

## Skyworks Solutions, Inc.

## Good execution, but operating in a difficult neighborhood

Reiterate Rating: UNDERPERFORM | PO: 100.00 USD | Price: 104.33 USD

## Smartphone structural issues cap upside even in recovery

Reiterate Underperform, \$100 PO on 12x CY25 PE (vs. 11x prior) as we pass through cycle trough, in line with the company's 3-yr median PE. DecQ/MarQ inline, though likely better than feared on cautious sentiment around smartphone units. Signs of improving fundamentals emerging, with MarQ the cycle low point in gross margin (45%-46%, near 10yr low) as utilization/mix improves (SWKS reduced balance sheet inventory by ~\$200mn). SWKS strong cash generation (36% TTM FCF margin) is certainly impressive, but we remain cautious on risks ahead: 1) High customer concentration (Apple ~73% of sales), 2) Within Apple, 2H23 sales roughly flat-to-down low-/mid-single digits YoY, suggesting negligible content improvements in recent iPhone, and we expect any incremental semi content in the '24 iPhone to be processor/memory driving (supporting AI), 3) Risk to Broad Markets outlook of growth in MarQ, with auto, industrial, and IoT peers expecting sales down upwards of 10%-15% QoQ, 4) Structural industry issues (mature smartphone market, limited pricing power) limiting multiple upside. Net-net, we tweak CY24-26 sales/EPS down 3%-7% as we revise expectations around a recovery.

## Likes: Gross margin trough, Android growth, cash flow

1) Gross margin to bottom in MarQ and grow through remainder of year as utilization/mix possibly improve and mobile sales see seasonal SepQ uplift; 2) Android revenue up QoQ operating at ~\$100mn/qtr runrate following several quarters of inventory corrections, though still below prior ~\$200mn+ runrate prior to downturn, suggesting runway for recovery (that can also help improve utilization); 3) Despite volatile mobile environment SWKS FCF margin well above 30%, resulting in net cash, which should support future buybacks and possibly margin accretive M&A.

## Risks: Broad Markets, consumer exposure, pricing risk

1) Broad Markets down >30% YoY peak-trough, but expected DecQ bottom could be at risk as auto/industrial markets turn (20%-25% of segment), data center/comms remains weak (30%-35% of segment); 2) As mentioned, large smartphone exposure limits multiple upside (smartphone peers trade 13-14x NTM PE, SOX Index closer to 24x today); 3) Possible cost increases for mobile processors/memory in future AI enabled phones could create pricing pressure on other components

Estimates (Sep) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	11.23	8.53	6.80	8.18	9.62
GAAP EPS	7.81	6.14	4.51	5.73	6.96
EPS Change (YoY)	7.0%	-24.0%	-20.3%	20.3%	17.6%
Consensus EPS (Bloomberg)			7.32	8.80	10.45
DPS	2.24	2.54	2.77	2.97	3.62
Valuation (Sep)					
P/E	9.3x	12.2x	15.3x	12.8x	10.8x
GAAP P/E	13.4x	17.0x	23.1x	18.2x	15.0x
Dividend Yield	2.1%	2.4%	2.7%	2.8%	3.5%
EV / EBITDA*	6.2x	7.6x	10.2x	9.0x	8.1x
Free Cash Flow Yield*	5.6%	9.9%	10.0%	8.7%	9.4%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 12.

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Timestamp: 30 January 2024 10:27PM EST

30 January 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2024E Rev (m)	4,480.2	4,430.5
2025E Rev (m)	4,948.5	4,736.1
2026E Rev (m)	5,264.0	5,060.5
2024E EPS	6.99	6.80
2025E EPS	8.81	8.18
2026E EPS	10.27	9.62

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## Stock Data

Price	104.33 USD
Price Objective	100.00 USD
Date Established	15-Dec-2023
Investment Opinion	B-3-7
52-Week Range	85.06 USD - 123.69 USD
Mrkt Val (mn) / Shares Out (mn)	16,688 USD / 160.0
Free Float	99.6%
Average Daily Value (mn)	194.88 USD
BofA Ticker / Exchange	SWKS / NAS
Bloomberg / Reuters	SWKS US / SWKS.OQ
ROE (2024E)	17.4%
Net Dbt to Eqty (Sep-2023A)	9.4%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

\*See Glossary on page 6

# iQprofile<sup>SM</sup> Skyworks Solutions, Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	22.0%	18.1%	14.4%	16.3%	18.1%
Return on Equity	34.1%	23.7%	17.4%	19.6%	21.6%
Operating Margin	37.3%	33.6%	28.2%	30.6%	32.1%
Free Cash Flow	935	1,646	1,674	1,452	1,564

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.8x	1.4x	1.7x	1.3x	1.2x
Asset Replacement Ratio	1.2x	0.5x	0.6x	0.8x	0.8x
Tax Rate	13.6%	8.9%	10.4%	11.5%	11.5%
Net Debt-to-Equity Ratio	29.7%	9.4%	-5.9%	-9.9%	-14.2%
Interest Cover	42.6x	24.9x	36.8x	45.2x	50.7x

## Income Statement Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	5,486	4,772	4,430	4,736	5,061
% Change	7.4%	-13.0%	-7.2%	6.9%	6.8%
Gross Profit	2,808	2,345	2,050	2,267	2,477
% Change	8.1%	-16.5%	-12.6%	10.6%	9.3%
EBITDA	2,439	1,990	1,490	1,684	1,875
% Change	6.7%	-18.4%	-25.1%	13.0%	11.3%
Net Interest & Other Income	(50)	(45)	(19)	(16)	(16)
<b>Net Income (Adjusted)</b>	<b>1,835</b>	<b>1,367</b>	<b>1,090</b>	<b>1,267</b>	<b>1,421</b>
<b>% Change</b>	<b>4.6%</b>	<b>-25.5%</b>	<b>-20.2%</b>	<b>16.2%</b>	<b>12.2%</b>

## Free Cash Flow Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,275	983	723	887	1,028
Depreciation & Amortization	394	388	239	237	253
Change in Working Capital	(828)	161	449	144	117
Deferred Taxation Charge	75	(151)	(3)	0	0
Other Adjustments, Net	508	476	406	374	369
Capital Expenditure	(490)	(210)	(141)	(189)	(202)
<b>Free Cash Flow</b>	<b>935</b>	<b>1,646</b>	<b>1,674</b>	<b>1,452</b>	<b>1,564</b>
<b>% Change</b>	<b>-17.6%</b>	<b>76.1%</b>	<b>1.7%</b>	<b>-13.3%</b>	<b>7.7%</b>
Share / Issue Repurchase	(865)	(155)	(146)	(596)	(596)
Cost of Dividends Paid	(373)	(405)	(443)	(462)	(537)
Change in Debt	(50)	(900)	(300)	0	0

## Balance Sheet Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	566	719	1,372	1,636	1,937
Trade Receivables	1,094	864	694	699	675
Other Current Assets	1,570	1,596	1,282	1,161	1,178
Property, Plant & Equipment	1,605	1,390	1,288	1,240	1,190
Other Non-Current Assets	4,039	3,857	3,827	3,827	3,827
<b>Total Assets</b>	<b>8,874</b>	<b>8,427</b>	<b>8,463</b>	<b>8,563</b>	<b>8,806</b>
Short-Term Debt	499	299	0	0	0
Other Current Liabilities	728	656	662	690	800
Long-Term Debt	1,690	993	993	993	993
Other Non-Current Liabilities	488	395	376	376	376
<b>Total Liabilities</b>	<b>3,405</b>	<b>2,344</b>	<b>2,031</b>	<b>2,059</b>	<b>2,169</b>
<b>Total Equity</b>	<b>5,469</b>	<b>6,083</b>	<b>6,432</b>	<b>6,504</b>	<b>6,637</b>
<b>Total Equity &amp; Liabilities</b>	<b>8,874</b>	<b>8,427</b>	<b>8,463</b>	<b>8,563</b>	<b>8,806</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 12.

