

## MRVL F3Q, INTC Analyst Day

MRVL		Marvell			
<b>Qtr:</b>	F3Q	<b>Grade:</b>	E	<b>Growth(qtr-qtr)</b>	
<b>Rev:</b>	930.1	<b>Rev:</b>	--	<b>Rev:</b>	-3.3%
<b>GM:</b>	51.0%	<b>EPS:</b>	o	<b>Fcst:</b>	-5-3%
<b>EPS:</b>	\$0.29	<b>Fcst:</b>	---	<b>Div:</b>	\$0.06

**Marvell (MRVL, \$13.30 -0.07, Rated Hold/Not Compelling in my latest Chip Investment Ideas)**

**F3Q Weakness:** MRVL missed October-ended F3Q revenue due to smartphone and service provider weakness, although met earnings expectations due to gross margin strength from product mix and operating expense control. Weaker than expected mobile/wireless and networking was partially offset by expected storage growth. Management guided for a seasonally soft F4Q due to temporary smartphone weakness, seasonally soft storage and flat networking, although remains bullish that growth will occur next year.

Storage grew by +3% sequentially to 49% of sales on HDD growth and double-digit SSD growth. Mobile/wireless declined by -13% to 27% of sales due to Korean handset customer weakness and a slowdown in China associated with the shift from subsidized carrier sales to direct handset sales to consumers, although connectivity products performed as expected. Networking declined by -7% to 18% of sales due to slower carrier spending and despite enterprise Ethernet and PON strength. Management expects growth next year as SSD and HDD strength continues, multiple LTE handset design wins ramp production, and networking markets recover.

Share price weakness following this disappointment could easily create an opportunity for potential incremental upside given valuation fundamentals of 1.9x sales and 11.2x earnings on a trailing basis, especially given expected growth next year, in my opinion. I am very curious to see where the share price settles.

**Intel (INTC, \$35.95 +1.60, Rated Hold, Target \$30, 2014: \$2.22 on \$55.7B; 2015: \$2.34 on \$58.3B)**

**Analyst Day:** No surprises during this day-long, deep dive: INTC remains maniacally committed to Moore's Law, devoted to eventually making mobile work, and doing anything it can to try and rejuvenate PC growth. It did raise its quarterly dividend to \$0.24 from \$0.225, although 2015 guidance only fine-tunes my estimate with virtually no EPS change after slightly lowering both gross margin and operating expenses. I see no need to update my estimates.

I really liked Andy Bryant's introduction when he noted a 'new resolve at the company to take risks' and the strategic importance longer-term to increase its relevance in mobile, and believe these factors may eventually yield growth in a few years. Until then, I see profitability secured by server and PC dominance while growth is restrained by PC market maturity that still accounts for over 60% of sales. While I disagree with the emphasis on continuing to drive Moore's Law (the technology still works, but I am not convinced the economics do), I appreciate the company needs to stick with this as a competitive strength that will benefit its server business—and maybe its emerging foundry business to a degree (if it can ever learn how to make its customers actually happy).

I remain ambivalent on the shares trading at 3.3x sales and 17x earnings amid the lack of expected growth for the foreseeable future. Nevertheless, persistent profitability likely limits the magnitude of potential downside risk and the 2.7% dividend yield is a heck of a lot more attractive than Treasuries at this point.

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LEGEND		Grade
+++	exceeded the high-end of the range	
++	above consensus, within the high-end of the range	A all +++
+	slightly above consensus	B all +
o	met consensus	C all o/+
-	slightly below consensus	D mixed -/o/+
--	missed consensus, within the low-end of the range	E all o/-
---	missed the low-end of the range	F all -

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