

## M/A-Com

# Ignore NT cyclical headwinds, margin expansion drivers on track

Reiterate Rating: BUY | PO: 105.00 USD | Price: 84.04 USD

## Telco/industrial nearing bottom, datacenter ramping

DecQ (FQ1) modestly above, but MarQ (FQ2) sales below (adjusted for acquisition) at flat QoQ (vs. +5% QoQ consensus) on continued near-term industrial/telco weaknesses. Revenue run-rate for the WOLF RF business has also declined to ~\$30mn/qtr from ~\$40mn/qtr prior on industry headwinds. However, we highlight we are now near the bottom as the implied MarQ guide for organic I&D + Telecom (excl. data center) is +7% QoQ, up for the first time in six quarters. Albeit modestly slower than prior estimates, we generally anticipate a recovery from here as customer/channel inventories normalize through CY24E. While data center is also expected to pause in FQ2 (MarQ) after two quarters of substantial growths, growth should resume in FH2 as 400G/800G short-haul ramps continue and as 1.6T adoption begins at AI data centers. Separately, MTSI's high exposure to defense (~60% of I&D vs. 10-15% for peers) also helps offset the current industrial weakness. On the margin front, the WOLF RF asset is dilutive and adds to pressures, but we see an eventual return to 60%+ level by FH2'25 as sales recover and integration kicks in. Overall, we highlight continued near-term pressures in core industrial and telecom, but point to upcoming recoveries in F2H, alongside DC strengths throughout FY24E. We tweak CY24/25E sales by -3%/+0% and pf-EPS by -16%/-5% to \$2.64/\$3.43. Reiterate Buy and \$105, now on 31x CY25E P/E vs. 29x prior to bake in potential for revisions as mgmt drives cost/revenue synergies from WOLF asset.

## Likes: Data center/AI, defense strengths, telco priced in

1) Despite a modest pause in FQ2 (guided down -15% QoQ), data center continues to benefit from 400G/800G short-reach applications, with FY24E still pointing to +25% YoY growth. 2) MTSI has one of the highest defense exposures among peers, composing >50% of legacy I&D business. Defense has helped offset broader inventory digestion in industrial. 3) We see telco weakness as generally factored in, with organic business expected to decline -40% from CY22-24E, well below peers ranging from 10% to 35%.

## Risks: Lowered RF run-rate, gross margin, inventory

1) Newly acquired WOLF RF business sales run-rate has now declined to ~\$30mn/qtr level from ~\$40mn/qtr initially on industrial/telecom weakness. 2) GMs now guided to 57.0% in FQ2 as core business down to ~60% (vs. 62.6% peak in Dec-22) and WOLF RF assets dilutive. 3) Balance sheet inventory at 208 days remains elevated, likely continuing through FY24E as MTSI responds to inventory digestion.

Estimates (Sep) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.82	2.70	2.49	3.27	3.81
GAAP EPS	6.18	1.28	0.99	1.74	2.19
EPS Change (YoY)	31.2%	-4.3%	-7.8%	31.3%	16.5%
Consensus EPS (Bloomberg)			2.70	3.33	3.89
DPS	0	0	0	0	0
Valuation (Sep)					
P/E	30.6x	31.9x	34.6x	26.4x	22.6x
GAAP P/E	14.0x	67.4x	87.1x	49.6x	39.4x
EV / EBITDA*	26.7x	29.4x	30.7x	22.8x	19.5x
Free Cash Flow Yield*	2.6%	2.4%	1.6%	2.8%	3.5%

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

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Timestamp: 01 February 2024 04:31PM EST

01 February 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
2024E Rev (m)	755.5	728.3
2025E Rev (m)	871.2	866.5
2026E Rev (m)	937.6	936.5
2024E EPS	2.84	2.49
2025E EPS	3.65	3.27
2026E EPS	3.97	3.81

