

## **Cypress Upside, Exar Shortfall, ON Acquisition, Intel IoT, AMD**

**Cypress** (CY, \$10.34 +0.04, Rated Long—But Upside Incremental in my latest Semiconductor Investment Ideas)

**1Q Upside, CFO Transition:** Late yesterday CY announced the retirement of its CFO and preannounced upside for 1Q. Net-net, good news for the company: the CFO transition to an experienced No. 2 sounds well planned and seamless over the next six months, and upside is always good news. Revenue is now expected at \$169-171M or up by +1+2% compared to \$161-168M or down -4-0%—and 2Q looks good as well. No other information provided.

**Exar** (EXAR, \$12.20 -0.09, Rated Hold/Not Compelling in my latest Semiconductor Investment Ideas)

**F4Q Shortfall:** Late yesterday EXAR preannounced expected downside for March-ended F4Q. While industrial markets remain strong, it noted continued weakness in networking and delays from high-reliability and software licensing deals. Revenue will approximate \$28M down by -9% sequentially compared to \$30-32M or -2+4% originally. I am a huge fan of the CEO, but not so much of the current share price valuation. Bad news for EXAR.

**ON Semiconductor** (ONNN, \$9.50 +0.05, Rated Hold/Not Compelling in my latest Semi. Investment Ideas)

**Image Sensor Acquisition:** Late yesterday ONNN announced the planned acquisition of privately-held Truesense Imaging, an industrial image sensor supplier (machine vision and medical rather than smartphone applications) originally out of Kodak. ONNN is paying \$92M in cash for a business that generated \$79M in sales last year with gross and operating margins at 44% and 23%, respectively. The deal is expected to close 2Q and will be immediately accretive. ONNN has been an aggressive acquirer over the last few years, and this one sounds good.

**Intel** (INTC, \$25.89 -0.10, Hold/Not Compelling, Target \$27, 2014: \$1.79 on \$52.6B, 2015: \$2.09 on \$55.0B)

**China IoT Investment:** Very early on Tuesday as part of its Intel Developer Forum in China, INTC announced the establishment of an Innovation Center in Shenzhen and a \$100M investment fund that are both intended to pursue Smart Devices that include 2-in-1 PCs, tablets, smartphones, wearables and the Internet-of-Things (IoT). I think this is good news since it will keep the company aware of emerging opportunities in IoT that it will probably NOT benefit from (other than for cloud server support, as previously noted) with limited downside risk. While the chest-pounding was loud, \$100M is pretty measly for a company generating \$52B in annual sales and over \$6B in operating cash flow every quarter with over \$26B in cash and marketable securities on the balance sheet.

Once again, recall my nuanced position on the shares: my official rating is Hold/Not Compelling, although I have it listed as Long—But Upside Incremental in my latest Semiconductor Investment Ideas update given the current price of \$25.89, my target price of \$27, and its \$0.225 per share quarterly dividend yielding a nice 3.5%.

**AMD** (AMD, \$4.06 -0.01, Rated Long—But Distressed in my latest Semiconductor Investment Ideas)

**GlobalFoundries Obligation Appears Manageable:** On Tuesday AMD announced an amendment to its wafer supply and pricing agreement with GlobalFoundries, obligating AMD to \$1.2B this year. This sounds like good news for AMD at the margin to me, with the company likely avoiding any potential excess financial obligations that have dogged the relationship in recent years. Not only does this number appear to be consistent with gross margin and the half of revenue from microprocessors expected this year, but the company also appears to be adding the flexibility to include graphics chips and video game controllers into the mix.

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