

Skyworks Solutions, Inc.

Recommendation **HOLD** ★ ★ ★ ★ ★

Price
\$105.04 (as of Oct 12, 2017 4:00 PM ET)

12-Mo. Target Price
\$110.00

Report Currency
USD

Investment Style
Large-Cap Growth

Equity Analyst Angelo Zino

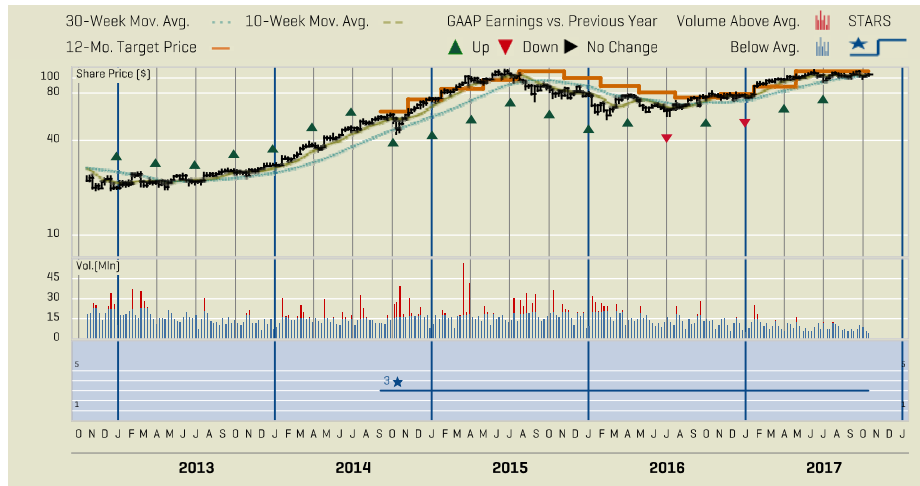
GICS Sector Information Technology
Sub-Industry Semiconductors

Summary This wireless semiconductor company focuses on radio frequency (RF) and complete cellular system solutions for mobile communications applications.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	\$112.11 - 71.65	Oper. EPS 2017E	6.38	Market Capitalization(B)	\$19.30	Beta	0.88
Trailing 12-Month EPS	5.21	Oper. EPS 2018E	7.23	Yield (%)	1.22	3-Yr Proj. EPS CAGR(%)	8
Trailing 12-Month P/E	20.24	P/E on Oper. EPS 2017E	16.53	Dividend Rate/Share	\$1.28	SPGMI's Quality Ranking	B+
\$10K Invested 5 Yrs Ago	\$46,553	Common Shares Outstg.(M)	183.74	Institutional Ownership (%)	84		

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by Equity Analyst **A. Zino-CFA** on Jul 21, 2017 12:00 PM, when the stock traded at **\$106.39**.

Highlights

- ▶ We see SWKS's sales increasing 11% in FY 18 (Sep.) and 7% in FY 19, following our projection for an 11% rise in FY 17. We anticipate growth driven by greater penetration for smartphones, which continue to displace traditional cellular phones. We see tailwinds from emerging market growth and the adoption of 4G technologies, which have greater revenue potential per device compared with 3G/2G devices. We expect markets like medical, automotive, military, and industrial to be positive contributors. We also see high growth potential in wearables and connected home technologies. We are encouraged by SWKS's position at its largest customer, Apple (AAPL 150 *****), as well as penetration from China smartphone providers.
- ▶ We look for gross margin to be in the low 50% range for FY 18 and FY 19, near our 51% margin projection for FY 17. While we project lower prices over time for SWKS's products, we anticipate a more favorable mix and higher volume, allowing for margin expansion.
- ▶ We forecast operating EPS of \$6.38 in FY 17 and \$7.23 in FY 18. We positively view FCF generation and see the potential for more aggressive share repurchases and dividend increases.