## Company Sector

Semiconductors

## Company Description

Based in Woburn, MA, Skyworks is the market leader in power amplifiers, front end modules and other RF components for mobile devices (handsets, smartphones, tablets) and communications infrastructure. Its RF products are benefitting from a 2x-4x content increase in front-end RF from the migration to data intensive 5G smartphones.

## Investment Rationale

We rate Skyworks Underperform. We like SWKS' dominant market share in the low-band and emerging broad markets/IoT opportunities. However, we highlight several risks including limited GM leverage, difficult compares and maturing 5G handset cycle.

## Stock Data

Average Daily Volume 1,867,936

## Quarterly Earnings Estimates

	2023	2024
Q1	2.59A	1.97A
Q2	2.02A	1.52E
Q3	1.73A	1.46E
Q4	2.20A	1.84E

# Summary of model changes

## Exhibit 1: Summary of estimate changes

We lower CY24/25 sales down 4%, EPS down 7%

	Sales (\$mn)			EPS (Non-GAAP)		
	Old	NEW	delta	Old	NEW	delta
Dec-23	\$1,200	\$1,202	\$1	\$1.95	\$1.97	\$0.01
Mar-24E	\$1,035	\$1,045	\$10	\$1.50	\$1.52	\$0.02
Jun-24E	\$1,033	\$1,035	\$2	\$1.49	\$1.46	(\$0.03)
Sep-24E	\$1,212	\$1,149	(\$63)	\$2.04	\$1.84	(\$0.20)
<b>FY24E</b>	<b>\$4,480</b>	<b>\$4,430</b>	<b>(\$50)</b>	<b>\$6.99</b>	<b>\$6.80</b>	<b>(\$0.19)</b>
<b>YoY%</b>	<b>-6.1%</b>	<b>-7.2%</b>	-1.1%	-18.1%	-20.3%	-2.8%
Dec-24E	\$1,301	\$1,238	(\$63)	\$2.32	\$2.15	(\$0.17)
Mar-25E	\$1,159	\$1,107	(\$52)	\$1.96	\$1.80	(\$0.16)
Jun-25E	\$1,166	\$1,120	(\$46)	\$1.99	\$1.85	(\$0.14)
Sep-25E	\$1,322	\$1,271	(\$51)	\$2.54	\$2.37	(\$0.17)
<b>FY25E</b>	<b>\$4,948</b>	<b>\$4,736</b>	<b>(\$212)</b>	<b>\$8.81</b>	<b>\$8.18</b>	<b>(\$0.63)</b>
<b>YoY%</b>	<b>10.5%</b>	<b>6.9%</b>	-4.3%	26.1%	20.4%	-7.2%
<b>CY24E</b>	<b>\$4,581</b>	<b>\$4,467</b>	<b>(\$115)</b>	<b>\$7.34</b>	<b>\$6.97</b>	<b>(\$0.37)</b>
<b>YoY</b>	<b>-1.3%</b>	<b>-3.8%</b>	-2.5%	-7.1%	-11.9%	-5.0%
<b>CY25E</b>	<b>\$5,027</b>	<b>\$4,825</b>	<b>(\$201)</b>	<b>\$9.18</b>	<b>\$8.56</b>	<b>(\$0.62)</b>
<b>YoY</b>	<b>9.7%</b>	<b>8.0%</b>	-4.0%	25.0%	22.8%	-6.7%
<b>CY26E</b>	<b>\$5,370</b>	<b>\$5,163</b>	<b>(\$207)</b>	<b>\$10.81</b>	<b>\$10.08</b>	<b>(\$0.72)</b>
<b>YoY</b>	<b>6.8%</b>	<b>7.0%</b>	-3.9%	17.7%	17.8%	-6.7%

Source: BofA Global Research estimates, company reports

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# FQ1 reported vs expectations

## Exhibit 2: Summary of DecQ results

Mgmt reported sales/EPS roughly in line with Street

	Dec-22	Sep-23	Dec-23				Delta vs consensus (%)	QoQ	YoY
			Guidance	Consensus	BofAe	Reported			
<b>Sales (\$mn)</b>	<b>1,329.3</b>	<b>1,218.8</b>	<b>\$1,200 (\$1,175-\$1,225)</b>	<b>1,203.0</b>	<b>1,200.0</b>	<b>1,201.5</b>	<b>-0.1%</b>	<b>-1.4%</b>	<b>-9.6%</b>
QoQ%	-5.5%	13.8%		-1.3%	-1.5%	-1.4%			
Mobile	864.0	797.1		833.7	841.6	853.1	2.3%	7.0%	-1.3%
Broad Market	465.3	421.7		369.4	358.4	348.4	-5.7%	-17.4%	-25.1%
<b>Non-GAAP Gross Margin%</b>	<b>51.5%</b>	<b>47.1%</b>		<b>46.5%</b>	<b>46.5%</b>	<b>46.4%</b>	<b>-0.3%</b>	<b>-78</b>	<b>-513</b>
Non-GAAP Gross Profit	684.4	574.5			558.5	557.0		-3.0%	-18.6%
R&D (Non-GAAP)	136.0	121.6			135.8	127.7		5.0%	-6.1%
SG&A (Non-GAAP)	65.6	55.8			59.1	59.7		7.0%	-9.0%
Opex Total (Non-GAAP)	193.1	176.6			195.0	191.3		8.3%	-0.9%
Operating Income (Non-GAAP)	491.3	397.9		364.3	363.6	365.7	0.4%	-8.1%	-25.6%
<b>Op Margin % (Non-GAAP)</b>	<b>37.0%</b>	<b>32.6%</b>		<b>30.3%</b>	<b>30.3%</b>	<b>30.4%</b>	<b>0.5%</b>	<b>-221</b>	<b>-652</b>
Financial Income	(16.0)	(7.4)			(6.0)	(6.6)			
Tax expense (Non-GAAP)	60.8	37.7			42.9	42.1		11.7%	-30.8%
Tax rate (Non-GAAP)	12.8%	9.7%			12.0%	11.7%		207	-107
Net Income (Non-GAAP)	414.5	352.8			314.7	317.0		-10.1%	-23.5%
<b>Diluted EPS (Non-GAAP)</b>	<b>\$2.59</b>	<b>\$2.20</b>	<b>\$1.95</b>	<b>\$1.96</b>	<b>\$1.95</b>	<b>\$1.97</b>	<b>0.7%</b>	<b>-10.4%</b>	<b>-23.9%</b>
Diluted Shares	160.2	160.5			161.0	161.0		0.3%	0.5%

Source: BofA Global Research estimates, Visible Alpha, company reports

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## FQ2 guidance vs. expectations

