

TXN Raises Dividend; MRVL, HITT, NPTN Earnings

Texas Instruments (TXN, \$32.48 -0.58, Hold, Target \$30-35, CFY13: \$1.79 on \$12.1B, CY14: \$2.19 on \$12.8B)

Boosts Dividend and Buyback: TXN announced late yesterday that it will raise its dividend for the 10th consecutive year to \$0.28 from \$0.21 per quarter for a 3.4% annual yield, and increase its share repurchase authorization by \$5B to a total of \$8.4B outstanding. The company plans to return all of its free cash flow at 20-25% of revenue to shareholders, and will review its capital management strategy during a conference call this morning at 11am ET. Good news for TXN, although I remain on the sidelines as the shares continue to trade around my target price.

HITT		Hittite Microwave			
Qtr:	4Q	Grade:	D	Growth(qtr-qtr)	
Rev:	68.5	Rev:	+++	Rev:	+1.9%
GM:	73.3%	EPS:	+	Fcst:	-3-0%
EPS:	\$0.57	Fcst:	--	Div:	

HITT (\$64.66) is consistently profitable at very high levels, but it only trades 120K shares per day (out of 31M outstanding) and its robust fundamental valuation keeps me forever on the sidelines. Average historical TTM price-sales is 7.3-times and price-earnings is 24.8-times, and the stock consistently trades at these levels as it does now.

Three markets combine for 75% of 4Q sales: military, microwave communications, and test & measurement. The 25% balance consists of cellular infrastructure, automotive, broadband, fiber optic, and space. Five markets grew sequentially last quarter: broadband, cellular infrastructure, test & measurement, microwave communications, and space. Three declined: military, fiber optic, and automotive. Top 10 customers totaled 35.7% of sales 4Q and Boeing was the only customer over 10% last year. HITT introduced 16 new products 4Q for a total over 1,000 in both silicon and GaAs, and last year's 54 new parts increased the company's SAM by \$200M.

NPTN		NeoPhotonics			
Qtr:	4Q	Grade:	D	Growth(qtr-qtr)	
Rev:	62.0	Rev:	++	Rev:	-6.3%
GM:	24.5%	EPS:	+++	Fcst:	-19-11%
EPS:	\$0.00	Fcst:	---	Div:	

NPTN (\$5.62) is a very inexpensive stock based on fundamental valuation, although I remain on the sidelines pending visibility to more imminent profitability and revenue growth.

Photonic integrated circuits, or PICs. Speed and agility products down 5% to 60% of sales, including half from growing 40/100G that stalled out last quarter. Access products down 6% to 29% of sales with the balance of sales in Other Telecom. Huawei was 38% of sales, Alcatel-Lucent and Ciena were each 10-15%, and the top 10 customers totaled 90%. Seasonally soft 1Q, although revenue growth of +8+10% leading to non-GAAP profitability for all of 2013 with 2H offsetting 1H losses. The acquisition of the semiconductor optical components business unit (OCU) of LAPIS Semiconductor is expected to close by 2Q bringing \$10-12M/quarter in sales and adjusted EBITDA accretion within the first year. A manufacturing problem fix is expected by mid-year and 50% more capacity is being added in China.

MRVL		Marvell Technology			
Qtr:	F4Q	Grade:	B	Growth(qtr-qtr)	
Rev:	775.3	Rev:	+++	Rev:	-0.7%
GM:	53.2%	EPS:	+++	Fcst:	-10-5%
EPS:	\$0.19	Fcst:	+	Div:	\$0.06

MRVL (\$9.47) is a little too family-oriented for my governance preferences, but I simply cannot resist the shares at current fundamental valuation levels. 1Q is expected to be a trough with growth resuming 2Q. Recall the stock fell to \$7.40 late-Dec after losing a patent infringement verdict to Carnegie Mellon, which management strongly denies.

Storage up 5% to 50% of sales. MRVL expects to continue last year's HDD share gains in mobile this year and add new enterprise drives as well. SSD controllers grew by 40% last year and management believes it exited with 50% share of the merchant market. Storage overall will be down mid-single digits 1Q due to seasonality, although SSDs will be up double-digits on share gains.

Networking down 1% to 23% of sales as a PON slowdown was offset by growth in programmable network processors and ARM servers, while switches, controllers and PHYs were flat in the aggregate. This group is expected to decline mid-single digits 1Q and management expects to outgrow the market for the year.

Mobile and Wireless down 11% to 23% of sales. Solid WiFi 802.11ac growth is expected this year and the company is positioned for growth beginning Q2 from 3G customers and then LTE customers later in the year. A decrease in the mid- to high-teens 1Q is expected due to seasonality.

LEGEND

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

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