

DIOD Reiterates, MXL Shortfall

Diodes (*DIOD*, \$25.74 +0.06, *Rated Hold/Not Compelling in my latest Semiconductor Investment Ideas*)

Narrows the 2Q Range: Late-yesterday DIOD slightly raised the low-end of its original 2Q revenue guidance to \$230-238M from \$228-238M, or up sequentially by +3.0-6.6%. It also slightly raised gross margin by 20 basis points to 31%, plus or minus a point. No additional information offered with this relatively benign announcement—but at least it isn't bad news after the prior-day's MXL shortfall. The company regularly provides mid-quarter updates that have largely reiterated original guidance in recent quarters.

MaxLinear (*MXL*, \$7.26 -1.51, *Rated Long—but Upside Incremental in my latest Semiconductor Investment Ideas*)

2Q Shortfall: Late-Monday MXL preannounced expected 2Q downside due to cable and satellite customer order push-outs. Cable business had been expected to decline by -5-2% sequentially, but now looks to drop by -25%. The company also noted a slower-than-expected ramp of satellite gateway platforms that may impact 4Q. 2Q revenue is now expected at \$32-33M or down by -10-7% sequentially, from \$36.5-38M that had been a gain of +3+7%; and gross margin guidance was lowered by 100-150 basis points to 31%. Obviously bad news for MXL, and the shares were hit with a -17% decline yesterday after the announcement from late-Monday.

I just raised my rating on MXL to Long—but Upside Incremental from Hold/Not Compelling at the beginning of September. While my timing could not have been worse, I think there could easily be more opportunity than risk at current share price levels—especially after yesterday's correction. Nevertheless, waiting for the dust to settle on the share price after this announcement would be advisable.

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