### Exhibit 3: Summary of MarQ guidance

SWKS guided sales/EPS guided roughly in line with Street

	Dec-23	Mar-24E					
	Reported	Old BofAe	Cons	Guidance	New BofAe	QoQ	YoY
Sales (\$mn)	1,201.5	1,035.3	1,043.4	\$1,045 (\$1,020-\$1,070)	1,045.0	-13.0%	-9.4%
QoQ%	-1.4%	-13.7%	-13.3%		-13.0%		
Mobile	853.1	673.3	670.3		691.0	-19.0%	-0.3%
Broad Market	348.4	362.0	365.8		354.0	1.6%	-23.0%
Non-GAAP Gross Margin%	46.4%	46.0%	46.3%		45.5%	-84	-449
Non-GAAP Gross Profit	557.0	476.2			475.6	-14.6%	-17.5%
R&D (Non-GAAP)	127.7	138.5			141.6	10.9%	8.3%
SG&A (Non-GAAP)	59.7	59.7			65.7	10.0%	4.2%
Opex Total (Non-GAAP)	191.3	198.3			195.0	1.9%	2.4%
Operating Income (Non-GAAP)	365.7	277.9	288.7		280.6	-23.3%	-27.3%
Op Margin % (Non-GAAP)	30.4%	26.8%	27.7%		26.9%	-358	-663
Financial Income	(6.6)	(6.0)			(4.0)		
Tax expense (Non-GAAP)	42.1	32.6			31.8	-24.4%	-36.2%
Tax rate (Non-GAAP)	11.7%	12.0%			11.5%	-22	-188
Net Income (Non-GAAP)	317.0	239.3			244.8	-22.8%	-24.2%
Diluted EPS (Non-GAAP)	\$1.97	\$1.50	\$1.55	\$1.52	\$1.52	-22.8%	-24.7%
Diluted Shares	161.0	159.2			161.0	0.0%	0.7%

Source: BofA Global Research estimates, company reports, Bloomberg, Visible Alpha

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## Balance sheet, cash flow snapshot

### Exhibit 4: Summary of inventory, debt, and cash changes

Net cash increased QoQ. Inventory decreased in terms of days

	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23		
<b>Total Cash</b>	<b>\$993</b>	<b>\$1,061</b>	<b>\$737</b>	<b>\$734</b>	<b>\$1,048</b>	<b>42.6%</b>	<b>5.5%</b>
ST Debt	\$500	\$500	\$150	\$299	\$0		
LT Debt	\$1,690	\$1,491	\$1,342	\$993	\$993		
Total Debt	\$2,190	\$1,991	\$1,492	\$1,292	\$993		
Net Cash	(\$1,197)	(\$930)	(\$755)	(\$558)	\$54		
<b>Net Cash/Share</b>	<b>(\$7.49)</b>	<b>(\$5.84)</b>	<b>(\$4.74)</b>	<b>(\$3.50)</b>	<b>\$0.34</b>	<b>-109.7%</b>	<b>-104.5%</b>
DSO	52.3	54.1	61.7	64.5	49.9		
DPO	23.7	24.1	24.0	19.6	17.8		
<b>Inventory \$</b>	<b>\$1,273</b>	<b>\$1,257</b>	<b>\$1,236</b>	<b>\$1,120</b>	<b>\$927</b>	<b>-17.2%</b>	<b>-27.2%</b>
Inventory Turns	2.2	2.0	2.0	2.7	3.0		
<b>Inventory Days</b>	<b>167.5</b>	<b>182.8</b>	<b>185.2</b>	<b>137.6</b>	<b>121.4</b>	<b>-11.8%</b>	<b>-27.6%</b>
Cash Conversion days	196.1	212.8	223.0	182.6	153.5		
<b>Cash Flow from Ops</b>	<b>\$773</b>	<b>\$412</b>	<b>\$306</b>	<b>\$366</b>	<b>\$775</b>	<b>111.9%</b>	<b>0.2%</b>
Capex	(\$64)	(\$45)	(\$31)	(\$70)	(\$22)		
<b>Free cash flow</b>	<b>\$710</b>	<b>\$366</b>	<b>\$274</b>	<b>\$296</b>	<b>\$753</b>	<b>154.6%</b>	<b>6.0%</b>

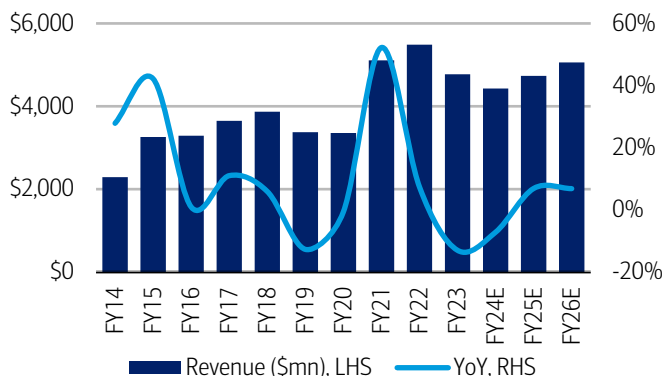
Source: BofA Global Research, company reports

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## Key charts

### Exhibit 5: SWKS annual revenue and YoY growth

SWKS CY24 sales likely impacted by weaker Broad Markets trends

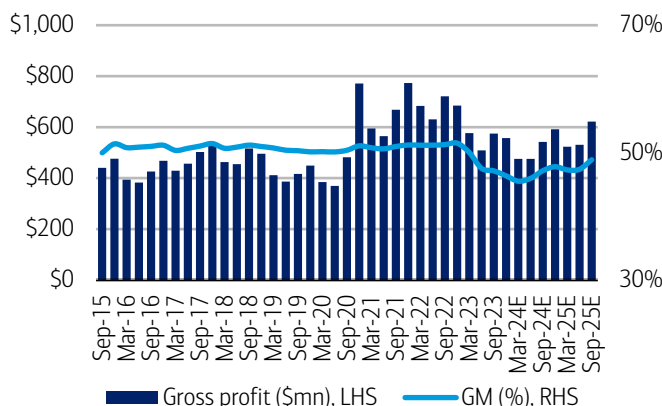


Source: BofA Global Research estimates, company reports

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### Exhibit 7: SWKS quarterly gross profit and GM%

GM will likely remain below 50% for the next several quarters

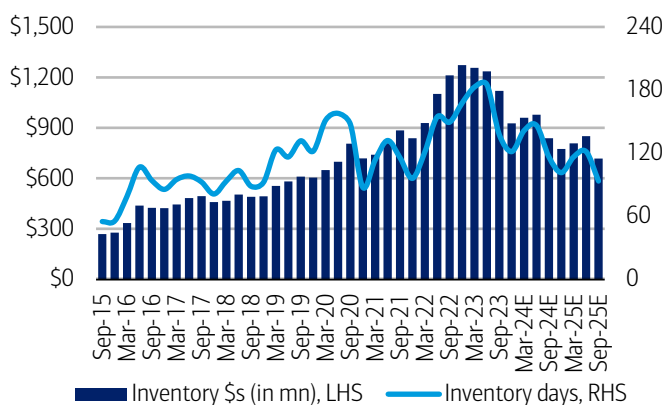


Source: BofA Global Research estimates, company reports

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### Exhibit 9: SWKS quarterly inventory dollars and days

