



ANALYST QUICK NOTES

New products, M&A announcements, management shakeups, earnings surprises. Whatever the news, you want to know what Argus thinks. Our Quick Notes fill this need by providing real-time analysis of current news about Argus-covered companies or other market-moving events. Please check back regularly for new Quick Notes. **Important disclaimer information is on the last page of this document.**

Xilinx Inc. (NGS: XLNX: BUY)

Target Price: \$70

Jim Kelleher, CFA

4/26/2017

Thesis

- XLNX formerly in duopoly with Altera in FPGA.
- With Altera now part of Intel, XLNX is the leading programmable chip play.
- After wind-down in mobile infrastructure, future is bright with 5G, IoT, and hyperscale data center all set to grow.
- Automotive, industrial and A/D all solid.

Xilinx to report 4Q17 after close tonight 4/26/17

- Fiscal 3Q17 results topped guidance and the Street estimate.
- Street expects: Sales \$605 million, EPS \$0.54.
- Argus expects: Sales \$610 million, EPS \$0.55.
- At Argus/Street numbers:
 - Revenue up 6%-7%.
 - EPS up 3-4%.

Continued shift to advanced products

- Revenue would be growing faster if not for the roll-off of mature products.
- Advanced product revenue up 31% in fiscal 3Q17.
 - Sales of 20 nm and 28 nm products in 3Q17 set new records.
- Core (mature) products down 13% y/y.

2018: Rising expectations creates opportunities, also risks if too cautious

- Street will be waiting for guidance not only on 1Q18 but also on FY18 outlook overall.
- After years of retreat, mobile infrastructure could benefit from early action on 5G, but that is likely a calendar 2108 event.
- Industrial category is benefiting from strength in test & measurement and in emulation (used in manufacturing automation), as well as broad demand growth in aerospace and defense applications.
- The broadcast and consumer segment is being aided by demand growth for audio video bridging (AVB) applications and by rising electronic content in new vehicles.
- Communications & Data Center revenue (up 6% y/y in 3Q) holds key for investor sentiment toward this stock.

Valuation

- The stock bumped up sharply this week on an upgrade (GS).
- XLNX trading at 26.5 and 24.6-times FY17 & FY18, vs. 19.3 trailing 5-year.
- However, relative P/E premium of 1.49 not hugely above historical 1.31 premium.
- DFCF valuations in rising trend and indicating value in the \$80s.
- Blended value in mid-\$70s in rising trend.

Conclusion

- Growing list of markets where programmable makes sense.
 - IoT, industrial, automotive, A/D along with next gen data center.
 - Communications infrastructure has historically driven this stock.
-

DISCLAIMER

This Note reflects the current thinking of an Argus analyst anticipating or responding to corporate earnings reports or other news relevant to covered companies. This Note may be an initial, real-time response to developments that are expected to impact stocks under coverage; as such, it does not imply that the information in it is correct as of any time after its preparation or that there has been no change in the business, financial condition, prospects, creditworthiness or status of a covered company. The views or opinions expressed in this Note are subject to change pending further analysis. This Note is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. This Note is not an offer to sell or a solicitation of an offer to buy any security. The information presented in this Note is for general information only and does not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this Note. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this Note constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions and opinions than those represented in this Note, and all opinions are reflective of judgments made on the original date of publication. Those reports may reflect the different assumptions, views and analytical methods of the analysts who prepared them and Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this Note or to update or keep current the information contained in other reports so that such information is consistent with, or not contrary to, the information contained in this Note. Argus Research is an independent investment research provider whose parent company, Argus Investors' Counsel, Inc., is registered with the U.S. Securities and Exchange Commission. Argus Investors' Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company's stock.

Argus Investors' Counsel (AIC), a portfolio management business based in Stamford, Connecticut, is a customer of Argus Research Co. (ARC), based in New York. Argus Investors' Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors' Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products.
