

Skyworks

NASDGS:SWKS

Analyst: David Itoafa

Sector: Technology

Hold

Price Target: \$86.53

Key Statistics as of 11/29/2015

Market Price: \$77.41
 Industry: Semiconductors
 Market Cap: \$14.78B
 52-Week Range: \$54.50-\$88.52
 Beta: 1.25

Catalysts:

- Q4 2016 Earnings report on November 11
- Technological Advancements (“Internet of Things”)
- Kris Sennesael’s impact as CFO

Company Description:

Skyworks Solutions Inc., is at the forefront of the Semiconductor industry due to its high performance analog and mixed signal semiconductors which are used to link various applications including automotive, broadband, wireless, infrastructure, GPS, medical military, networking, smartphones, and tablets. Their product portfolio consists of amplifiers, attenuators, circulators, demodulators, detectors, diodes, directional couplers. Although Skyworks chips are utilized in various markets, the main driver of revenue for this company is mobile devices. While Apple Intel and Samsung are their main clients The company offers the majority of its products in Europe, North American, China, and Taiwan.



Thesis

Skyworks success is completely dependent on the success of its cellular device customers like Apple and Samsung. Oppenheimer & Co analyst Richard Schafer estimates that Apple orders generate 35% to 40% of Skyworks revenue. Apple is currently priced at 117.61 and has surged due to the popularity of the iPhone 7 which will enable Skyworks to beat earnings not only for quarter 4 of 2016, but for the following two quarters after as well. In the long run Skyworks will be able to sustain revenue through other technologies due being a major player in “the internet of things”. Despite a disappointing fiscal year for Skyworks the future is optimistic. This along with ongoing expansion of the cellular industry will increase demand of Skyworks products, which will result in an upward jolt of the stock price

Porters Five Forces

Competitive Rivalry: Medium

There are many different companies that specialize in semiconductor chips; however, Skyworks differentiates itself by being able to produce high quality and has had long lasting relations with cellular companies like Samsung and apple ever since 2g,3g,4g, and LTE technologies. There is a possibility that their customers devise their own divisions to create these semiconductors, but for the time being it is too expensive.

Threat of Substitute Products and Services: Low

Skyworks customizes its chips for each individual customer and is at no risk of being beaten out by any product or services. Since many customers require Skyworks chips for very complex devices they need a high quality service from a high quality company.

Bargaining Powers of Buyers: Low

Skyworks Solutions has complete leverage over their buyers because of having a substantial amount of different types of contracts with many different companies. Since each of them require chips for

different reasons, Skyworks ability to customize their chips enables them to have leverage.

Bargaining Power of Suppliers: Low

Skyworks Solutions has been a reliable revenue stream for a majority of their major clients. Since they have been at the forefront of the industry and have constantly satisfied massive customers like Apple and Samsung’s the bargaining power of these companies is low.

Threat of new entrants: Low

Since Skyworks has over 50 product patents there is no way that a company can replicate a similar product. Also, in order for a company to succeed in the semiconductor industry they must invest a substantial amount of money to get up to speed from a technological standpoint, but also sign contracts quickly to survive and create revenue

Acquisition

Skyworks has not made any major acquisitions in the past 6 months. However, for some reason they seem to be sitting on roughly 27% of excess cash and had appointed Kris Sennesael as Chief Financial Officer & Senior Vice President in late august. There is reason to believe that Skyworks is looking to make another acquisition soon. In the most recent earnings call report Liam K. Griffin, President and CEO, said that acquisition targets could include Macom Technology Solutions (MTSI), Maxim Integrated Products and Silicon Laboratories (SLAB). Acquiring any of these companies would increase the stock price.

Emerging Markets

There are two main markets that are growing rapidly, which Skyworks is positioned remarkably to control. Skyworks chips are vital for the internet of things because it enables network connectivity between various home devices. Not only are we seeing an increase of smartphones demanded, but also home appliances that are connected to smartphones. Companies are continuing to buy more and more components for Skyworks.



Source: Skyworks Investor Presentation

Skyworks is hoping to get more money per device in the future and this along with the continuing expansion of the “the internet of things” market will enable the company to sustain growth.

Important Dates and Catalysts

In the near future there are three main catalysts that coincide with each other that will drastically affect the valuation of this stock. The first one will be the earnings report on November 11th. This will be the first time that we will see CFO Kris Sennesael’s ability to deal with the questions at the end of the earning call. Moreover, if he and Skyworks overall will be able to along with his ability to overcome the current opportunity cost of excess cash. This date will give investors insight to if the problems in spiking inventory have been quelled. During the last earning call this information made investors hesitate because it signaled there were possible problems with a customer. Management obviously ensured is not the case and investors will seek more information in the earning call. This earnings report will also show if Skyworks is consistently dependent on cellular devices or if any progress has been made in becoming more reliant on “the internet of things”.