SWKS inventory steadily rises ahead of iPhone launches

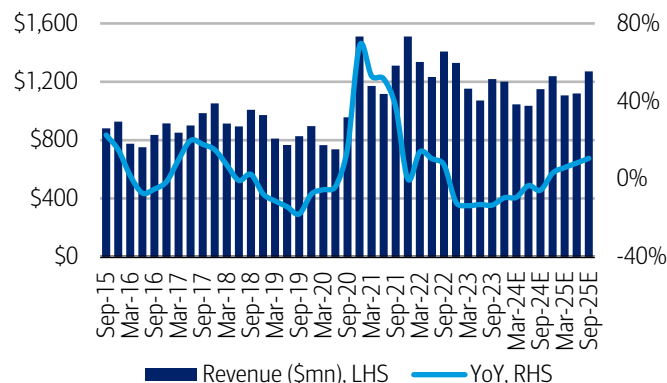


Source: BofA Global Research estimates, company reports

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### Exhibit 6: SWKS quarterly revenue and YoY growth

SWKS sales growth likely bottoms in CY24

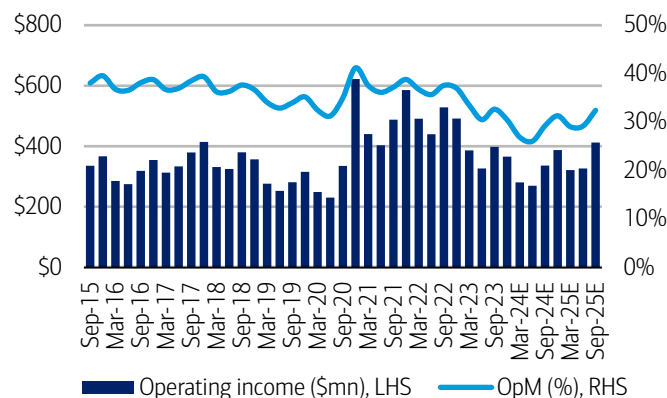


Source: BofA Global Research estimates, company reports

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### Exhibit 8: SWKS quarterly operating income and OpM%

SWKS OpMs remain in high-20s to low-30s

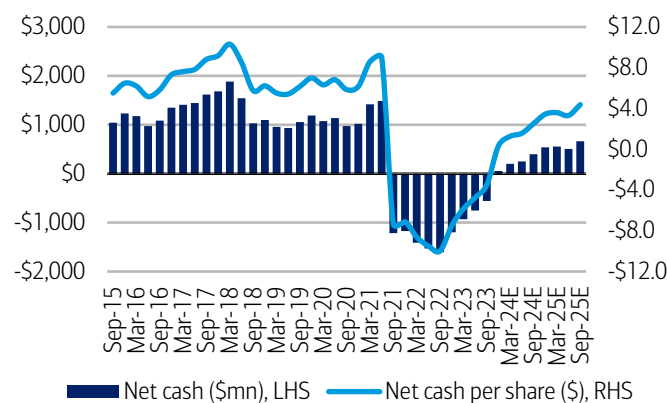


Source: BofA Global Research estimates, company reports

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### Exhibit 10: SWKS quarterly net cash and net cash per share

SWKS net cash position improving post M&A



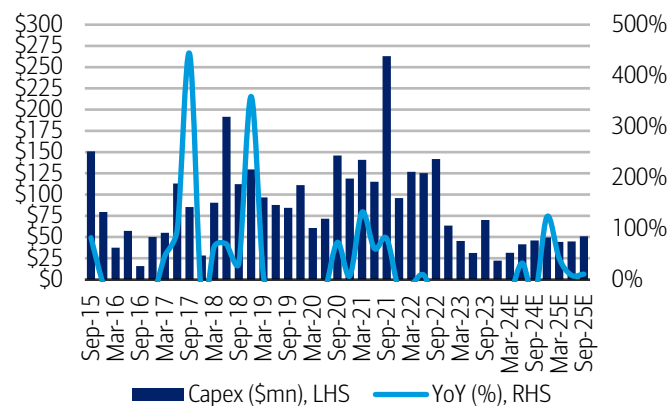
Source: BofA Global Research estimates, company reports

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**Exhibit 11: SWKS quarterly capex and YoY growth**

We model lower capex long-term as investments slow

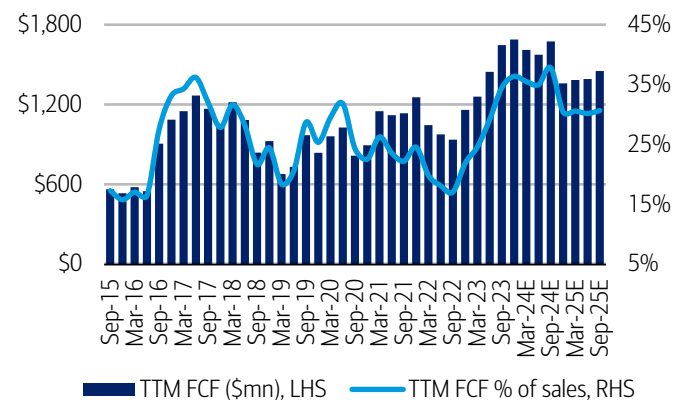


Source: BofA Global Research estimates, company reports

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**Exhibit 12: SWKS quarterly TTM FCF and TTM FCF as a % of sales**

