

O2Micro Lowers Guidance, Rambus Settles

O2Micro (OIIM, \$3.66 -0.06, *Rated Hold/Not Compelling on my latest Semiconductor Investment Ideas*)

Lowers 1Q Guidance: O2Micro lowered 1Q guidance this morning due to weaker than expected seasonal softness from notebook PCs and TVs for power management and backlighting products, respectively, as well as production delays for certain LED general lighting applications. Specifically, management now expects revenue of \$15.5-16.5M or down sequentially by -19-14%, from \$17.8-19.1M or down by -7-0%.

Clearly bad news for OIIM, although I am curious to see how hard the stock gets hit by the end of the day. If it drops meaningfully, then it may reopen an opportunity to engage ahead of an expected recovery later this year. But if the shares remain relatively flat, then I think a near-term bottom will have been achieved. The shares are currently trading at 0.8x book value with net cash of \$2.56/share that includes \$76M in cash and \$4M in debt. Some cash will likely be burned before it achieves cash break-even at \$20-21M in quarterly revenue, with accounting break-even at \$23-24M. PCs and TVs should be bottoming at this point, leaving room for growth from general lighting, tablets, smartphones, and a series of battery management applications that include power tools, household appliances and electric bicycles. But the best part of this story is an unprecedented change in communication with the investment community by management that is significantly more transparent than it has ever been.

Rambus (RMBS, \$10.30 -0.31, *Rated Hold/Not Compelling on my latest Semiconductor Investment Ideas*)

Settles with Nanya: Rambus announced a settlement and license agreement with Taiwanese DRAM maker Nanya over the weekend. Outstanding litigation is settled, Nanya gets a five-year license deal, and no other details were disclosed. Good news for RMBS as it clears the last of its outstanding litigation.

Over the last year RMBS has settled and/or signed with Micron Technology, Freescale, STMicroelectronics, Hynix, LSI and Fujitsu. And while I also like its LED and cryptographic offerings, current share price valuation does not capture my interest either long or short. I remain on the sidelines.

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