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### Stock Data

Price	84.04 USD
Price Objective	105.00 USD
Date Established	15-Dec-2023
Investment Opinion	C-1-9
52-Week Range	48.53 USD - 96.09 USD
Mrkt Val (mn) / Shares Out (mn)	5,762 USD / 68.6
Free Float	77.1%
Average Daily Value (mn)	30.22 USD
BofA Ticker / Exchange	MTSI / NAS
Bloomberg / Reuters	MTSI US / MTSIOQ
ROE (2024E)	17.4%
Net Dbt to Eqty (Sep-2023A)	38.4%
ESGMeter <sup>TM</sup>	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 pg. 6 for glossary

# iQprofile<sup>SM</sup> M/A-Com

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	14.3%	9.8%	8.4%	10.2%	10.8%
Return on Equity	30.6%	21.6%	17.4%	19.5%	19.4%
Operating Margin	31.2%	29.2%	23.4%	26.9%	29.6%
Free Cash Flow	152	142	97	168	206

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.9x	0.9x	0.7x	0.8x	0.9x
Asset Replacement Ratio	0.5x	0.5x	0.5x	0.5x	0.6x
Tax Rate	NM	20.5%	19.7%	20.0%	20.0%
Net Debt-to-Equity Ratio	64.0%	38.4%	28.4%	11.5%	-3.3%
Interest Cover	NA	11.5x	4.8x	NA	NA

## Income Statement Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	675	648	728	867	937
% Change	11.2%	-4.0%	12.3%	19.0%	8.1%
Gross Profit	419	397	421	508	568
% Change	15.8%	-5.1%	5.8%	20.8%	11.7%
EBITDA	235	214	204	275	323
% Change	20.9%	-9.0%	-4.3%	34.5%	17.4%
Net Interest & Other Income	(3)	10	17	16	16
<b>Net Income (Adjusted)</b>	<b>201</b>	<b>193</b>	<b>182</b>	<b>242</b>	<b>285</b>
<b>% Change</b>	<b>32.4%</b>	<b>-3.8%</b>	<b>-6.1%</b>	<b>33.1%</b>	<b>17.8%</b>

## Free Cash Flow Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	440	92	72	129	164
Depreciation & Amortization	57	52	65	73	76
Change in Working Capital	(47)	(28)	(42)	(42)	(34)
Deferred Taxation Charge	(200)	20	0	0	0
Other Adjustments, Net	(72)	31	35	43	47
Capital Expenditure	(27)	(25)	(33)	(35)	(47)
<b>Free Cash Flow</b>	<b>152</b>	<b>142</b>	<b>97</b>	<b>168</b>	<b>206</b>
<b>% Change</b>	<b>16.3%</b>	<b>-6.3%</b>	<b>-31.5%</b>	<b>72.3%</b>	<b>22.8%</b>
Share / Issue Repurchase	(28)	(27)	(9)	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	(121)	0	0	0

## Balance Sheet Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	120	174	233	400	606
Trade Receivables	102	91	118	147	170
Other Current Assets	592	496	513	526	535
Property, Plant & Equipment	124	149	185	185	185
Other Non-Current Assets	635	643	722	722	722
<b>Total Assets</b>	<b>1,572</b>	<b>1,553</b>	<b>1,770</b>	<b>1,980</b>	<b>2,218</b>
Short-Term Debt	66	59	76	76	76
Other Current Liabilities	31	25	35	36	34
Long-Term Debt	593	479	479	479	479
Other Non-Current Liabilities	39	43	45	45	45
<b>Total Liabilities</b>	<b>729</b>	<b>606</b>	<b>635</b>	<b>635</b>	<b>633</b>
<b>Total Equity</b>	<b>843</b>	<b>948</b>	<b>1,135</b>	<b>1,345</b>	<b>1,585</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,572</b>	<b>1,553</b>	<b>1,770</b>	<b>1,980</b>	<b>2,218</b>

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

## Company Sector

Semiconductors

## Company Description

M/A-Com Inc. is a leading supplier of high performance analog RF, microwave, millimeterwave, and photonic products into the networking, aerospace, defense, and industrial end markets. The company has a broad portfolio of products (3,000+) and semiconductor technologies including GaN, GaAs, InP, SiGE, HMIC. Headquartered in Lowell, Massachusetts, M/A-Com has a deep heritage in the RF industry dating back to the founding of Microwave Associates in 1950.