SWKS FCF margins 30%+



Source: BofA Global Research estimates, company reports

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**Glossary**

SWKS: Skyworks

IoT: Internet of things

AI: Artificial Intelligence

OEM: Original Equipment manufacturer

**Exhibit 13: SWKS – Income Statement (\$mn)**

We see CY24 sales falling roughly -4% YoY

\$mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	FY23	FY24E	FY25E	CY23	CY24E	CY25E
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24E	Jun-24E	Sep-24E	Dec-24E	Mar-25E	Jun-25E	Sep-25E	Sep-23	Sep-24E	Sep-25E	Dec-23	Dec-24	Dec-25
<b>Sales</b>	<b>\$1,329.3</b>	<b>\$1,153.1</b>	<b>\$1,071.2</b>	<b>\$1,218.8</b>	<b>\$1,201.5</b>	<b>\$1,045.0</b>	<b>\$1,035.0</b>	<b>\$1,149.0</b>	<b>\$1,237.9</b>	<b>\$1,106.6</b>	<b>\$1,120.3</b>	<b>\$1,271.4</b>	<b>\$4,772.4</b>	<b>\$4,430.5</b>	<b>\$4,736.1</b>	<b>\$4,644.6</b>	<b>\$4,466.8</b>	<b>\$4,825.3</b>
QoQ	-5.5%	-13.3%	-7.1%	13.8%	-1.4%	-13.0%	-1.0%	11.0%	7.7%	-10.6%	1.2%	13.5%						
YoY	-12.0%	-13.7%	-13.1%	-13.4%	-9.6%	-9.4%	-3.4%	-5.7%	3.0%	5.9%	8.2%	10.7%	-13.0%	-7.2%	6.9%	-12.4%	-3.8%	8.0%
Cost of goods	691.6	625.7	607.1	740.6	694.9	619.6	609.5	657.4	697.1	633.1	639.4	701.0	2665.0	2581.4	2670.7	2668.3	2583.6	2700.0
GAAP gross profit	637.7	527.4	464.1	478.2	506.6	425.4	425.5	491.6	540.7	473.4	480.9	570.4	2107.4	1849.1	2065.4	1976.3	1883.2	2125.3
Non-GAAP Gross profit	684.4	576.6	509.0	574.5	557.0	475.6	475.6	541.8	591.5	523.2	530.8	621.5	2344.5	2050.0	2267.0	2217.1	2084.5	2327.5
GAAP R&D	163.9	148.2	148.0	146.7	153.1	166.5	176.2	179.2	182.7	175.2	177.0	184.8	606.8	675.0	719.6	596.0	704.6	730.8
GAAP SG&A	84.5	79.0	77.2	73.4	78.8	84.4	85.5	82.2	80.4	80.7	81.6	84.6	314.1	330.9	327.3	308.4	332.5	330.5
GAAP Opex	270.7	254.1	233.4	224.2	248.3	251.1	261.9	261.6	263.3	256.1	258.7	269.6	982.4	1022.9	1047.7	960.0	1037.9	1062.1
GAAP Operating income	367.0	273.3	230.7	254.0	258.3	174.3	163.6	230.1	277.5	217.4	222.1	300.8	1125.0	826.2	1017.7	1016.3	845.3	1063.2
Non-GAAP R&D	<b>136.0</b>	<b>130.8</b>	<b>123.6</b>	<b>121.6</b>	<b>127.7</b>	<b>141.6</b>	<b>151.5</b>	<b>154.6</b>	<b>156.1</b>	<b>151.4</b>	<b>152.9</b>	<b>157.5</b>	<b>512.0</b>	<b>575.4</b>	<b>618.0</b>	<b>503.7</b>	<b>603.8</b>	<b>627.3</b>
Non-GAAP SG&A	<b>65.6</b>	<b>63.0</b>	<b>60.1</b>	<b>55.8</b>	<b>59.7</b>	<b>65.7</b>	<b>67.0</b>	<b>63.6</b>	<b>60.5</b>	<b>62.9</b>	<b>63.5</b>	<b>64.1</b>	<b>244.5</b>	<b>256.0</b>	<b>251.0</b>	<b>238.6</b>	<b>256.7</b>	<b>252.7</b>
Non-GAAP Opex	193.1	190.5	182.4	176.6	191.3	195.0	206.2	205.9	204.3	202.0	204.1	209.4	742.6	798.4	819.8	740.8	811.4	830.8
Non-GAAP Operating income	<b>491.3</b>	<b>386.1</b>	<b>326.6</b>	<b>397.9</b>	<b>365.7</b>	<b>280.6</b>	<b>269.4</b>	<b>335.9</b>	<b>387.3</b>	<b>321.3</b>	<b>326.6</b>	<b>412.1</b>	<b>1601.9</b>	<b>1251.6</b>	<b>1447.3</b>	<b>1476.3</b>	<b>1273.1</b>	<b>1496.7</b>
GAAP Pretax income	350.7	259.8	222.1	246.2	251.7	170.3	159.6	226.1	273.5	213.4	218.1	296.8	1078.8	807.6	1001.7	979.8	829.3	1047.2
GAAP Tax expense	41.3	27.0	26.3	1.4	20.4	19.6	18.3	26.0	31.4	24.5	25.1	34.1	96.0	84.3	115.2	75.1	95.4	120.4
GAAP Net income	<b>309.4</b>	<b>232.8</b>	<b>195.8</b>	<b>244.8</b>	<b>231.3</b>	<b>150.7</b>	<b>141.2</b>	<b>200.1</b>	<b>242.0</b>	<b>188.8</b>	<b>193.1</b>	<b>262.7</b>	<b>982.8</b>	<b>723.3</b>	<b>886.5</b>	<b>904.7</b>	<b>734.0</b>	<b>926.8</b>
GAAP Diluted EPS	<b>\$1.93</b>	<b>\$1.46</b>	<b>\$1.22</b>	<b>\$1.53</b>	<b>\$1.44</b>	<b>\$0.94</b>	<b>\$0.88</b>	<b>\$1.26</b>	<b>\$1.54</b>	<b>\$1.21</b>	<b>\$1.25</b>	<b>\$1.73</b>	<b>\$6.14</b>	<b>\$4.51</b>	<b>\$5.73</b>	<b>\$5.64</b>	<b>\$4.60</b>	<b>\$6.05</b>
PF Pretax income	475.3	373.0	318.4	390.5	359.1	276.6	265.4	331.9	383.3	317.3	322.6	408.1	1557.2	1233.0	1431.3	1441.0	1257.1	1480.7
PF tax adjustments	(19.5)	(22.9)	(15.8)	(36.3)	(21.7)	(12.2)	(12.2)	(12.2)	(12.6)	(11.9)	(12.0)	(12.8)	(94.5)	(58.3)	(49.4)	(96.7)	(49.2)	(49.9)
PF tax expense	60.8	49.9	42.1	37.7	42.1	31.8	30.5	38.2	44.1	36.5	37.1	46.9	190.5	142.6	164.6	171.8	144.6	170.3
PF Net income	<b>414.5</b>	<b>323.1</b>	<b>276.3</b>	<b>352.8</b>	<b>317.0</b>	<b>244.8</b>	<b>234.9</b>	<b>293.7</b>	<b>339.2</b>	<b>280.8</b>	<b>285.5</b>	<b>361.2</b>	<b>1366.7</b>	<b>1090.4</b>	<b>1266.7</b>	<b>1269.2</b>	<b>1112.6</b>	<b>1310.4</b>
<b>PF Diluted EPS</b>	<b>\$2.59</b>	<b>\$2.02</b>	<b>\$1.73</b>	<b>\$2.20</b>	<b>\$1.97</b>	<b>\$1.52</b>	<b>\$1.46</b>	<b>\$1.84</b>	<b>\$2.15</b>	<b>\$1.80</b>	<b>\$1.85</b>	<b>\$2.37</b>	<b>\$8.53</b>	<b>\$6.80</b>	<b>\$8.18</b>	<b>\$7.92</b>	<b>\$6.97</b>	<b>\$8.56</b>
YoY													-24.0%	-20.3%	20.4%	-25.8%	-11.9%	22.8%
<b>Dividend</b>													<b>\$2.54</b>	<b>\$2.77</b>	<b>\$2.97</b>	<b>\$2.60</b>	<b>\$2.82</b>	<b>\$3.07</b>
Basic Shares	159.8	159.1	159.2	159.4	159.9	159.9	159.3	158.1	156.4	154.6	152.9	151.1	159.4	159.3	153.8	159.4	158.4	152.0
Diluted shares	160.2	159.9	160.0	160.5	161.0	161.0	160.4	159.2	157.5	155.7	153.9	152.2	160.2	160.4	154.8	160.4	159.5	153.1
<b>Margin Analysis (Non-GAAP)</b>																		
Gross margin	<b>51.5%</b>	<b>50.0%</b>	<b>47.5%</b>	<b>47.1%</b>	<b>46.4%</b>	<b>45.5%</b>	<b>46.0%</b>	<b>47.2%</b>	<b>47.8%</b>	<b>47.3%</b>	<b>47.4%</b>	<b>48.9%</b>	<b>49.1%</b>	<b>46.3%</b>	<b>47.9%</b>	<b>47.7%</b>	<b>46.7%</b>	<b>48.2%</b>
R&D	10.2%	11.3%	11.5%	10.0%	10.6%	13.6%	14.6%	13.5%	12.6%	13.7%	13.7%	12.4%	10.7%	13.0%	13.0%	10.8%	13.5%	13.0%
SG&A	4.9%	5.5%	5.6%	4.6%	5.0%	6.3%	6.5%	5.5%	4.9%	5.7%	5.7%	5.0%	5.1%	5.8%	5.3%	5.1%	5.7%	5.2%
opex	14.5%	16.5%	17.0%	14.5%	15.9%	18.7%	19.9%	17.9%	16.5%	18.3%	18.2%	16.5%	15.6%	18.0%	17.3%	15.9%	18.2%	17.2%
<b>op. margins</b>	<b>37.0%</b>	<b>33.5%</b>	<b>30.5%</b>	<b>32.6%</b>	<b>30.4%</b>	<b>26.9%</b>	<b>26.0%</b>	<b>29.2%</b>	<b>31.3%</b>	<b>29.0%</b>	<b>29.2%</b>	<b>32.4%</b>	<b>33.6%</b>	<b>28.2%</b>	<b>30.6%</b>	<b>31.8%</b>	<b>28.5%</b>	<b>31.0%</b>
Tax rate	12.8%	13.4%	13.2%	9.7%	11.7%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	12.2%	11.6%	11.5%	11.9%	11.5%	11.5%
Net income	31.2%	28.0%	25.8%	28.9%	26.4%	23.4%	22.7%	25.6%	27.4%	25.4%	25.5%	28.4%	28.6%	24.6%	26.7%	27.3%	24.9%	27.2%

