

NVIDIA Investor Day, Intel Buys a Wearable, Spansion Licenses

NVIDIA (NVDA, \$18.45 +0.00, Hold/Not Compelling in my latest Semiconductor Investment Ideas)

Investor Day: NVDA introduced its subsequent-generation processor architecture, Pascal, expected sometime in 2016, following its next-generation Maxwell expected this year after the current Kepler platform. I never cease to be impressed with this company's management and technology that spans from its Shield video game all the way up to the world's fastest supercomputer. And while I believe it is well positioned to prosper over the longer-term, I am less confident of its near-term business prospects given PC market weakness and its failure to secure design wins in current video game platforms from Microsoft and Sony. I remain on the sidelines with respect to the shares until some combination of share price weakness and visibility to near-term business strength materializes.

Intel (INTC, \$25.46 +0.34, Hold/Not Compelling, Target \$27, 2014: \$1.79 on \$52.6B, 2015: \$2.09 on \$55.0B)

Buys a Wearable Start-up: INTC announced the acquisition of privately-held BASIS Science, maker of the Basis band health-tracker wrist band, for an undisclosed sum. According to TechCrunch: INTC had been an investor; BASIS had raised \$32.3M; and the price was probably around \$100M. This deal doesn't really matter to INTC, in my opinion, given its \$50B in annual revenue and \$13B in net cash.

The good news for INTC is what appears to be a broader and serious effort to address wearables as an entry into the future Internet-of-Things (IoT), as noted in the announcement. I consider the mythological, ill-defined IoT to be a legitimate phenomenon that INTC cannot afford to miss. That having been said, I also don't think INTC is well positioned to benefit from IoT—other than for the cloud server infrastructure backstopping it—primarily due to the dirt-cheap cost and price proposition to fuel a trillion units of anything. In addition, INTC's acquisition track-record is spotty at best, and its experience with consumer oriented items has been downright poor.

My position on the shares is nuanced: my official rating is Hold/Not Compelling, although some of you will note I have it listed as Long—But Upside Incremental in my latest Semiconductor Investment Ideas update. I would argue this is not inconsistent given the current share price of \$25.46 and my target price of \$27. While I do not consider upside potential significantly more likely than downside risk at current price levels due to the lack of growth from the company's core PC markets, I also believe that downside risk is fairly limited given its long history of secured earnings. In the meantime investors can enjoy its quarterly dividend of \$0.225 yielding 3.5%.

Spansion (CODE, \$17.37 +0.22, Long But Distressed in my latest Semiconductor Investment Ideas)

ISSI (ISSI, \$14.21 +0.02, Hold/Not Compelling in my latest Semiconductor Investment Ideas)

Spansion Licenses ISSI: CODE and ISSI have signed a license agreement allowing ISSI to develop products around CODE's patented flash memories. Not a big deal, in my opinion, although a nice validation of CODE's technology.

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