

NLST 4Q Earnings (Finally . . .), Random Briefs

NLST		Netlist	
Qtr:	4Q	Grade:	D
Rev:	6.0	Rev:	+
GM:	14.0%	EPS:	--
EPS:	(\$0.14)	Fcst:	na
		Growth(qtr-qtr)	
		Rev:	-6.3%
		Fcst:	na
		Div:	

NLST announced a loss on declining sales for 4Q Thursday after the close and ahead of the long weekend. Its new HyperCloud DRAM memory modules for high-performance server applications and NVvault hybrid flash-based offerings are gaining traction for accelerated adoption later this year, but management pointedly did NOT offer 1Q guidance despite announcing 4Q financials a day before the end of 1Q. While its shares are attractive based on fundamentals I remain on the sidelines due to the lack of visibility to the timing and profile of new product ramps as well as its consideration of strategic and financial alternatives to improve working capital and market position.

New HyperCloud and NVvault offerings to server and storage markets were flat sequentially and accounted for one-third of sales 4Q, of which half was HyperCloud and a quarter NVvault. The PERC custom module for Dell has been in decline after accounting for the largest portion of revenue over the last two years. Operating expenses are expected to drop by 40% this year to \$14M, it is renegotiating loan covenants with Silicon Valley Bank, continues to defend against patent infringement charges by SMART Modular, and issued patents now total 33.

HyperCloud accounted for \$3M out of \$37M in sales last year including \$1M 3Q. 16GB traction was limited, but IBM began ramping 32GB HCDIMMs on System x3650 M4 servers 4Q that broke the 1M transactions per minute barrier and TPC Benchmark C testing last month and NLST expects more demand elasticity 2H13 as board ASPs drop under \$1K from \$1.5K. HP has a much larger TAM and management believes it will finalize qualification within the next couple of months on multiple Sandy Bridge-based platforms that will ship through 2014, although next-generation Ivy Bridge-based platforms ramping later this year are expected to be key drivers for 32GB HyperCloud adoption and growth over the next few years. NVvault shipments continue to grow, including EXPRESSvault which is expected to double again 1Q, and PCI is expected to be a major part of revenue this year.

RANDOM COMPANY BRIEFS over the last two weeks

- ADI long-time CEO Jerry Fishman past away from an apparent heart attack late-Thursday.
- MU acquisition of Elpida challenged by unsecured creditors in Tokyo Court. Also need US court approval.
- TXCC sold 7.055M shares at \$0.50 plus a warrant for half-a-share at \$0.58 (and 1.225M more) for \$3.7M.
- RDA sold 8.35M ADSs at \$9.25 each, with 100K from RDA and the balance from selling shareholders.
- POWI and FCS both claimed favorable rulings in their patent infringement lawsuit. (Whatever . . .)
- STM got a 350M-euro loan agreement from EIB (un-tapped) and separately paid 350M-euro on a note.
- TSRA will seek a new CEO and appointed a new Chairman and three new board members.
- QLGC closed a \$125M revolving credit facility that matures March 2018.
- ANAD CEO Ron Michels was appointed Chairman.
- TSRA announced a restructuring to cut op ex by 45% by NOT vertically integrating its DigitalOptics sub.
- SMTC sold its video optical module product line to Embrionix for an undisclosed amount.
- LSCC raised 1Q revenue guidance to +6+8% from -4-2% due to strength from comm & consumer markets.
- ENTR lowered 1Q sales guidance to \$74-76M from \$79-81M due to a US pay-TV provider STB shortfall.
- STM will shutter the ST-Ericsson joint-venture 3Q and take 950 employees and non-LTE modem products.

—Dan K. Scovel, Semiconductor Analyst

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