Source: BofA Global Research estimates, company reports

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**Exhibit 14: SWKS – Segment Model (\$mn)**

Broad Markets expected grow after the DecQ

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	FY23	FY24E	FY25E	CY23	CY24E	CY25E
\$mn	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24E	Jun-24E	Sep-24E	Dec-24E	Mar-25E	Jun-25E	Sep-25E	Sep-23	Sep-24E	Sep-25E	Dec-23	Dec-24	Dec-25
Mobile	864.0	693.1	632.0	797.1	853.1	691.0	666.8	773.5	858.6	708.3	694.2	853.8	2,986.3	2,984.3	3,114.9	2,975.3	2,989.8	3,169.9
Broad Market	465.3	460.0	439.2	421.7	348.4	354.0	368.2	375.5	379.3	398.3	426.1	417.6	1,786.1	1,446.1	1,621.3	1,669.3	1,477.0	1,655.4
<b>Total</b>	<b>1,329.3</b>	<b>1,153.1</b>	<b>1,071.2</b>	<b>1,218.8</b>	<b>1,201.5</b>	<b>1,045.0</b>	<b>1,035.0</b>	<b>1,149.0</b>	<b>1,237.9</b>	<b>1,106.6</b>	<b>1,120.3</b>	<b>1,271.4</b>	<b>4,772.4</b>	<b>4,430.5</b>	<b>4,736.1</b>	<b>4,644.6</b>	<b>4,466.8</b>	<b>4,825.3</b>
<b>QoQ%</b>																		
Mobile	-4.0%	-19.8%	-8.8%	26.1%	7.0%	-19.0%	-3.5%	16.0%	11.0%	-17.5%	-2.0%	23.0%	-	-	-	-	-	-
Broad Market	-8.1%	-1.1%	-4.5%	-4.0%	-17.4%	1.6%	4.0%	2.0%	1.0%	5.0%	7.0%	-2.0%	-	-	-	-	-	-
<b>Total</b>	<b>-5.5%</b>	<b>13.3%</b>	<b>-7.1%</b>	<b>13.8%</b>	<b>-1.4%</b>	<b>-13.0%</b>	<b>-1.0%</b>	<b>11.0%</b>	<b>7.7%</b>	<b>-10.6%</b>	<b>1.2%</b>	<b>13.5%</b>						
<b>YoY%</b>																		
Mobile	-16.4%	-14.7%	-16.8%	-11.5%	-1.3%	-0.3%	5.5%	-3.0%	0.6%	2.5%	4.1%	10.4%	-14.8%	-0.1%	4.4%	-10.8%	0.5%	6.0%
Broad Market	-2.5%	-12.0%	-7.2%	-16.7%	-25.1%	-23.0%	-16.2%	-10.9%	8.9%	12.5%	15.7%	11.2%	-9.8%	-19.0%	12.1%	-15.2%	-11.5%	12.1%
<b>Total</b>	<b>12.0%</b>	<b>13.7%</b>	<b>13.1%</b>	<b>13.4%</b>	<b>-9.6%</b>	<b>-9.4%</b>	<b>-3.4%</b>	<b>-5.7%</b>	<b>3.0%</b>	<b>5.9%</b>	<b>8.2%</b>	<b>10.7%</b>	<b>-13.0%</b>	<b>-7.2%</b>	<b>6.9%</b>	<b>-12.4%</b>	<b>-3.8%</b>	<b>8.0%</b>
<b>% of sales</b>																		
Mobile	65.0%	60.1%	59.0%	65.4%	71.0%	66.1%	64.4%	67.3%	69.4%	64.0%	62.0%	67.2%	62.6%	67.4%	65.8%	64.1%	66.9%	65.7%
Broad market	35.0%	39.9%	41.0%	34.6%	29.0%	33.9%	35.6%	32.7%	30.6%	36.0%	38.0%	32.8%	37.4%	32.6%	34.2%	35.9%	33.1%	34.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: BofA Global Research estimates, company reports

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# Exhibit 15: SWKS – Balance Sheet (\$mn)