## Investment Rationale

We rate M/A-Com (MTSI) Buy. We like MTSI strong industrial portfolio (with elevated A&D exposure) as well as improved operating profile relative to 3-4 years ago. We believe impacts from telecom/datacom digestion more than accounted for in Street outlook (with possible conservatism).

## Stock Data

Average Daily Volume 359,615

## Quarterly Earnings Estimates

	2023	2024
Q1	0.81A	0.58A
Q2	0.79A	0.59E
Q3	0.54A	0.62E
Q4	0.56A	0.70E

# Summary of model changes

## Exhibit 1: Summary of MTSI estimate changes

We tweak estimates following FQ1 earnings

	Sales (\$mn)			Non-GAAP EPS		
	Old	NEW	delta	Old	NEW	delta
1Q24	\$161	\$157	(\$4)	\$0.58	\$0.58	\$0.00
2Q24E	\$185	\$181	(\$4)	\$0.56	\$0.59	\$0.02
3Q24E	\$197	\$190	(\$7)	\$0.75	\$0.62	(\$0.13)
4Q24E	\$213	\$201	(\$12)	\$0.95	\$0.70	(\$0.25)
<b>FY24E</b>	<b>\$756</b>	<b>\$728</b>	<b>(\$27)</b>	<b>\$2.84</b>	<b>\$2.49</b>	<b>(\$0.35)</b>
YoY%	16.5%	12.3%	-4%	5.0%	-8.0%	-12%
1Q25E	\$210	\$206	(\$5)	\$0.89	\$0.73	(\$0.16)
2Q25E	\$212	\$212	(\$0)	\$0.91	\$0.78	(\$0.13)
3Q25E	\$222	\$221	(\$0)	\$0.91	\$0.84	(\$0.08)
4Q25E	\$227	\$228	\$1	\$0.93	\$0.92	(\$0.01)
<b>FY25E</b>	<b>\$871</b>	<b>\$867</b>	<b>(\$5)</b>	<b>\$3.65</b>	<b>\$3.27</b>	<b>(\$0.38)</b>
YoY%	15.3%	19.0%	-1%	28.4%	31.5%	-10%
<b>CY23</b>	<b>\$629</b>	<b>\$625</b>	<b>(\$4)</b>	<b>\$2.47</b>	<b>\$2.47</b>	<b>\$0.00</b>
YoY%	-9.5%	-10.1%	-1%	-17.7%	-17.7%	0%
<b>CY24E</b>	<b>\$805</b>	<b>\$777</b>	<b>(\$28)</b>	<b>\$3.16</b>	<b>\$2.64</b>	<b>(\$0.52)</b>
YoY%	27.9%	24.2%	-3%	27.9%	6.8%	-16%
<b>CY25E</b>	<b>\$886</b>	<b>\$887</b>	<b>\$0</b>	<b>\$3.62</b>	<b>\$3.43</b>	<b>(\$0.20)</b>
YoY%	10.1%	14.1%	0%	14.7%	29.9%	-5%

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

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# FQ1 reported vs. expectations

