenue growth is very strong, but did ease a bit last week. The weighted average sales across my Tokeneke Universe so far reflects very strong sequential quarterly growth of +12.1%, down by 150 basis points on the week but still well above company guidance centered at +6.0% ranging from +4.1% to +8.0% after only a couple of preannouncements (an increase from SIMO, a decrease from IDCC, and a reiteration from MCHP)—and it’s even better excluding Micron. Only four out of 30 companies reporting so far have missed 3Q revenue expectations. 3Q growth is seasonally the healthiest of the year: the semiconductor industry has averaged 3Q sequential revenue growth of +6.5% with a high of +19.9%, a low of -11.7%, and only two declines in the last 29 years—including none in the last 17, according to industry statistics. Semiconductor industry statistics for September and 3Q will be released shortly.

4Q Guidance Almost Doubles: The 4Q revenue outlook based on management guidance across my Tokeneke Universe almost doubled to above-average from below-average last week, although nine of the 25 companies offering guidance so far have missed expectations. The specific weighted average guidance for revenue improved by 70 basis points to a gain of +1.5% with the range and variance as reflected in the Table above. It’s even better when Intel is excluded, although the company average so far remains quite weak at -0.8%. The chip industry has averaged 4Q sequential revenue growth of +1.2% with a high of +16.0%, a low of -24.2%, and 13 declines in the last 29 years—including nine of the last 12, according to industry statistics.

Exceeding Expectations: The Performance to Expectations histogram on Page 2 shows an accelerating majority of companies reporting so far have exceeded expectations. Specifically, the category of outperforming companies meeting and/or exceeding expectations is at 63% up from 54% last week, while those reporting ‘mixed’ results simultaneously missing, meeting and exceeding expectations is down to 27% from 39%. Only three underperforming companies have missed and/or met expectations. 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 company details on Pages 3-4.

Chip Sector Share Price Rally Persists: Semiconductor sector share prices continue to rally and outperform broader equity markets so far this earnings season. Quarter-to-date the Philadelphia Semiconductor Index Option (SOX) has gained +8.4% with 44 out of 57 stocks in my Universe advancing by an average of +9.0% compared to lesser rallies from the NASDAQ, S&P500 and DOW at +4.8%, +3.0%, and +1.6%, respectively.

Tricky Stock Picking: Current business conditions are pretty good but macroeconomic and geopolitical uncertainty persists amid the rally. See my latest Investment Ideas publication for potential opportunities.

*CY3Q19 earnings announcements through November 1, 2019. Most earnings and gross margins are non-GAAP.
 Companies sorted alphabetically by ticker across all compilations in this report.*

3Q19 Earnings Review

* includes acquisition (and/or divestiture)

Ticker	Revenue			Ticker	Revenue		
	3Q19 (\$ mil)	Qtr-Qtr change	4Q19 Guidance		3Q19 (\$ mil)	Qtr-Qtr change	4Q19 Guidance
*ACIA	119.6	7.6%	no guidance	NPTN	92.4	13.1%	+2+8%
AMD	1,801.0	17.6%	+14+19%	NXPI	2,265.0	2.2%	-1+2%
CRUS	388.9	63.2%	-16-6%	OIIM	16.0	12.3%	no guidance
*CY	574.5	7.9%	no guidance	ON	1,381.8	2.5%	-2+1%
GSIT	11.7	-9.8%	-17-9%	POWI	114.2	11.0%	-3+3%
IDCC	72.5	-4.1%	no guidance	PXLW	18.1	0.2%	-17-6%
INTC	19,190.0	16.3%	flat	QRVO	806.7	4.0%	+4+7%
IPHI	94.2	9.2%	+4+8%	SIMO	110.5	11.8%	+20+26%
LSCC	103.5	1.2%	-6-1%	SLAB	223.3	8.0%	-3+2%
*MLNX	335.3	8.1%	no guidance	STM	2,553.0	17.5%	+2+9%
MPWR	168.8	11.8%	-5-2%	TSM	9,428.4	21.7%	+8+9%
MU	4,870.0	1.7%	-1+7%	TXN	3,771.0	2.8%	-19-12%
MX	229.7	12.0%	-21-17%	UMC	1,217.0	4.9%	+10%
MXIM	533.0	-4.2%	-2+6%	VSH	628.3	-8.3%	-8-1%
MXL	80.0	-3.0%	-16-9%	XLNX	833.4	-1.9%	-15-11%
Average Company:				Total (weighted):	52,031.9	12.1%	+0.2+2.8%
				<i>excluding INTC:</i>		9.7%	+0.2+4.5%
				<i>excluding MU:</i>		13.2%	+0.3+2.4%
				<i>excluding both:</i>		11.3%	+0.5+4.0%