SWKS' net cash fell following deal for SLAB IA assets, but has recovered

\$mn	1Q23 Dec-22	2Q23 Mar-23	3Q23 Jun-23	4Q23 Sep-23	1Q24 Dec-23	2Q24E Mar-24E	3Q24E Jun-24E	4Q24E Sep-24E	1Q25E Dec-24E	2Q25E Mar-25E	3Q25E Jun-25E	4Q25E Sep-25E	FY23 Sep-23	FY24E Sep-24E	FY25E Sep-25E	CY23 Dec-23	CY24E Dec-24	CY25E Dec-25
Cash and cash equivalents	820	833	722	719	1,030	1,177	1,225	1,372	1,513	1,530	1,482	1,636	719	1,372	1,636	1,030	1,513	1,790
Restricted cash																		
Receivables	764	685	727	864	659	631	625	694	680	608	616	699	864	694	699	659	680	729
Inventories	1,273	1,257	1,236	1,120	927	960	978	838	774	807	850	717	1,120	838	717	927	774	664
Prepaid/other current assets	384	396	426	461	426	426	426	426	426	426	426	426	461	426	426	426	426	426
<b>Total current assets</b>	<b>3,414</b>	<b>3,399</b>	<b>3,125</b>	<b>3,180</b>	<b>3,060</b>	<b>3,212</b>	<b>3,271</b>	<b>3,348</b>	<b>3,412</b>	<b>3,390</b>	<b>3,392</b>	<b>3,496</b>	<b>3,180</b>	<b>3,348</b>	<b>3,496</b>	<b>3,060</b>	<b>3,412</b>	<b>3,626</b>
Property, plant and equipment, net	1,563	1,496	1,424	1,390	1,343	1,318	1,303	1,288	1,275	1,264	1,253	1,240	1,390	1,288	1,240	1,343	1,275	1,227
Goodwill	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177	2,177
Deferred tax assets	83	119	138	192	192	192	192	192	192	192	192	192	192	192	192	192	192	192
<b>TOTAL ASSETS</b>	<b>8,947</b>	<b>8,841</b>	<b>8,464</b>	<b>8,427</b>	<b>8,229</b>	<b>8,356</b>	<b>8,402</b>	<b>8,463</b>	<b>8,513</b>	<b>8,480</b>	<b>8,471</b>	<b>8,563</b>	<b>8,427</b>	<b>8,463</b>	<b>8,563</b>	<b>8,229</b>	<b>8,513</b>	<b>8,680</b>
Short-term debt	500	500	150	299									299					
Accounts payable	180	166	160	159	136	155	153	164	174	158	160	193	159	164	193	136	174	239
Accrued compensation/benefits	92	104	88	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94
Other current liabilities	454	400	419	403	403	403	403	403	403	403	403	403	403	403	403	403	403	403
<b>Total current liabilities</b>	<b>1,226</b>	<b>1,169</b>	<b>817</b>	<b>956</b>	<b>633</b>	<b>652</b>	<b>650</b>	<b>662</b>	<b>672</b>	<b>656</b>	<b>657</b>	<b>690</b>	<b>956</b>	<b>662</b>	<b>690</b>	<b>633</b>	<b>672</b>	<b>737</b>
Long-term debt, less current	1,690	1,491	1,342	993	993	993	993	993	993	993	993	993	993	993	993			
Other long-term liabilities	482	449	428	395	376	376	376	376	376	376	376	376	395	376	376	376	376	376
<b>TOTAL LIABILITIES</b>	<b>3,398</b>	<b>3,109</b>	<b>2,586</b>	<b>2,344</b>	<b>2,002</b>	<b>2,021</b>	<b>2,019</b>	<b>2,031</b>	<b>2,041</b>	<b>2,025</b>	<b>2,026</b>	<b>2,059</b>	<b>2,344</b>	<b>2,031</b>	<b>2,059</b>	<b>2,002</b>	<b>2,041</b>	<b>2,106</b>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>5,550</b>	<b>5,733</b>	<b>5,878</b>	<b>6,083</b>	<b>6,227</b>	<b>6,335</b>	<b>6,383</b>	<b>6,432</b>	<b>6,473</b>	<b>6,456</b>	<b>6,445</b>	<b>6,504</b>	<b>6,083</b>	<b>6,432</b>	<b>6,504</b>	<b>6,227</b>	<b>6,473</b>	<b>6,574</b>
<b>LIABILITIES + EQUITY</b>	<b>8,947</b>	<b>8,841</b>	<b>8,464</b>	<b>8,427</b>	<b>8,229</b>	<b>8,356</b>	<b>8,402</b>	<b>8,463</b>	<b>8,513</b>	<b>8,480</b>	<b>8,471</b>	<b>8,563</b>	<b>8,427</b>	<b>8,463</b>	<b>8,563</b>	<b>8,229</b>	<b>8,513</b>	<b>8,680</b>
<b>Cash and Liquidity Ratios</b>																		
Total cash and equivalents	993	1,061	737	734	1,048	1,195	1,243	1,390	1,531	1,548	1,500	1,654	734	1,390	1,654	1,048	1,531	1,808
Total debt	2,190	1,991	1,492	1,292	993	993	993	993	993	993	993	993	1,292	993	993	993	993	993
Net Cash	(1,197)	(930)	(755)	(558)	54	202	250	397	538	555	506	661	(558)	397	661	54	538	814
<b>Net Cash/dil. share</b>	<b>(7.49)</b>	<b>(5.84)</b>	<b>(4.74)</b>	<b>(3.50)</b>	<b>0.34</b>	<b>1.26</b>	<b>1.57</b>	<b>2.51</b>	<b>3.44</b>	<b>3.59</b>	<b>3.31</b>	<b>4.37</b>	<b>(3.50)</b>	<b>2.51</b>	<b>4.37</b>	<b>0.34</b>	<b>3.44</b>	<b>5.45</b>

Source: BofA Global Research estimates, company reports

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**Exhibit 16: SWKS – Cash Flow Statement (\$mn)**