Investment Rationale/Risk

- ▶ Our Hold opinion reflects secular growth trends, strong cash flow generation and valuation. We are encouraged by recent momentum from China smartphone providers in the June quarter, and remain optimistic about rising content per mobile device and upcoming device launches. We expect mobility trends to remain favorable and see significant growth in SWKS's addressable markets (Internet of Things, streaming media, and greater connectivity in emerging markets all contributing). We expect SWKS to see improving wireless opportunities within the China market, despite lumpiness, as carriers look to enhance their networks. We view 5G as a long-term opportunity.
- ▶ Risks to our recommendation and target price include lower-than-expected global economic growth, slower-than-expected end-demand for mobile devices, and greater pricing pressure/competitive threats. SWKS's revenue base is highly concentrated toward a few customers.
- ▶ We derive our 12-month target price of \$110 by applying a P/E of 15.2X to our FY 18 operating EPS estimate, near comparable semiconductor peers. We note net cash per share over \$7.50 as of end of June 2017.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment reflects SWKS's exposure to the volatile telecommunications market, customer concentration and the resulting exposure to pricing pressure from large customers. In addition, sales to certain key customers appear uneven, and quarter-to-quarter volatility could continue to limit the company's ability to consistently deliver earnings.

Revenue/Earnings Data

Revenue (Million U.S. \$)	1Q	2Q	3Q	4Q	Year
2018	--	--	--	--	--
2017	914	852	901	--	--
2016	927	775	752	835	3,289
2015	806	762	810	881	3,258
2014	505	481	587	718	2,292
2013	454	425	436	477	1,792

Earnings Per Share (U.S. \$)

	1Q	2Q	3Q	4Q	Year
2018	E 1.91	E 1.66	E 1.73	E 1.94	E 7.23
2017	1.38	1.20	1.32	E 1.75	E 6.38
2016	1.82	1.08	0.97	1.31	5.18
2015	1.01	0.85	1.06	1.18	4.10
2014	0.49	0.40	0.58	0.91	2.38
2013	0.34	0.32	0.34	0.44	1.45

Fiscal year ended Sep 30. Next earnings report expected: Early Nov. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.28	Nov 03	Nov 15	Nov 17	Dec 08 '16
0.28	Jan 19	Jan 31	Feb 02	Feb 23 '17
0.28	Apr 27	May 12	May 16	Jun 06 '17
0.32	Jul 20	Aug 04	Aug 08	Aug 29 '17

Past performance is not an indication of future performance and should not be relied upon as such.
Forecasts are not reliable indicator of future performance.

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Skyworks Solutions, Inc.

Business Summary October 06, 2015

CORPORATE OVERVIEW. Skyworks Solutions [SWKS] was created through the June 2002 merger of Alpha Industries, Inc. and Conexant Systems, Inc.

The company is an innovator of high performance analog semiconductors, and leverages its core technologies in automotive, broadband, cellular infrastructure, energy management, GPS, industrial, medical, military, wireless networking, smartphone and tablet applications. The company's portfolio consists of amplifiers, battery chargers, DC/DC converters, infrastructure radio frequency (RF), LED drivers, mixers, modulators, power management devices, receivers, switches, and voltage regulators among other things.

SWKS is a wireless semiconductor company that focuses on radio frequency (RF) and complete cellular system solutions for mobile communications applications. The company offers front-end modules, RF subsystems, and cellular systems to wireless handset and infrastructure customers. The company's product portfolio includes many key semiconductors found in a digital cellular handset, including switches and filters, components that switch signals and incorporate filtering functionality; power amplifier (PA) modules, which amplify a signal to provide sufficient energy for it to reach a base station; RF transceivers, which perform radio frequency transmit and receive functions; and synthesizers, used to tune to the correct channel to receive the RF signal from the base station.

Other important products include mixed signal processors, which convert analog signals into digital signals; digital signal processors (DSP), digital devices that act as the cellular handset's central processor; audio products, components that enable voice communication; physical interface DSP firmware (channel coding and equalization software); and network access software (protocol stack supporting encoding and decoding). SWKS also offers a broad product portfolio addressing next generation wireless infrastructure applications, including amplifier drivers, ceramic resonators, couplers and detectors, filters, synthesizers, and front-end receivers. These components support a variety of radio frequency and mixed signal processing functions in the wireless infrastructure.