Note: No guidance from ACIA, CY & MLNX due to pending takeovers.
 Note: 'no guidance' is calculated as flat revenue for statistical purposes.

				CRUS	
				MPWR	
		GSIT		MU	
		IDCC		MXIM	ACIA
		LSCC		NPTN	INTC
		MXL		SIMO	IPHI
		ON		SLAB	MLNX
		POWI		TSM	MX
	AMD	STM	CY	UMC	OIIM
TXN	PXLW	XLNX	NXPI	VSH	QRVO
3.3%	6.7%	26.7%	6.7%	33.3%	23.3%
F	E	D	C	B	A
<i>missed/met</i>		<i>mixed</i>	<i>met/exceeded</i>		
10.0%		26.7%	63.3%		
<i>Total: 30 companies with estimates or guidance</i>					

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	

ACIA	6 est.	<i>Acia Comm</i>	CY19 rev:	35%	MU	25 est.	<i>Micron Tech</i>	FY20 rev:	-15%
Qtr:	3Q	Grade:	A	Growth (qtr-qtr)	Qtr:	F4Q	Grade:	B	Growth (qtr-qtr)
Rev:	119.6	Rev:	+++	Rev:	7.6%	Rev:	4,870	Rev:	++
GM:	49.5%	EPS:	+++	Fcst:	na	GM:	30.6%	EPS:	++
EPS:	\$0.60	Fcst:	na	Div:		EPS:	\$0.56	Fcst:	++
									Div:
AMD	30 est.	<i>Advanced Micro</i>	CY19 rev:	5%	MX	3 est.	<i>MagnaChip</i>	CY19 rev:	3%
Qtr:	3Q	Grade:	E	Growth (qtr-qtr)	Qtr:	3Q	Grade:	A	Growth (qtr-qtr)
Rev:	1,801	Rev:	-	Rev:	17.6%	Rev:	229.7	Rev:	+++
GM:	43.0%	EPS:	o	Fcst:	+14+19%	GM:	26.5%	EPS:	+++
EPS:	\$0.18	Fcst:	-	Div:		EPS:	\$0.49	Fcst:	+++
									Div:
CRUS	11 est.	<i>Cirrus Logic</i>	FY20 rev:	-2%	MXIM	20 est.	<i>Maxim Int Prod</i>	FY20 rev:	-5%
Qtr:	F2Q	Grade:	B	Growth (qtr-qtr)	Qtr:	F1Q	Grade:	B	Growth (qtr-qtr)
Rev:	388.9	Rev:	+++	Rev:	63.2%	Rev:	533	Rev:	+
GM:	53.5%	EPS:	+++	Fcst:	-16-6%	GM:	65.0%	EPS:	++
EPS:	\$1.55	Fcst:	+	Div:		EPS:	\$0.52	Fcst:	++
									Div:
CY	10 est.	<i>Cypress Semi</i>	CY19 rev:	-11%	MXL	8 est.	<i>MaxLinear</i>	CY19 rev:	-15%
Qtr:	3Q	Grade:	C	Growth (qtr-qtr)	Qtr:	3Q	Grade:	D	Growth (qtr-qtr)
Rev:	574.5	Rev:	++	Rev:	7.9%	Rev:	80	Rev:	o
GM:	46.9%	EPS:	o	Fcst:	na	GM:	63.1%	EPS:	+++
EPS:	\$0.30	Fcst:	na	Div:	\$0.11	EPS:	\$0.23	Fcst:	---
									Div:
GSIT	1 est.	<i>GSI Technology</i>	FY20 rev:	0%	NPTN	10 est.	<i>Neophotonics</i>	CY19 rev:	6%
Qtr:	F2Q	Grade:	D	Growth (qtr-qtr)	Qtr:	3Q	Grade:	B	Growth (qtr-qtr)
Rev:	11.74	Rev:	--	Rev:	-9.8%	Rev:	92.4	Rev:	+++
