

ISIL Restructuring, TRSA mems|cam, Exar Acquisition, MU Fun

Intersil (ISIL, \$8.74 -0.11, Rated 'Not Compelling/Hold on my latest Chip Investment Ideas)

Restructuring: ISIL announced a significant restructuring this morning that I believe will be positive for the shares. The company will be cutting its workforce by 18% and taking a \$15M restructuring charge this quarter to save \$30M in annual operating expenses and increase its new product development activities.

I wish I had upgraded it to 'Long—But Upside Incremental' in my latest Chip Investment Ideas a couple of days ago, but I hesitated due to lackluster business conditions despite relatively attractive fundamental valuation metrics. I do not have a current earnings model for the company so I am unable to scale the expected benefits. Nevertheless, I am very comfortable asserting that the restructuring is significant, favorable and timely.

Tessera (TSRA, \$17.30 -0.05, Rated 'Long—But Upside Incremental' on my latest Chip Investment Ideas)

Introduces mems|cam: TSRA finally introduced its MEMS-based solid-state camera autofocus technology this morning under the name of mems|cam as a design demonstration on a Chinese smartphone. I consider this good news for the company as this exciting new technology appears to be getting productized per its advertised schedule.

Management has been talking about this development effort setup as a wholly-owned subsidiary called DigitalOptics for months now that will likely be spun-out as a separate operating entity beyond the company's core IP business sometime over the next year or two. Basically, MEMS technology is used to autofocus the lens of a camera using only 1% of the power compared to conventional voice coil motor technology in a much lower profile (flatter) module—i.e. great for thin smartphones. This initial design is actually a demonstration vehicle on a Chinese smartphone built for CK Telecom based on an 8-megapixel OmniVision CMOS image sensor, a Fujitsu image processor, and a MediaTek quad-core application processor to be shown at MWC in Barcelona next week.

In other news, just over an hour later this morning Starboard Value LP published an open letter regarding its proxy battle to replace the current Board of Directors. While such efforts will likely keep many potential investors on the sidelines as the fight ensues, I consider the upside potential for the shares related to the value proposition of mems|cam to be considerably more relevant beyond the short-term.

Exar (EXAR, \$11.13 -0.19, Rated 'Long—But Upside Incremental' on my latest Chip Investment Ideas)

Altior Acquisition: EXAR announced the acquisition of privately-held Altior offering compression solutions for big data applications this morning for \$5M. I am a big fan of new CEO Lou DiNardo and this acquisition underscores his strategy for growth now that profitability has been reestablished, which is exactly what needs to occur after he showed up, cleaned house and the shares recovered—in my opinion. Now we need growth to keep it going.

Micron (MU, \$7.91 -0.17, Buy, Target \$15, FY13: (\$0.74) on \$7.9B, FY14: \$0.67 on \$9.2B)

DRAMs Just Wanna Have Fun: MU gets my awards for The Most Entertaining Press Release of the day and The Most Creative Promotional Activity by a Semiconductor Company—Ever. Retail subsidiary Crucial.com is offering \$10K to the Official Unofficial Office Computer Go-To Superstar winner of a contest based on submissions—and sure to endear itself to such un-sung Geek heroes everywhere. Check it out—and nominate the person you know has saved your ass more than once . . .

—Dan K. Scovel
Semiconductor Analyst

Tokeneke Research LLC

Rowayton, CT 06853

dscovel@tokenekereseearch.com

www.tokenekereseearch.com

203-554-4621

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