



end of the match-making, possibly with Triquint, and certainly outside of this deal, with other players attempting to redefine their own positions. It will be interesting to watch Skyworks, which has a healthy handset business in the active elements, but is doing well growing their business in other areas, outside of the handset market.

There is a lot at stake in the front-end, we estimate the total 3G/LTE FEM addressable market to be a \$7.6 to \$11.5 billion annual opportunity in FY15. And while we did not hear much interest out of the merchant baseband vendors not-named-Qualcomm (they are likely focused on launching LTE before they attempt integration elsewhere), many front-end players were likely looking around at possibilities to strengthen their position or sell while the selling is good. Some have made great strides in recent years – we met with Ethertronics, who continues to do well and is making similar moves to integrate front-end elements into their antennae. I/O Semiconductor is another player with whom we met and is sounding encouraged by recent design wins. Altogether, there appear to be a number of players receiving decent amounts of business. Our thesis though remains the same – consolidation will continue and many will be best served to find a dance partner sooner rather than later.

Peregrine – PA catches attention of many

At the show, Peregrine demoed their CMOS PA, and the results were impressive – the company was able to achieve 44% efficiency in LTE used alongside Nuijira's envelope tracking solution – being at least as good, if not better than the best GaAs competitor. With WCDMA, the solution achieves 48% efficiency without envelope tracking, in line with the best GaAs competitor. Many hardware vendors are impressed with the demo results, and while RFMD has made inroads into Peregrine's territory recently, we believe that Peregrine should be able to secure design wins with this PA solution given its efficiency and size. While the existing switch business continues to bump along with Samsung being their main customer, adding PA revenues could be hugely helpful not just to the top-line, but also to the company's appeal as a target for others. Meanwhile the high performance business segment continues to perform well, with automotive and set-top players both helping to drive profitable growth for the business. Overall, management sounded encouraged about the results of their PA. We believe this is certainly a step in the right direction but our excitement is tempered by the view that something may need to be done, possibly inorganically, in order to expedite their roadmap to a fully integrated solution for the front end.

Audience – sensing more

In our meeting with management, they sounded constructive about growth with Chinese-based OEMs and their traction in adjacent markets. They also sounded upbeat about their recent announcement around motion technology, called Motion Q technology, which enables activity navigation and gesture interpretation while consuming low energy (less than 5mW). The company feels that there are a number of use cases around the technology and while we tend to agree, we also wonder how quickly Qualcomm would be able to integrate such a technology into their own chipset. Nonetheless, the technology on its own was interesting, but is still in its early stages.

Management appeared positive, encouraged by recent, more constructive discussions with Apple than in years past; however nothing was announced, nor did they expect it to be any time soon. Management simply made the point to suggest that relations were no longer at a standstill. To us this means taking the value of zero opportunities with one of the largest handset OEMs in the world to a chance, incorporating a small option value to the name. We would counter any positive notions about this, with the point that the company could find it challenging to backfill the waning Apple royalty stream with profitable sales as we move throughout the year. As a result, we maintain our Hold.