GM:	55.9%	EPS:	+	Fcst:	-17-9%	GM:	29.0%	EPS:	+++
EPS:	(\$0.08)	Fcst:	---	Div:		EPS:	\$0.11	Fcst:	++
									Div:
IDCC	3 est.	<i>InterDigital</i>	CY19 rev:	-5%	NXPI	21 est.	<i>NXP Semi</i>	CY19 rev:	-6%
Qtr:	3Q	Grade:	D	Growth (qtr-qtr)	Qtr:	3Q	Grade:	C	Growth (qtr-qtr)
Rev:	72.5	Rev:	-	Rev:	-4.1%	Rev:	2,265	Rev:	+++
GM:	52.1%	EPS:	+++	Fcst:	na	GM:	53.7%	EPS:	+++
EPS:	\$0.07	Fcst:	na	Div:	\$0.35	EPS:	\$0.38	Fcst:	o
									Div:
INTC	31 est.	<i>Intel</i>	CY19 rev:	0%	OIIM	2 est.	<i>O2Micro Int'l</i>	CY19 rev:	-6%
Qtr:	3Q	Grade:	A	Growth (qtr-qtr)	Qtr:	3Q	Grade:	A	Growth (qtr-qtr)
Rev:	19,190	Rev:	+++	Rev:	16.3%	Rev:	16.03	Rev:	+++
GM:	60.4%	EPS:	+++	Fcst:	flat	GM:	51.4%	EPS:	+++
EPS:	\$1.42	Fcst:	+++	Div:	\$0.315	EPS:	(\$0.02)	Fcst:	na
									Div:
IPHI	14 est.	<i>Inphi</i>	CY19 rev:	20%	ON	22 est.	<i>ON Semiconductor</i>	CY19 rev:	-7%
Qtr:	3Q	Grade:	A	Growth (qtr-qtr)	Qtr:	3Q	Grade:	D	Growth (qtr-qtr)
Rev:	94.2	Rev:	+++	Rev:	9.2%	Rev:	1,381.8	Rev:	+
GM:	70.2%	EPS:	+++	Fcst:	+4+8%	GM:	35.8%	EPS:	--
EPS:	\$0.45	Fcst:	+++	Div:		EPS:	\$0.33	Fcst:	+
									Div:
LSCC	7 est.	<i>Lattice Semi</i>	CY19 rev:	2%	POWI	5 est.	<i>Power Integrations</i>	CY19 rev:	2%
Qtr:	3Q	Grade:	D	Growth (qtr-qtr)	Qtr:	3Q	Grade:	D	Growth (qtr-qtr)
Rev:	103.5	Rev:	+++	Rev:	1.2%	Rev:	114.2	Rev:	o
GM:	59.8%	EPS:	+++	Fcst:	-6-1%	GM:	52.0%	EPS:	+++
EPS:	\$0.17	Fcst:	---	Div:		EPS:	\$0.78	Fcst:	--
									Div:
MLNX	8 est.	<i>Mellanox</i>	CY19 rev:	16%	PXLW	4 est.	<i>Pixelworks</i>	CY19 rev:	-6%
Qtr:	3Q	Grade:	A	Growth (qtr-qtr)	Qtr:	3Q	Grade:	E	Growth (qtr-qtr)
Rev:	335.3	Rev:	+++	Rev:	8.1%	Rev:	18.06	Rev:	o
GM:	68.1%	EPS:	+++	Fcst:	na	GM:	53.9%	EPS:	o
EPS:	\$1.69	Fcst:	na	Div:		EPS:	(\$0.01)	Fcst:	---
									Div:
MPWR	10 est.	<i>Monolithic Power Sys</i>	CY19 rev:	6%	QRVO	22 est.	<i>Qorvo</i>	FY20 rev:	-4%
Qtr:	3Q	Grade:	B	Growth (qtr-qtr)	Qtr:	F2Q	Grade:	A	Growth (qtr-qtr)
Rev:	168.8	Rev:	+++	Rev:	11.8%	Rev:	806.7	Rev:	+++
GM:	55.6%	EPS:	+++	Fcst:	-5-2%	GM:	46.5%	EPS:	+++
EPS:	\$1.08	Fcst:	+	Div:	\$0.40	EPS:	\$1.52	Fcst:	+++
									Div:

SIMO	9 est.	Silicon Motion	CY19 rev:	-21%	TXN	29 est.	Texas Instruments	CY19 rev:	-7%
Qtr:	3Q	Grade:	B	Growth (qtr-qtr)	Qtr:	3Q	Grade:	F	Growth (qtr-qtr)
Rev:	110.5	Rev:	+	Rev:	11.8%	Rev:	3,771	Rev:	---
GM:	49.8%	EPS:	+++	Fcst:	+20+26%	GM:	64.9%	EPS:	-
EPS:	\$0.69	Fcst:	+++	Div:	\$0.35	EPS:	\$1.49	Fcst:	---
Div:						Div:			
SIMO	9 est.	Silicon Motion	CY19 rev:	-21%	TXN	29 est.	Texas Instruments	CY19 rev:	-7%
SLAB	11 est.	Silicon Labs	CY19 rev:	-4%	UMC	1 est.	United Micro	CY19 rev:	-6%
Qtr:	3Q	Grade:	B	Growth (qtr-qtr)	Qtr:	3Q	Grade:	B	Growth (qtr-qtr)
Rev:	223.3	Rev:	+++	Rev:	8.0%	Rev:	1,217	Rev:	+
GM:	60.2%	EPS:	+++	Fcst:	-3+2%	GM:	17.1%	EPS:	o
EPS:	\$0.96	Fcst:	+	Div:		EPS:	\$0.04	Fcst:	+++
Div:						Div:			
SLAB	11 est.	Silicon Labs	CY19 rev:	-4%	UMC	1 est.	United Micro	CY19 rev:	-6%
STM	5 est.	STMMicroelectronics	CY19 rev:	-2%	VSH	5 est.	Vishay Interconnect	CY19 rev:	-12%
Qtr:	3Q	Grade:	D	Growth (qtr-qtr)	Qtr:	3Q	Grade:	B	Growth (qtr-qtr)
Rev:	2,553	Rev:	+++	Rev:	17.5%	Rev:	628.3	Rev:	+++
GM:	37.9%	EPS:	+++	Fcst:	+2+9%	GM:	23.9%	EPS:	++
EPS:	\$0.34	Fcst:	--	Div:	\$0.06	EPS:	\$0.26	Fcst:	++
Div:						Div:	\$0.095		
STM	5 est.	STMMicroelectronics	CY19 rev:	-2%	VSH	5 est.	Vishay Interconnect	CY19 rev:	-12%
TSM	2 est.	Taiwan Semi/TSMC	CY19 rev:	1%	XLNX	20 est.	Xilinx	FY20 rev:	6%
Qtr:	3Q	Grade:	B	Growth (qtr-qtr)	Qtr:	F2Q	Grade:	D	Growth (qtr-qtr)
Rev:	9,396	Rev:	+++	Rev:	21.7%	Rev:	833.4	Rev:	++
GM:	47.6%	EPS:	+	Fcst:	+8+9%	GM:	65.7%	EPS:	++
EPS:	\$0.62	Fcst:	+++	Div:	\$0.081	EPS:	\$0.94	Fcst:	---
Div:						Div:	\$0.37		
TSM	2 est.	Taiwan Semi/TSMC	CY19 rev:	1%	XLNX	20 est.	Xilinx	FY20 rev:	6%
Qtr:	3Q	Grade:	B	Growth (qtr-qtr)	Qtr:	F2Q	Grade:	D	Growth (qtr-qtr)
Rev:	9,396	Rev:	+++	Rev:	21.7%	Rev:	833.4	Rev:	++
GM:	47.6%	EPS:	+	Fcst:	+8+9%	GM:	65.7%	EPS:	++
EPS:	\$0.62	Fcst:	+++	Div:	\$0.081	EPS:	\$0.94	Fcst:	---
Div:						Div:	\$0.37		

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