In FY 16, Foxconn (40%) and Samsung Electronics (10%) both comprised at least 10% of revenue. During FY 15, Foxconn comprised more than 10% of SWKS's revenue. SWKS's customer base also include companies such as Cisco, Ericsson, Fujitsu, General Electric, Google, Honeywell, HTC, Huawei, Lenovo, LG Electronics, Nest, Netgear, Nokia, Northrop Grumman, Rockwell Collins, and ZTE.

Competitors include Analog Devices, Avago Technologies, Linear Technology, Maxim Integrated Products, Murata Manufacturing, Peregrine Semiconductor, and RF Micro Devices.

IMPACT OF MAJOR DEVELOPMENTS. On November 24, 2015, SWKS announced that PMC-Sierra has terminated the merger agreement between the two parties as PMC-Sierra has agreed to be acquired by Microsemi. As a result, SWKS is entitled to an \$88.5 million termination fee from PMC-Sierra. Following a number of counteroffers between Microsemi and SWKS, the company no longer viewed the increased valuation as appropriate.

In January 2012, SWKS acquired Advanced Analogic Technologies and accelerated its entry into vertical markets with highly complementary analog semiconductor product lines, including battery chargers, DC/DC converters, voltage regulators and LED drivers. Power management semiconductors represent a strategic growth market for the company in applications like voltage regulation, energy efficiency and panel backlighting within the consumer electronics, computing and communications markets.

In June 2011, SWKS acquired SiGe Semiconductor and expanded its RF front-end solutions to facilitate wireless multimedia across a wide range of new applications. The acquisition of SiGe complemented SWKS's position in wide area front-end solutions by adding SiGe's innovative short range, silicon-based products.

FINANCIAL TRENDS. We expect revenue growth for SWKS's in the foreseeable future to be driven by the growth of handset devices. Over the next several years, we look for SWKS's addressable market to expand as the transition to more advanced handsets increases the RF content in each device. Also, we see potential for more rapid growth in China, India and other emerging markets due to an increasing customer base in these regions. Overall, we think the prospects for handset market growth is promising, as new users in developed countries grow and consumers shift to 3G/4G smartphones, which offer additional features compared to traditional 2G handsets.

At the end of June 2017, SWKS's cash and cash equivalents comprised over a quarter of its total assets, and net cash per share was more than \$7.50. We expect cash to be returned to shareholders through share repurchases and dividends. In addition, we expect the company to be opportunistic with strategic acquisitions in an effort to expand and diversify its product portfolio.

Corporate Information

Investor Contact

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Telephone

781-376-3000

Website

www.skyworksinc.com

Officers

Chrmn	COO
D.J. Aldrich	S.C. Machuga
CEO & Pres	Secy & General Counsel
L.K. Griffin	R.J. Terry
SVP & CFO	
K. Sennesael	

Board Members

D.J. Aldrich	C. King
K.L. Beebe	D.P. McGlade
T.R. Furey	D.J. McLachlan
L.K. Griffin	R.A. Schriesheim
B.S. Iyer	

Domicile

Delaware

Founded

1962

Employees

7,300

Stockholders

19,882

Skyworks Solutions, Inc.

Quantitative Evaluations						
Fair Value Rank	5					
	<table border="1"> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> </table>	1	2	3	4	5
1	2	3	4	5		
	<p>LOWEST HIGHEST</p> <p>Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].</p>					
Fair Value Calculation	<p>\$130.81 Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that SWKS is undervalued by \$25.77 or 24.5%.</p>					
Volatility	<table border="1"> <tr> <td>LOW</td> <td>AVERAGE</td> <td>HIGH</td> </tr> </table>	LOW	AVERAGE	HIGH		
LOW	AVERAGE	HIGH				
Technical Evaluation	<p>NEUTRAL Since October, 2017, the technical indicators for SWKS have been NEUTRAL.</p>					
Insider Activity	<table border="1"> <tr> <td>UNFAVORABLE</td> <td>NEUTRAL</td> <td>FAVORABLE</td> </tr> </table>	UNFAVORABLE	NEUTRAL	FAVORABLE		
UNFAVORABLE	NEUTRAL	FAVORABLE				

Expanded Ratio Analysis				
	2016	2015	2014	2013
Price/Sales	4.45	5.03	4.64	2.66
Price/EBITDA	10.67	13.40	15.46	10.47
Price/Pretax Income	12.18	16.01	18.83	13.82
P/E Ratio	14.70	20.50	23.21	17.08
Avg. Diluted Shares Outsg. (M)	192	195	193	192

