ANAD and ADI Earnings, RMBS Upside

ANAD		*Anadigics*			
Qtr:	4Q	**Grade:**	*E*	***Growth****(qtr-qtr)*	
Rev:	30.5	**Rev:**	*o*	**Rev:**	+6.6%
GM:	2.5%	**EPS:**	-	**Fcst:**	-15-10%*
EPS:	($0.20)	**Fcst:**	- - -	**Div:**	

4Q Earnings: ANAD is not expensive on a fundamental basis, but I remain on the sidelines due to the lack of profitability and elusive near-term growth in revenue. Nevertheless, the shares could become attractive commensurate with an increasing probability of a meaningful restoration of growth and profits later in the year.

No guidance provided, although a double-digit seasonal decline in cellular sales would unlikely be offset by WiFi growth that could top 10% of total revenue. Cellular wireless accounted for $23.7 million in sales up by $2.6 million sequentially; WiFi at $1.1 million down by $200K; and infrastructure at $5.6 down by $600K. Samsung, Huawei and ZTE were greater than 10% customers with Cisco and two distributors in the 5-10% range. Capacity utilization around 55% was up from 45%. EBITDA breakeven targeted for year-end with improving margins from increased utilization, conversion to a more cost-effective ILD process, and a richer mix of WiFi parts.

ADI		*Analog Devices*			
Qtr:	F1Q	**Grade:**	*F*	***Growth****(qtr-qtr)*	
Rev:	622.1	**Rev:**	- - -	**Rev:**	-10.5%
GM:	62.7%	**EPS:**	-	**Fcst:**	+4+8%
EPS:	$0.44	**Fcst:**	-	**Div:**	$0.34

F1Q Earnings: Great company with a long history of profitability that just raised its quarterly dividend by 4-cents, but I have always struggled with its relatively rich (albeit wholly deserved) fundamental valuation.

Utilization decreased to the mid-50% range from the high 60% range, but orders improved in January. Significant growth is expected from industrial customers; slight growth from communications infrastructure mostly due to inventory stabilization although more growth expected later in the year; growth from automotive due to its strong competitive position; and flat consumer sales that are dependent on customer product cycles. Markets: Industrial at 45% of sales down by -8% sequentially; Automotive at 17%/-3%; Consumer 17%/-22%; Communications 20%/-12%. Products: Converters at 45% down by -10%; Amplifiers/RF 25%/-10%; other analog 15%/-15%; Power Management 6%/-14%; DSP 8%/-7%.

Rambus *(RMBS, $5.84 +0.35, Rated 'Long But Distressed' in my latest Chip Investment Ideas)*
Upside Preannouncement: Late yesterday RMBS announced a license agreement with LSI through 2018 that includes the settling of all outstanding patent claims. Terms were not disclosed, but a separate announcement from RMBS raised 2Q revenue guidance to $65-69M from $58-63M due to the 'addition of a one-time payment license agreement.' I continue to favor RMBS despite the lack of predictable growth and litigation-compressed profits due to its: relatively attractive fundamental valuation; new 'kinder and gentler' CEO who appears more averse to litigation; traditional high-speed memory interface IP; new cryptography research IP (DPA counter measures); innovative non-IP LED light-bulb product sales initiative (very cool—both literally and figuratively); and its Imerz TV experience (for which I am less enthusiastic).

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