

Montage Preannounces Positive, Marvell Damages Increase

Montage Tech (*MONT*, \$20.02 +0.29, *Rated Hold/Not Compelling in my latest Semiconductor Investment Ideas*)

1Q Upside: Late yesterday MONT preannounced expected 1Q upside, raising revenue guidance to \$34.5-36.5M from \$29-32M due to LRDIMM controllers growing by 60% sequentially. Gross margin is also expected to be above the previous range of 60-62%. Good news for the company and its shares on two fronts: first, because the numbers are going up by a meaningful magnitude; and second, because this may well strengthen management's negotiating position with respect to the evaluation of its unsolicited takeover bid on March 10 for \$21.50 in cash.

While this is certainly good news for MONT, some perspective is in order. First, this raises the expected sequential revenue change for the company up to a flat-ish -3+3% range from its original -18-10% primarily due to seasonality from its settop box business. And second, there have been very few preannouncements so far for 1Q across the semiconductor industry. Specifically, we have seen troubled OIIM lower guidance, DIOD and QLGC reiterate, and TSM and now MONT raise it—although TSM also raised it to a flat-ish -1% from -7-8% in dollar terms. Overall, the Tokeneke Universe is guiding for a weighted average decline centered on -5% ranging from -7.5-2.5%, up from an original center of -5.5% ranging from -8-3%. 1Q is usually weak and has averaged a decline of -2.1% over the last 23 years according to semiconductor industry statistics.

Marvell (*MRVL*, \$15.75 +0.32, *Rated Hold/Not Compelling in my latest Semiconductor Investment Ideas*)

Damages Increase: Late yesterday a federal judge increased the damages MRVL is ordered to pay to Carnegie Mellon University to \$1.54B from \$1.17B due to 'known willful infringement' and additional financial information relating to a hard disk drive-related patent infringement lawsuit judgment from December 2012. Usually such out-sized awards get watered down via appeals over time, but in this case MRVL's situation appears to be getting worse instead of better despite its appeals over the last year. At least the judge rejected double or triple damages because it would 'severely prejudice Marvell and perhaps threaten its survival,' according to the Reuters account. Bad news for MRVL, although it did have nearly \$2B in cash and no debt on its balance sheet as of 4Q.

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