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]		1 Year	3 Years	5 Years
Sales		0.94	22.44	18.31
Net Income		24.66	52.96	34.44
Ratio Analysis [Annual Avg.]				
Net Margin [%]		NM	NM	NM
Return on Equity [%]		29.70	25.84	20.58

Company Financials Fiscal year ending Sep. 30

Per Share Data (U.S. \$)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	14.07	11.86	8.49	6.58	5.26	4.61	4.54			
Free Cash Flow	4.77	2.97	3.01	2.00	1.03	1.45	0.77			
Earnings	NA	4.10	2.38	1.45	1.05	1.19	0.75			
Earnings (Normalized)	3.63	3.29	1.84	1.14	0.86	0.97	0.66			
Dividends	1.06	NA	0.22	NA	NA	NA	NA			
Payout Ratio [%]	20	15	9	NA	NA	NA	NA			
P/E Ratio: High	17.1	27.5	24.9	18.2	29.9	31.8	28.6			
P/E Ratio: Low	10.5	10.7	9.8	13.2	13.1	15.1	13.4			

Income Statement Analysis (Million U.S. \$)

Revenue	3,289	3,258	2,292	1,792	1,569	1,419	1,072
Operating Income	1,124	1,027	566	352	263	298	199
Depreciation + Amortization	NA	NA	123	103	103	77	53
Interest Expense	NA	NA	NA	NA	NA	1.90	4.25
Pretax Income	NA	1,024	565	NA	NA	294	195
Effective Tax Rate	17.1	22.0	NA	19.3	NA	22.9	29.6
Net Income	NA	798	458	278	202	227	137
Net Income (Normalized)	NA	NA	353	219	NA	185	121

Balance Sheet and Other Financial Data (Million U.S. \$)

Cash	1,086	1,046	806	511	307	410	453
Current Assets	2,002	1,915	1,429	1,073	883	816	NA
Total Assets	3,855	3,719	2,974	2,333	2,137	NA	1,564
Current Liabilities	210	464	NA	180	183	247	204
Long Term Debt	NA	NA	NA	NA	NA	NA	24.7
Total Capital	NA	NA	2,532	NA	1,906	1,635	1,391
Capital Expenditures	189	430	209	NA	94	101	NA
Cash from Operations	1,096	993	772	500	285	NA	223
Current Ratio	9.52	4.13	NA	5.97	4.83	3.30	NA
% Long Term Debt of Capitalization	NA	NA	NA	NA	NA	NA	NA
% Net Income of Revenue	30.3	24.5	20.0	15.5	12.9	16.0	12.8
% Return on Assets	18.5	19.2	13.3	NA	8.2	10.8	NA
% Return on Equity	29.7	28.1	NA	13.9	11.5	15.5	11.3

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Skyworks Solutions, Inc.

Sub-Industry Outlook

We have a positive fundamental outlook for the semiconductors sub-industry for the next 12 months. We see a mid-single-digit percentage increase in semiconductor revenue for 2018 following our outlook for an 18% increase in 2017 and a 1.1% increase in 2016, as demand for smartphones and other mobile devices improves and PC declines moderate. We expect a fairly normalized inventory supply chain to leave the supply-demand balance even to slightly favorable for inventory replenishment, which should contribute to potential upside as demand improves. We expect earnings per share to outstrip top-line growth through 2018, partly due to synergies from consolidation and significant memory growth.

We see orders improving in the second half of 2017 and in 2018 as next-generation product launches support higher wireless demand. While we expect secular declines to persist in the PC space, we see an aging infrastructure supporting more modest declines going forward. We think the communications and consumer end markets will remain healthy despite periods of lumpiness, as carrier comments in China suggest to us an improved spending outlook, and continued growth in smartphones. We think the automotive sector has some favorable secular tailwinds despite soft global trends. We think industrial will improve. Given the high exposure to this end market, analog semiconductors are particularly exposed to this trend. All of this is against the backdrop of the proliferation of semiconductors across a range of electronic products and markets. Industry margins continue to be a function of manufacturing utilization and inventory supply-demand

imbalances.

