

OVTI F2Q Preview

OmniVision (OVTI, \$25.18 -3.73, Buy, Target Price \$35, FY15: \$2.26 on \$1.45B, FY16: \$2.02 on \$1.49B)

F2Q Preview: OVTI is scheduled to announce October-ended F2Q earnings after the close today, and I expect the company to exceed expectations for both F2Q results and F3Q guidance. Call it a triumph of low expectations.

The good news is that OVTI does not have the headwind of Samsung as a customer, but the bad news is that it won't have Apple as a tailwind. While its core Chinese handset OEM customer base is doing well, business has been fading at the margin as the year draws to a close so I am not expecting the company to significantly exceed expectations. Nevertheless, Street expectations are relatively constrained with an expected sequential revenue decline this quarter of -7% and next quarter of -12.2%. My revenue is slightly below consensus and my EPS is slightly above, and I expect my numbers to be met or exceeded as steady progress on gross margin persists. I also expect at least a slight increase to expectations following the report.

I remain positive on the shares at current price levels where OVTI trades well below the average price-sales and price-earnings ratio of its peers, and is actually the second or third lowest among all seven of them.

<i>pro forma EPS</i>	F2Q	F3Q	FY15	FY16	<i>Revenue (11 est)</i>	F2Q	F3Q	FY15	FY16
<i>Tokeneke</i>	\$0.53	\$0.39	\$2.26	\$2.02	<i>Tokeneke</i>	\$375.0	\$330.0	\$1,454.7	\$1,489.0
Consensus	\$0.51	\$0.33	\$1.94	\$1.62	Consensus	\$377.9	\$331.7	\$1,420.0	\$1,430.0
Highest Estimate	\$0.54	\$0.39	\$2.07	\$1.79	Highest Estimate	\$385.7	\$348.6	\$1,450.0	\$1,480.0
Lowest Estimate	\$0.47	\$0.28	\$1.72	\$1.41	Lowest Estimate	\$374.3	\$307.8	\$1,370.0	\$1,360.0

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