Summary

Skyworks Solutions seems to be turning the corner and regain ground that it has lost. The future is optimistic for Skyworks due to the success of major customers like Apple and its constant expansion in the cellar market Skyworks will not only beat earnings this upcoming quarter, but continue to grow from an “internet of things standpoint,” which will allow them to continue to grow at a substantial rate. The stock is however still risky due to inventory spiking in the Q3 earning report. They also have an excess amount of cash on hand, which enables them to make quick acquisitions when they see fit. Overall, Skyworks seems to be a company prepared for the future and ongoing technological advancements in the world. As more people switch to smartphones and more people utilize internet connectivity through their home appliances, there will be more demand for Apple, Samsung, Panasonic, and other top name electronic products. This will increase demand for Skyworks chips will increase from their clients and permit the stock to reach analysts forecasts.

Integrated Device Technology, Inc. (IDTI)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by Austin Pittas

Current Price:

\$19.26

Intrinsic Value:

\$19.99

Target 1 year Return: 24.14%

4/9/2016

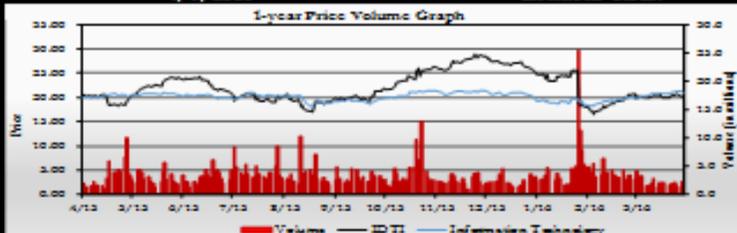
Dividend Yield:

0.0%

Target Price:

\$23.91

Probability of Price Increase: 99.5%

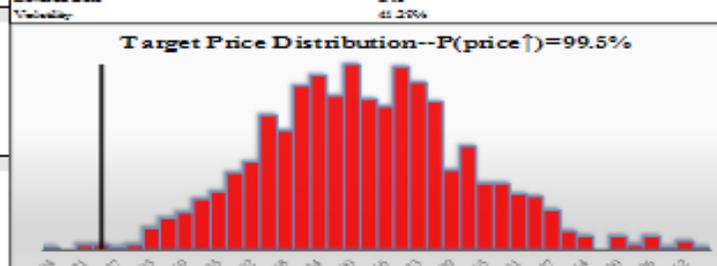


Description	
Integrated Device Technology: Inc. designs, develops, manufactures, and markets a range of semiconductor solutions for the communications, computing, and consumer industries worldwide.	
General Information	
Series	Information Technology
Industry	Semiconductors and Semiconductor Equipment
Last Guidance	November 2, 2015
Next earnings date	May 4, 2016
Estimated Country: Risk Premium	2.25%
Effective Tax rate	22%
Effective Operating Tax rate	1.6%

Market Data	
Market Capitalization	\$2,607.20
Daily volume (mil)	2.06
Shares outstanding (mil)	132.27
Diluted shares outstanding (mil)	151.22
% shares held by institutions	101%
% shares held by Investment Managers	21%
% shares held by hedge funds	11%
% shares held by insiders	0.44%
Short interest	2.07%
Days to cover short interest	1.97
\$2-wk vol High	\$20.04
\$2-week low	\$14.20
Levered Beta	2.15
Volatility	41.20%

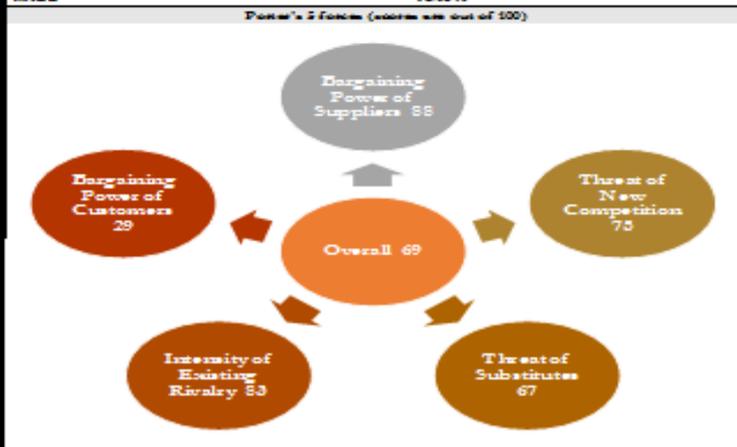
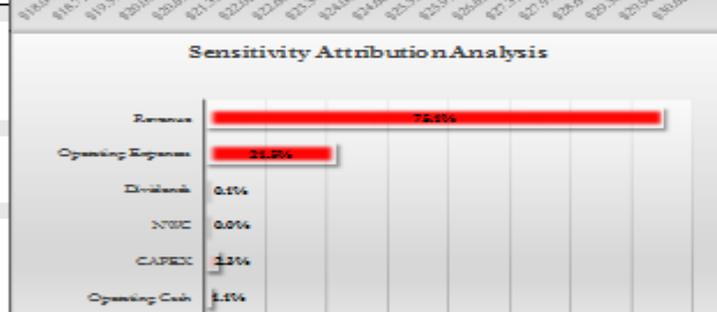
Quarter ending	Revenue	EBITDA
12/31/2014	\$2.6%	-4.46%
3/31/2015	0.20%	-4.46%
6/30/2015	0.40%	-4.27%
9/30/2015	1.20%	-7.22%
1/3/2016	1.22%	-20.06%
Mean	2.02%	-12.46%
Standard error	1.0%	4.1%