While companies that outsource manufacturing typically have more stability in gross margins (a trade-off for capped upside), others that have their own manufacturing see more variability. We think some companies, especially in analog, maintain higher inventory levels, reducing potential leverage. Companies in the industry seem more inclined to increase debt levels given their strong balance sheets and low interest rate environment. Healthy free cash flow generation will likely result in greater shareholder return via share repurchases and dividend increases.

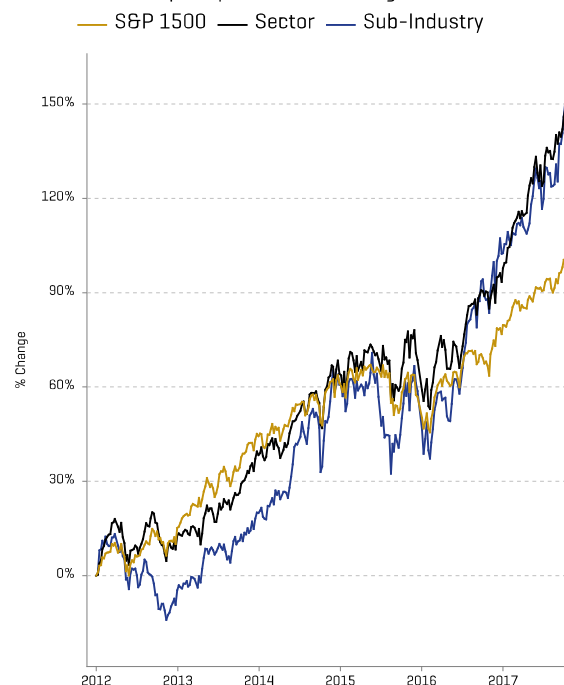
Year-to-date through September 29, 2017, the S&P 1500 Semiconductors sub-industry has risen 19% compared with a 12.1% increase for the S&P 1500 Index. For the full-year 2016, the S&P Semiconductors sub-industry rose 25.9%, versus a 10.6% increase for the S&P 1500 Index.

/Angelo Zino, CFA

Industry Performance

GICS Sector: Information Technology Sub-Industry: Semiconductors

Based on S&P 1500 Indexes
Five-Year market price performance through Oct 14, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: S&P Global Market Intelligence

Sub-Industry: Semiconductors Peer Group*: Semiconductors

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price [\$]	Stk. Mkt. Cap. [M \$]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Yield [%]	Return on Equity [%]	LTD to Cap [%]
Skyworks Solutions, Inc.	SWKS	NasdaqGS	USD	105.04	19,300	-1.7	33.3	20	1.2	29.7	NA
Advanced Micro Devices, Inc.	AMD	NasdaqCM	USD	14.20	13,444	15.4	114.5	NM	Nil	NM	77.5
Advanced Semiconductor Engineering, Inc.	ASX	NYSE	USD	6.380	10,580	3.6	4.2	15	3.6	13.6	26.6
Infineon Technologies AG	IFNN.Y	OTCPK	USD	25.65	29,141	4.4	49.0	32	0.9	15.3	25.8
Marvell Technology Group Ltd.	MRVL	NasdaqGS	USD	18.29	9,068	3.9	41.3	35	1.3	1.1	NA
Maxim Integrated Products, Inc.	MXIM	NasdaqGS	USD	49.14	13,846	5.4	29.8	25	2.9	26.5	40.3
Microchip Technology Incorporated	MCHP	NasdaqGS	USD	91.78	21,360	3.8	55.6	49	1.6	6.3	46.6
Qorvo, Inc.	QRVO	NasdaqGS	USD	72.36	9,209	-0.8	31.1	NM	Nil	-0.3	16.8
ROHM Co., Ltd.	ROHC.Y	OTCPK	USD	43.05	9,575	7.2	67.1	29	0.8	3.7	NA
STMicroelectronics N.V.	STM	NYSE	USD	19.87	18,187	6.7	152.2	41	1.2	3.7	22.1
Xilinx, Inc.	XLNX	NasdaqGS	USD	72.47	18,016	11.5	44.7	31	1.9	24.4	25.1

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Skyworks Solutions, Inc.

