

4Q Negative Preannouncements Adding Up

The odds of chip companies announcing favorable earnings announcements during the upcoming 4Q earnings season are getting slimmer and slimmer, in my opinion. Negative preannouncements for 4Q are adding up with five more this week for a total of 12—make that 13 including MediaTek. Recall that MediaTek in Taiwan reported 3Q12 sales of \$987M, originally guided for 4Q revenue growth in a range of -1.9% to +4.9%, and delivered -9.3%. I also consider myself quite generous categorizing two out of the three companies that raised guidance given the slim magnitude of their upside, as noted below. Earnings season for the chip sector begins in earnest next week with LLTC reporting late-Tuesday with a conference call mid-day Wednesday, TSMC announcing in Taiwan in the wee hours of Thursday morning, and INTC and XLNX reporting after the close next Thursday.

4Q12 Preannouncement Scorecard
management guidance revisions

Ticker	Revenue Growth		3Q Sales (\$ mil)	Comments
	Updated	Previous		
Raised				
<i>new</i> TSM	-5.9%	-8-6%	4,735.1	only the number reported, very slightly above the high-end
<i>new</i> DSPG	+4.1%	-5+3.5%	36.7	none
MSPD	+3+6%	+1+3%	36.3	plus \$6M non-core IP, broad-based network infrastructure strength
Lowered				
<i>new</i> GIG	-20.8%	flat	10.1	broad-based weakness, deployment push-out
<i>new</i> QUIK	-16.2%	-10+10%	3.7	new product weakness
<i>new</i> UMC	-8.5%	-7-5%	973.0	only the number reported
<i>new</i> CY	-13-12%	-8-5%	203.0	broad-based weakness
<i>new</i> SQNS	-61.3%	-50-25%	8.0	new design win agreement push-out
PSEM	-21-18%	-17-6%	36.7	broad-based weakness
SIMG	-20-19%	-13-9%	73.9	major customer push-out
MLNX	-24-23%	-7-4%	156.5	weak demand, fiber optic cable defect
OIIM	-30-25%	-25-12%	22.8	broad-based weakness, channel inventory
TSRA	-31-27%	none	72.7	no guidance originally, assumed flat
LSCC	-8-6%	-2+2%	70.9	communications market, distribution channel
SUPX	-13-9%	flat	15.9	big monitor backlight customer shortfall, slow printer ramp
Narrowed/Reiterated				
DIOD	-4-0%	-4-0%	166.6	reiterated, includes acquisition
TXN	-15-11%	-17-9%	3,390.0	narrowed to mid-point, restructuring
BRCM	-6-1%	-8-1%	2,128.0	narrowed to the high-end, mobile and wireless strength
ALTR	-10-8%	-10-6%	495.0	narrowed to the low-end, older product weakness

Weighted average growth for the Tokeneke Universe this quarter based on management guidance during 3Q earnings announcements called for a range of -3.75% to +2.74% centered on -0.50% off a cumulative revenue base of \$54.4B. The changes noted above narrow the range to -3.55% to +2.41% and soften the center to -0.57%.

Recall that I have excluded IDCC from statistical compilations due to its undue influence. IDCC reported \$434M in 3Q sales, of which \$375M or 86% was a one-time patent sale to Intel resulting in sequential quarterly revenue growth over 500%. After announcing 3Q earnings, management subsequently guided for 4Q revenue of \$62-64M.

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