Position	Total compensation growth	Total return to shareholders
Walter Gregory, Chief Executive Officer, Piv	102.42% per annum over 1y	62.7% per annum over 1y
White Brian, Chief Financial Officer and	148.54% per annum over 1y	62.7% per annum over 1y
Chingchall, Sushil, Chief Technology Officer and	N/A	0% per annum over 1y
Fan, Jianhui, Vice President and General M	28.9% per annum over 1y	62.7% per annum over 1y
Naghibi, Arman, Consultant	20.76% per annum over 1y	4.66% per annum over 1y
Resnikin, Matthew, Vice President, General Coun	N/A	N/A



Financial Metric	IDTI (LTM)	IDTI (5 years historical average)	Industry (LTM)
ROIC	27.2%	11.00%	14.77%
NOPAT Margin	26%	10.42%	20.2%
Revenue/Invested Capital	1.42	1.04	0.72
ROE	19.6%	7.16%	16.62%
Adjusted net margin	26%	10.42%	19.1%
Revenue/Adjusted Book Value	0.72	0.62	0.52
Invested Funds	IDTI (LTM)	IDTI (5 years historical average)	Industry (LTM)
Total Cash/Total Capital	24.2%	47.9%	42%
Estimated Operating Cash/Total Capital	14.2%	12.9%	N/A
Noncash working Capital/Total Capital	2.4%	2.9%	9%
Invested Capital/Total Capital	72.9%	66.2%	20%
Capital Structure	IDTI (LTM)	IDTI (5 years historical average)	Industry (LTM)
Total Debt/Common Equity (LTM)	0.07	0.06	0.12
Cost of Existing Debt	12.9%	4.22%	4.20%
Estimated Cost of new Borrowing	2.40%	1.21%	2.12%
CGPS Risk Rating	12.9%	AAA	B
Unlevered Beta (LTM)	0.00%	1.70	1.10
WACC	12.9%	17.42%	12.02%

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	22.0%	24.2%	1.72
1/2/2017	14.2%	20.2%	0.97
1/2/2018	8.2%	21.0%	0.90
1/2/2019	12.0%	21.9%	1.17
1/2/2020	14.2%	22.7%	1.32
1/2/2021	14.0%	24.2%	1.52
1/2/2022	12.2%	24.2%	1.80
1/2/2023	12.2%	28.2%	2.11
1/2/2024	11.2%	20.2%	2.41
1/2/2025	8.2%	20.2%	2.20
1/2/2026	2.7%	20.2%	2.70
Continuing Period	2.0%	20.2%	2.02



Period	Invested Capital	Net Churn	Price per share
Base Year	\$420.11	\$122.20	\$18.87
1/2/2017	\$460.22	\$90.01	\$22.82
1/2/2018	\$221.45	-\$2.27	\$27.21
1/2/2019	\$427.04	-\$4.22	\$21.04
1/2/2020	\$468.47	-\$22.49	\$27.42
1/2/2021	\$823.22	-\$40.41	\$42.04
1/2/2022	\$527.14	-\$24.82	\$42.77
1/2/2023	\$1,022.42	-\$22.84	\$44.77
1/2/2024	\$1,142.24	-\$1,141.42	\$50.82
1/2/2025	\$1,280.02	-\$1,272.22	\$64.76
1/2/2026	\$1,414.82	-\$2,042.22	\$72.42
Continuing Period			

Period	Revenue	Operating Expenses	Dividend	NWC	CAPEX	Operating Cash
Base Year	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2017	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2018	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2019	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2020	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2021	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2022	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2023	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2024	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2025	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
1/2/2026	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%
Continuing Period	78.2%	21.2%	0.1%	0.0%	1.2%	1.1%