## Exhibit 2: M/A-Com reported DecQ results

M/A-Com reported DecQ revenue/EPS slightly above Street expectations

	Dec-22	Sep-23				Dec-23			
			Guidance	Street	BofA	Reported	Delta	QoQ	YoY
<b>Sales (\$mn)</b>	<b>\$180</b>	<b>\$150</b>	<b>\$151 (\$149 - \$153)</b>	<b>\$152</b>	<b>\$161</b>	<b>\$157.1</b>	3.1 %	4.5 %	(12.7 %)
QoQ%	1%	1.2%		1.4%	7.0%	4.5%			
Industrial & Defense	77	79		79	82	77	(2.8 %)	(2.7 %)	(0.2 %)
Datacenter	41	41		45	45	50	11.2 %	22.1 %	19.3 %
Telecom	61	31		30	34	31	2.0 %	(0.1 %)	(50.2 %)
<b>Gross Margin % (Non-GAAP)</b>	<b>62.6%</b>	<b>60.1%</b>	<b>60% (59% - 61%)</b>	<b>60.1%</b>	<b>60.0%</b>	<b>59.2%</b>	<b>(90)</b>	<b>(84)</b>	<b>(336)</b>
Opex Total (Non-GAAP)	54	53			58	55		2.6 %	1.2 %
Operating Income (Non-GAAP)	59	37			39	39		3.6 %	(34.5 %)
<b>Op Margin % (Non-GAAP)</b>	<b>32.7%</b>	<b>24.7%</b>		<b>25.4%</b>	<b>24.1%</b>	<b>24.5%</b>	<b>(86)</b>	<b>(20)</b>	<b>(814)</b>
Income tax expense	2	1			1	1			
Tax rate (Non-GAAP)	3%	3%	3%		3%	3%	300	(10)	(9)
Net Income (Non-GAAP)	58	40			42	42		4.3 %	(27.9 %)
<b>Diluted EPS (Non-GAAP)</b>	<b>\$0.81</b>	<b>\$0.56</b>	<b>\$0.57 (\$0.55-\$0.59)</b>	<b>\$0.57</b>	<b>\$0.58</b>	<b>\$0.58</b>	1.5 %	3.6 %	(28.8 %)
Diluted Shares	71	72	72.2		72	72		0.6 %	1.3 %

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

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## FQ2 guidance vs. expectations

### Exhibit 3: Summary of M/A-Com MarQ outlook

M/A-Com MarQ sales/EPS guided \$21mn/2c above/below Street

	Dec-23		Mar-24E				
	Reported	Old BofA	Street	Guidance	New BofA	QoQ	YoY
<b>Sales (\$mn)</b>	<b>\$157</b>	<b>\$185</b>	<b>\$160</b>	<b>\$181 (\$178 - \$184)</b>	<b>\$181</b>	15.2 %	6.8 %
QoQ%	4.5%	15.0%	-0.3%		15.2%		
Industrial & Defense	77	96	86		93	20.5 %	20.3 %
Datacenter	50	46	48		42	(15.0 %)	9.8 %
Telecom	31	43	33		46	50.5 %	(14.5 %)
<b>Gross Margin % (Non-GAAP)</b>	<b>59.2%</b>	<b>59.0%</b>	<b>60.6%</b>	<b>57% (56% - 58%)</b>	<b>57.0%</b>	<b>(224)</b>	<b>(508)</b>
Opex Total (Non-GAAP)	55	72			63	15.6 %	29.7 %
Operating Income (Non-GAAP)	39	38			40	4.1 %	(29.0 %)
<b>Op Margin % (Non-GAAP)</b>	<b>24.5%</b>	<b>20.3%</b>	<b>26.0%</b>		<b>22.2%</b>	<b>(236)</b>	<b>(1121)</b>
Income tax expense	1	1			1		
Tax rate (Non-GAAP)	3%	3%		3%	3%	0	300
Net Income (Non-GAAP)	42	41			43	2.4 %	(24.6 %)
<b>Diluted EPS (Non-GAAP)</b>	<b>\$0.58</b>	<b>\$0.56</b>	<b>\$0.61</b>	<b>\$0.59 (\$0.56-\$0.62)</b>	<b>\$0.59</b>	1.3 %	(26.2 %)
Diluted Shares	72	72		73.0	73	1.0 %	2.2 %

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

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## Balance sheet, cash flow snapshot

