

2Q13 Preannouncements Limited, 3Q Outlook Risk

Semiconductor industry earnings season for 2Q13 begins this week with INTC, SNDK and XLNX after the close on Wednesday (along with IBM), and then FCS, TSM, CY, RMBS, SWKS and AMD along with MSFT throughout the day on Thursday. The good news is that I expect 2Q results to largely meet and/or somewhat exceed expectations. However, I am sorely lacking confidence that guidance for 3Q is likely to support expectations for strong 2H growth. Why? Because the worldwide economy remains fragile; PC markets have been deteriorating off of no-growth expectations; consumer markets are being cannibalized by smartphones (think digital cameras); and higher-growth expectations for both China (in general) and smartphones (in particular) are tempering. I consider seasonally normal 3Q sequential growth across the semiconductor industry in the range of +6% to be supported by new video game platforms, continued strength from automotive and industrial markets, persistent inertia from smartphones and tablets, and possible incremental gains from communication infrastructure and PCs. Unfortunately I do not expect any turbo-charging of growth above such seasonal norms largely due to weak macroeconomics and PC markets.

2Q13 Preannouncement Scorecard *management guidance revisions*

Ticker	Revenue Growth		1Q Sales (\$ mil)	Comments
	Updated	Previous		
Raised				
IDCC	+43+44%	no guidance	47.4	trimmed the high-end revision on shift to 'other income'
MCHP	+4+7%	+2+6%	430.1	broad-based strength
MediaTek	+38.8%	+25+32%	804.0	only the number reported, assumes constant currency
POWI	+13+14%	+3+10%	77.0	broad-based strength
SPRD	+43+47%	+16+21%	189.0	low-cost smartphone strength in China and emerging markets
UMC	+14.8	+12+14%	941.0	only the number reported, assumes constant currency
Lowered				
CODE	+2+4%	+6+16%	189.6	market softness, particularly in Japan
SIMO	flat	+5+10%	57.4	controller demand strong, but NAND shortage to module makers
SPWR	-15-7%	no guidance	635.4	annual growth, quarter weakness, analyst day presentation
Narrowed/Reiterated				
DIOD	+19+23%	+16+23%	177.0	no specifics, both estimates include BCD acquisition
ENTR	-6%	-6-2%	74.5	announced with 10% layoff restructuring plan
QLGC	-6-1%	-6-1%	116.9	announced with restructuring amid interim CEO
RMBS	-16-13%	-21-13%	66.9	fine-tuning after Hynix and STMicro license agreements
TSM	+15.9%	+15+16%	4,509.0	only the number reported, assumes forecasted currency
TXN	+4+8%	+2+10%	2,885.0	ind/auto/comm strength, consumer/PC/legacy wireless weakness

Preannouncements for 2Q have been limited in quantity and magnitude and off-setting in terms of total sales. Nevertheless, a short handful of companies have significantly raised guidance due to Chinese smartphone strength (SPRD and MediaTek) as well as broader industrial health (POWI and MCHP, to a lesser degree). Weighted average growth for the Tokeneke Universe 2Q based on management guidance approximates a seasonally normal +4%. Original guidance during 1Q earnings announcements called for growth of +4.3% within a range of +1.4% to +7.2%. The changes noted above retain the center at +4.3% although narrow the range to +1.6% to +7.0%.

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