Analyst Research Notes and other Company News

July 21, 2017

09:21 am ET... CFRA MAINTAINS HOLD OPINION ON SHARES OF SKYWORKS SOLUTIONS INC. [SWKS 107.64***]: We keep our 12-month target price at \$110, on peer-average P/E of 15.2X our FY 18 [Sep.] EPS estimate. We increase our FY '17 EPS view to \$6.38 from \$6.31 and FY 18 to \$7.23 from \$7.18. SWKS posts Jun-Q EPS of \$1.57, vs. \$1.24, beating the \$1.52 consensus. Sales rose 20%, slightly ahead of expectations, aided by higher orders ahead of the 10th Anniversary iPhone and rising China smartphone demand. While we think SWKS continues to benefit from greater content per mobile device [10% plus] and modestly higher unit growth, we are wary of its high concentration to Apple [about 40%]. /A. Zino-CFA

April 28, 2017

08:26 am ET... CFRA MAINTAINS HOLD OPINION ON SHARES OF SKYWORKS SOLUTIONS INC. [SWKS 104.2***]: We raise our 12-month target price to \$110 from \$88, on peer-average P/E of 15.3X our FY 18 [Sep.] EPS estimate. We increase our FY '17 EPS view to \$6.31 from \$6.21 and FY 18 to \$7.18 from \$7.08. SWKS posts Mar-Q EPS of \$1.45, vs. \$1.25, beating the \$1.40 consensus. Sales rose 9.9%, better than expected, on higher mobile demand and favorable comparables. The gross margin was relatively stable, near our view. Despite some softness from China smartphone providers at the low end in the Mar-Q, we remain optimistic about rising content per mobile device and upcoming device launches. /A. Zino-CFA

February 03, 2017

Skyworks Solutions, Inc. announced that Steven C. Machuga has been promoted to vice president of worldwide operations for Skyworks. Machuga has been with the company since 1999 and most recently served as Skyworks' vice president of external manufacturing and operations engineering.

February 03, 2017

On February 2, 2017, Bruce J. Freyman retired from his position as Executive Vice President, Worldwide Operations of Skyworks Solutions, Inc., in connection with a planned reduction in his commitments. Mr. Freyman will continue as an employee of the Company serving in a non-executive transition role supporting his successor, Steven C. Machuga, age 52, the Company's new Vice President, Worldwide Operations.

January 20, 2017

07:51 am ET... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF SKYWORKS SOLUTIONS INC. [SWKS 78.46***]: We raise our 12-month target price to \$88 from \$79, on higher revised peer-average P/E of 12.4X our FY 18 [Sep] EPS estimate. We increase our FY '17 EPS view to \$6.21 from \$6.16 and FY 18 to \$7.08 from \$7.03. SWKS posts Dec-Q EPS of \$1.61, vs. \$1.60, above the \$1.58 Capital IQ consensus. Sales rose 9.4% from Sep-Q, ahead of expectations, on higher iPhone 7 demand and revenue from China smartphone providers. We continue to see rising content per mobile device as the key growth catalyst near term while areas like automotive and 5G expansion makes SWKS well-positioned longer term. /A. Zino-CFA

November 10, 2016

On November 10, 2016, Mark V.B. Tremallo retired from his position as Vice President, General Counsel and Secretary of Skyworks Solutions Inc., in connection with a planned reduction in his commitments. Mr. Tremallo will continue as an employee of the Company serving in a non-executive transition role supporting his successor, Robert J. Terry, age 50, the Company's new Vice President, General Counsel and Secretary. Mr. Terry has served in positions of increasing responsibility in the Company's legal department since 2003, most recently serving as Vice President, Associate General Counsel and Assistant Secretary since June 2011.

