

SIMO 3Q Upside

Silicon Motion (*SIMO*, \$26.09 +0.15, *Rated Hold/Not Compelling in my latest Chip Investment Ideas*)

3Q Upside: SIMO preannounced expected 3Q upside this morning. It is now calling for sequential revenue growth of +23+25% up from +15+20%, and non-GAAP gross margin at 52-53% up from 50-52%. No other information was provided between its NAND controllers and LTE transceivers. It will release 3Q results after the close on October 29 and host a conference call at 8am on October 30.

Good news for SIMO as it gains share for NAND controllers in eMMC and SSD applications, as well as increases its penetration of its LTE-advanced transceivers for Samsung's in-house baseband processor. The shares are up nicely by +84% so far this year in recognition of the company's recovery and I am bullish on its business prospects over the next few quarters, although I am ambivalent on the shares at current price levels based on fundamental valuation. Also, seasonality will provide a headwind over the next few months.

—Dan K. Scovel
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