### Exhibit 4: Summary of Cash, Inventory, and Debt balances

MTSI inventory balance was up QoQ, while inventory days also increased

	1Q23	2Q23	3Q23	4Q23	1Q24		
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	QoQ	YoY
<b>Total Cash</b>	<b>\$595</b>	<b>\$577</b>	<b>\$588</b>	<b>\$515</b>	<b>\$463</b>	<b>-10.0%</b>	<b>-22.1%</b>
ST Debt	\$58	\$60	\$183	\$59	\$76		
LT Debt	\$593	\$593	\$488	\$479	\$479		
Total Debt	\$651	\$653	\$672	\$537	\$555		
Net Cash	(\$56)	(\$76)	(\$84)	(\$23)	(\$91)	<b>298.8%</b>	<b>61.9%</b>
<b>Net Cash/Share</b>	<b>(\$0.79)</b>	<b>(\$1.07)</b>	<b>(\$1.18)</b>	<b>(\$0.32)</b>	<b>(\$1.27)</b>	<b>296.2%</b>	<b>59.9%</b>
DSO	56.6	65.4	64.9	55.2	58.5		
DPO	46.5	42.4	40.0	35.6	35.4		
<b>Inventory \$</b>	<b>\$121</b>	<b>\$132</b>	<b>\$139</b>	<b>\$136</b>	<b>\$160</b>	<b>17.0%</b>	<b>31.5%</b>
Inventory Turns	2.3	2.0	1.8	1.9	1.8		
<b>Inventory Days</b>	<b>158.7</b>	<b>180.4</b>	<b>203.3</b>	<b>195.1</b>	<b>208.4</b>	<b>13.3</b>	<b>49.7</b>
Cash Conversion days	168.8	203.4	228.2	214.7	231.6		
<b>Cash Flow from Ops</b>	<b>\$38</b>	<b>\$32</b>	<b>\$46</b>	<b>\$50</b>	<b>\$33</b>	<b>-34.3%</b>	<b>-13.5%</b>
Capex	(\$10)	(\$6)	(\$3)	(\$6)	(\$5)		

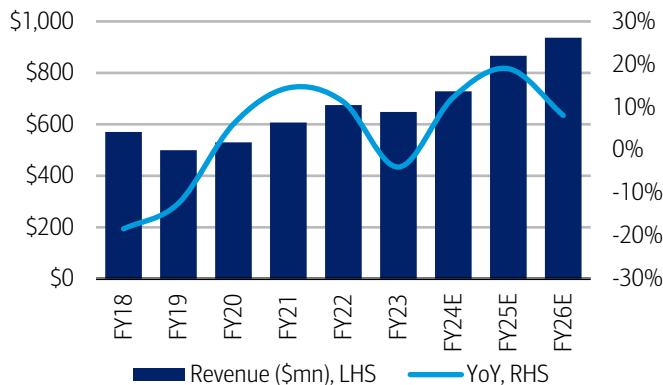
Source: BofA Global Research estimates, company report

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# Key charts

## Exhibit 5: MTSI annual revenue and YoY growth

MTSI sales will grow YoY in FY24E

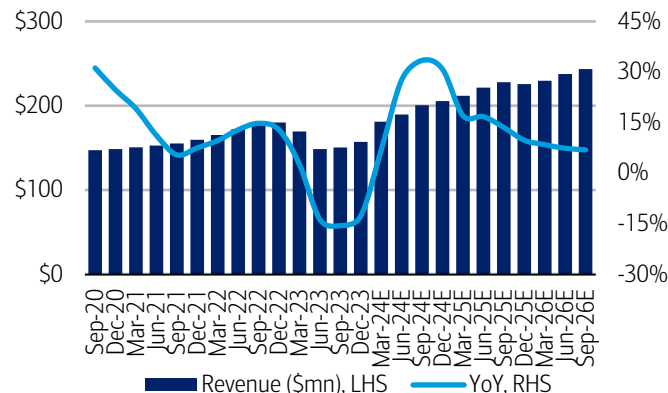


Source: BofA Global Research estimates, company report

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## Exhibit 6: MTSI quarterly revenue and YoY growth