November 04, 2016

09:08 am ET... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF SKYWORKS SOLUTIONS INC. [SWKS 74.67***]: We raise our 12-month target price to \$79 from \$75, on peer-average P/E of 11.2X our FY 18 [Sep] EPS estimate. We increase our FY '17 EPS view to \$6.16 from \$6.11 and start FY 18 at \$7.03. SWKS posts Sep-Q EPS of \$1.47 vs. \$1.52, beating the \$1.43 Capital IQ consensus. Sales rose 11% from Jun-Q, on higher iPhone 7 demand and sales from China smartphone providers. We positively view reduction in inventory

Note: Research notes reflect S&P Global Market Intelligence's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect S&P Global Market Intelligence's current view on the company.

days and rising content per mobile device. We see opportunities related to the Internet of Things, automotive, and wireless infrastructure build-outs all supporting growth. /A. Zino-CFA

July 22, 2016

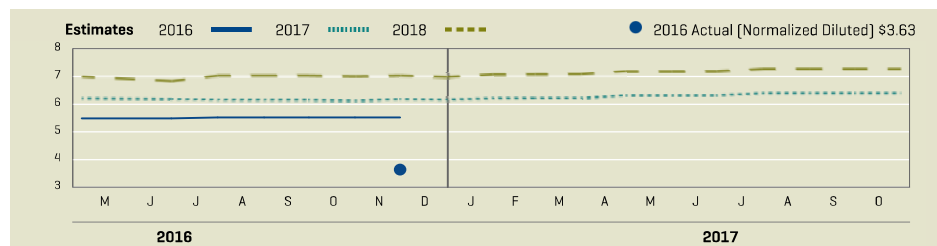
07:34 am ET... S&P GLOBAL MAINTAINS HOLD OPINION ON SHARES OF SKYWORKS SOLUTIONS INC. [SWKS 70.92***]: We trim our 12-month target price to \$75 from \$81, on lower revised peer-average P/E. We cut our FY 16 [Sep.] EPS view to \$5.47 from \$5.49 and FY '17's to \$6.11 from \$6.58. SWKS posts Jun-Q EPS of \$1.24 vs. \$1.34, beating the \$1.21 Capital IQ consensus. Sales fell 7.2%, hurt by lower mobile systems demand. We are cautious about elevated inventory levels but see improving orders from key customer Apple [AAPL 99****]. We are encouraged by greater content per device at Samsung and China opportunities. We positively view an 8% dividend hike and new \$400M share repurchase program. /A. Zino-CFA

April 29, 2016

07:38 am ET... S&P GLOBAL MAINTAINS HOLD OPINION ON SHARES OF SKYWORKS SOLUTIONS INC. [SWKS 71.78***]: We reduce our 12-month target price to \$81 from \$89, on peer-average P/E. We cut our FY 16 [Sep.] EPS view to \$5.49 from \$5.90 and FY '17's to \$6.58 from \$6.85. SWKS posts Mar-Q EPS of \$1.25 vs. \$1.15, beating the \$1.24 Capital IQ consensus. Sales rose 1.7% and margins widened, near expectations. We see inventory drawdowns and slower sell-through from Apple [AAPL 95****] hurting Jun-Q results, but see this partly offset by higher demand from Samsung and China. We are optimistic about increasing content in next generation mobile devices and growth within the Internet of Things. /A. Zino-CFA

Skyworks Solutions, Inc.

Wall Street Consensus Estimates



Wall Street Consensus Opinion

BUY/HOLD

Wall Street Consensus vs. Performance

For fiscal year 2017, analysts estimate that SWKS will earn USD \$6.39. For the 3rd quarter of fiscal year 2017, SWKS announced earnings per share of USD \$1.32, representing 20.7% of the total revenue estimate. For fiscal year 2018, analysts estimate that SWKS's earnings per share will grow by 14% to USD \$7.27.

Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2018	7.27	7.67	7.00	26	14.4
2017	6.39	6.50	6.36	26	16.4
2018 vs. 2017	▲14%	▲18%	▲10%	0%	▼-12%
Q4'18	1.94	2.07	1.83	19	54.0
Q4'17	1.76	1.84	1.74	24	59.8
Q4'18 vs. Q4'17	▲10%	▲12%	▲5%	▼-21%	▼-10%

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Skyworks Solutions, Inc.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations

FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
R&D	- Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★★★ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of June 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	37.4%	25.9%	36.6%	35.4%
Hold	55.1%	56.1%	39.4%	53.5%
Sell	7.5%	18.0%	24.0%	11.1%
Total	100.0%	100.0%	100.0%	100.0%

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