We model FCF margins holding at 30%+

\$mn	1Q23 Dec-22	2Q23 Mar-23	3Q23 Jun-23	4Q23 Sep-23	1Q24 Dec-23	2Q24E Mar-24E	3Q24E Jun-24E	4Q24E Sep-24E	1Q25E Dec-24E	2Q25E Mar-25E	3Q25E Jun-25E	4Q25E Sep-25E	FY23 Sep-23	FY24E Sep-24E	FY25E Sep-25E	CY23 Dec-23	CY24E Dec-24	CY25E Dec-25
Net income	\$309	\$233	\$196	\$245	\$231	\$151	\$141	\$200	\$242	\$189	\$193	\$263	\$983	\$723	\$887	\$905	\$734	\$927
Adjustments																		
Share-based compensation expense	\$49	\$41	\$45	\$50	\$53	\$52	\$52	\$52	\$56	\$50	\$50	\$57	\$185	\$209	\$213	\$189	\$211	\$217
Depreciation	\$99	\$99	\$97	\$92	\$65	\$56	\$56	\$62	\$62	\$55	\$56	\$64	\$388	\$239	\$237	\$353	\$236	\$241
Amortization of intangible assets	\$72	\$51	\$51	\$51	\$48	\$45	\$45	\$45	\$40	\$40	\$40	\$40	\$226	\$184	\$161	\$202	\$176	\$156
Amortization of discount on convertible debt	\$1	\$1	\$1	\$1	\$2								\$4	\$2		\$5		
Contribution of stock to savings/retirement plans																		
Deferred income taxes	(\$30)	(\$27)	(\$29)	(\$65)	(\$3)								(\$151)	(\$3)		(\$124)		
Excess tax benefit from share-based payments																		
Changes in assets and liabilities:																		
Receivables	\$330	\$79	(\$42)	(\$137)	\$205	\$28	\$6	(\$69)	\$14	\$72	(\$8)	(\$83)	\$230	\$171	(\$5)	\$105	(\$21)	(\$49)
Inventories	(\$56)	\$6	\$25	\$116	\$192	(\$33)	(\$18)	\$139	\$64	(\$33)	(\$43)	\$133	\$91	\$281	\$121	\$339	\$152	\$111
Other current and long-term assets																		
Accounts payable	(\$88)	(\$7)	(\$4)	\$11	(\$19)	\$19	(\$3)	\$12	\$10	(\$16)	\$2	\$33	(\$87)	\$10	\$28	(\$18)	\$39	\$65
Other current and long-term liabilities	\$86	(\$84)	(\$30)	(\$44)	(\$12)								(\$73)	(\$12)		(\$171)		
<b>Operating Cash Flow</b>	<b>\$773</b>	<b>\$412</b>	<b>\$306</b>	<b>\$366</b>	<b>\$775</b>	<b>\$319</b>	<b>\$280</b>	<b>\$441</b>	<b>\$487</b>	<b>\$357</b>	<b>\$291</b>	<b>\$506</b>	<b>\$1,857</b>	<b>\$1,815</b>	<b>\$1,642</b>	<b>\$1,858</b>	<b>\$1,527</b>	<b>\$1,668</b>
Cash flows from investing activities:																		
Capital expenditures	(\$64)	(\$45)	(\$31)	(\$70)	(\$22)	(\$31)	(\$41)	(\$46)	(\$50)	(\$44)	(\$45)	(\$51)	(\$210)	(\$141)	(\$189)	(\$169)	(\$168)	(\$193)
Payments for acquisitions																		
<b>Net cash used in investing activities</b>	<b>(\$223)</b>	<b>(\$106)</b>	<b>\$183</b>	<b>(\$78)</b>	<b>(\$24)</b>	<b>(\$31)</b>	<b>(\$41)</b>	<b>(\$46)</b>	<b>(\$50)</b>	<b>(\$44)</b>	<b>(\$45)</b>	<b>(\$51)</b>	<b>(\$224)</b>	<b>(\$142)</b>	<b>(\$189)</b>	<b>(\$25)</b>	<b>(\$168)</b>	<b>(\$193)</b>
Cash flows from financing activities:																		
Proceed from notes offering																		
Payments on long-term borrowings		(\$200)	(\$500)	(\$200)	(\$300)								(\$900)	(\$300)		(\$1,200)		
Net proceeds from common stock public offering																		
Retirement of 2007 Convertible Notes																		
Excess tax benefit from share-based payments				\$17									\$17			\$17		
Change in restricted cash, other																		
Dividend payments	(\$99)	(\$99)	(\$99)	(\$108)	(\$109)	(\$109)	(\$109)	(\$116)	(\$115)	(\$114)	(\$113)	(\$119)	(\$405)	(\$443)	(\$462)	(\$415)	(\$449)	(\$472)
Repurchase of common stock (payroll w/holdings)	(\$32)	(\$1)	(\$1)	(\$2)	(\$33)	(\$33)	(\$33)	(\$33)	(\$33)	(\$33)	(\$33)	(\$33)	(\$36)	(\$131)	(\$131)	(\$37)	(\$131)	(\$131)
Repurchase of common stock (share repurchase)	(\$166)	(\$9)					(\$50)	(\$100)	(\$150)	(\$150)	(\$150)	(\$150)	(\$175)	(\$150)	(\$600)	(\$9)	(\$300)	(\$600)
Net proceeds from exercise of stock options	\$1	\$16	\$0	\$4	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$21	\$4	\$4	\$21	\$4	\$4
<b>Financing Cash Flow</b>	<b>(\$296)</b>	<b>(\$293)</b>	<b>(\$600)</b>	<b>(\$290)</b>	<b>(\$441)</b>	<b>(\$140)</b>	<b>(\$190)</b>	<b>(\$248)</b>	<b>(\$297)</b>	<b>(\$296)</b>	<b>(\$294)</b>	<b>(\$301)</b>	<b>(\$1,479)</b>	<b>(\$1,019)</b>	<b>(\$1,188)</b>	<b>(\$1,623)</b>	<b>(\$876)</b>	<b>(\$1,198)</b>
Change in cash and cash equivalents	\$254	\$13	(\$111)	(\$3)	\$311	\$147	\$48	\$147	\$141	\$17	(\$49)	\$155	\$153	\$654	\$264	\$210	\$483	\$277
Cash/equivalents at beginning of period	\$566	\$820	\$833	\$722	\$719	\$1,030	\$1,177	\$1,225	\$1,372	\$1,513	\$1,530	\$1,482	\$566	\$719	\$1,372	\$820	\$1,030	\$1,513
Cash/equivalents at end of period	<b>\$820</b>	<b>\$833</b>	<b>\$722</b>	<b>\$719</b>	<b>\$1,030</b>	<b>\$1,177</b>	<b>\$1,225</b>	<b>\$1,372</b>	<b>\$1,513</b>	<b>\$1,530</b>	<b>\$1,482</b>	<b>\$1,636</b>	<b>\$719</b>	<b>\$1,372</b>	<b>\$1,636</b>	<b>\$1,030</b>	<b>\$1,513</b>	<b>\$1,790</b>
TTM free cash flow	\$1,159	\$1,259	\$1,445	\$1,646	\$1,689	\$1,610	\$1,574	\$1,674	\$1,359	\$1,384	\$1,392	\$1,452	\$1,646	\$1,674	\$1,452	\$1,689	\$1,359	\$1,475
<b>TTM free cash flow/dil. Share</b>	<b>\$7.24</b>	<b>\$7.88</b>	<b>\$9.03</b>	<b>\$10.26</b>	<b>\$10.49</b>	<b>\$10.00</b>	<b>\$9.81</b>	<b>\$10.51</b>	<b>\$8.63</b>	<b>\$8.89</b>	<b>\$9.04</b>	<b>\$9.54</b>	<b>\$10.28</b>	<b>\$10.44</b>	<b>\$9.38</b>	<b>\$10.53</b>	<b>\$8.52</b>	<b>\$9.64</b>

Source: BofA Global Research estimates, company reports

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## Price objective basis & risk

### Skyworks Solutions, Inc. (SWKS)

Our \$100 PO is based on 12x CY 2025E PE (ex. stock comp expense), towards the lower-middle end of its historical 8x-22x range and justified given uncertainty around consumer/mobile demand.

Upside risks are: (1) Share gains, (2) Sustained boost from 5G adoption, (3) semis consolidation, (4) unique M&A opportunities fueling stronger growth.

Downside risks are: (1) Share loss from Apple (60% of sales), (2) Stronger than expected decline in YoY smartphone units, (3) Faster than expected ASP degradation given muted pricing power.

## Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology Group Ltd.	MRVL	MRVL US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
<b>NEUTRAL</b>				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Allegro MicroSystems	ALGM	ALGM US	Blake Friedman
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	Coherent Corp	COHR	COHR US	Vivek Arya
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Blake Friedman
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
<b>UNDERPERFORM</b>				
	Ambarella	AMBA	AMBA US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya



## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

### Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

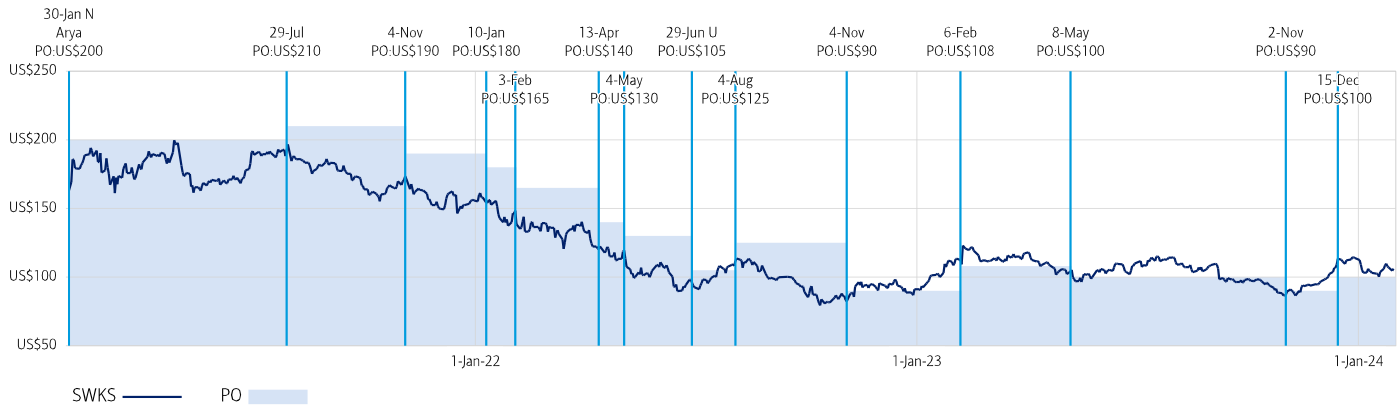
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# Disclosures

## Important Disclosures

### Skyworks (SWKS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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