

Tessera Settles, TowerJazz Restructures Debt, Montage Considers

Tessera (*TSRA*, \$23.33 +0.03, *Rated Hold/Not Compelling on my latest Semiconductor Investment Ideas*)

Settles with Renesas: Tessera announced this morning it settled outstanding patent infringement litigation with Renesas. Renesas has agreed to license Tessera patents for multiple years, and Renesas will be transferring over 200 US patents to Tessera's Invensas subsidiary. The financial terms of the deal are specifically noted as being undisclosed, which I interpret to mean that there are some. Good news for TSRA as it further clears its legal docket.

Since last January TSRA has settled and/or signed with ASE, Samsung, ChipMOS, Sony, Freescale, Siliconware, AMD, STATS ChipPAC, and Hynix. That's the good news. Unfortunately, it has also experienced management and board turnover associated with activist shareholder Starboard Value, and changed strategic direction with its DigitalOptics MEMS-CAM offerings at least twice. For these reasons, in addition to share price valuation, I remain on the sidelines.

TowerJazz (*TSEM*, \$8.73 +0.23, *Rated Long but Distressed on my latest Semiconductor Investment Ideas*)

Restructures Debt: Tower Semiconductor (aka TowerJazz) announced a debt restructuring this morning that effectively reduces overall obligations and extends maturities—of which it has a lot. Just trying to comprehend the announcement is a mind-bender, never mind putting perspective around its even more extensive series of convoluted obligations. Nevertheless, I consider it good news and remain positive on the shares. I put it in the Long but Distressed category because of these balance sheet gymnastics, while its business prospects as a wafer foundry continue to advance and improve, in my opinion.

Montage (*MONT*, \$20.94 +0.29, *Rated Hold/Not Compelling on my latest Semiconductor Investment Ideas*)

Evaluating Takeover: Montage Technology continues to evaluate its unsolicited takeover bid, which I translate to mean it is less than satisfied with and is seeking alternatives. The company just came public last September at \$10 and Shanghai Pudong Science and Technology Investment Co., Ltd. (PDSTI) has proposed a cash deal for \$21.50. I downgraded my recommendation after the shares rallied following the announcement. I'm not sure how the company will be able to avoid such an all cash offering, although it may be able to sweeten the deal a bit.

SunEdison (*SUNE*, \$20.68 -0.21, *Not in the Tokeneke Universe*)

Samsung Investment Ahead of IPO: SunEdison used to be called MEMC and traded as WFR, but has now become what used to be its solar business and is spinning off its traditional semiconductor wafer supply operation called SSL for SunEdison Semiconductor Ltd. The company announced an investment and series of cross holdings with Samsung Fine Chemicals and Samsung Electronics effectively getting money and market share from a customer ahead of an expected forthcoming IPO of SSL. Not in my Universe, but an interesting deal nonetheless.

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