Macro headwinds are impacting MTSI execution

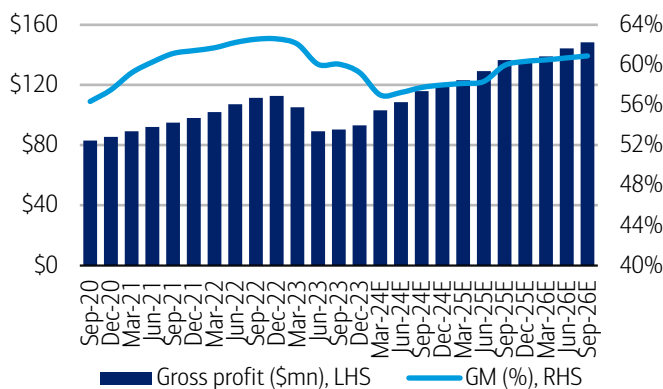


Source: BofA Global Research estimates, company report

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

MTSI should be able to sustain ~60% GM

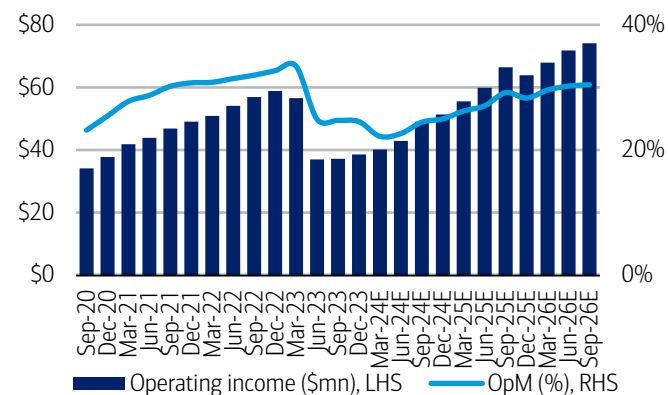


Source: BofA Global Research, Company report

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

We see path for sustained high-20s/30%+ OpMs

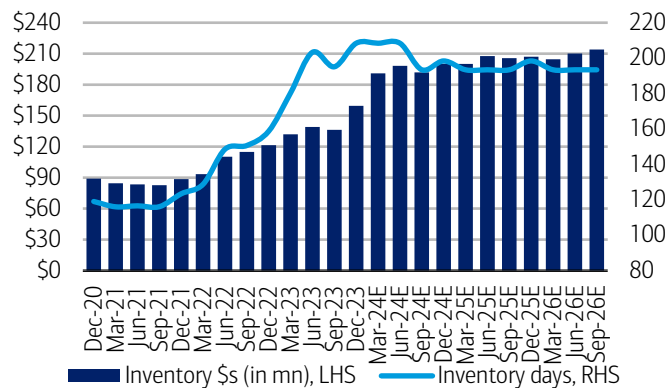


Source: BofA Global Research, Company report

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**Exhibit 9: MTSI quarterly inventory dollars and days**

Inventory days now elevated versus historical levels

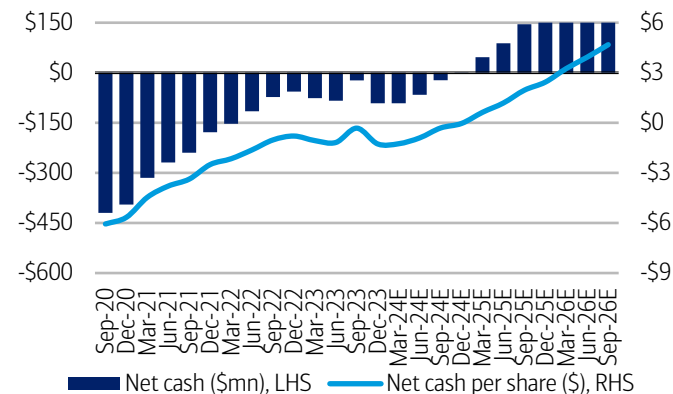


Source: BofA Global Research, Company report

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**Exhibit 10: MTSI quarterly net cash and net cash per share**

We believe MTSI will improve its net cash position over time

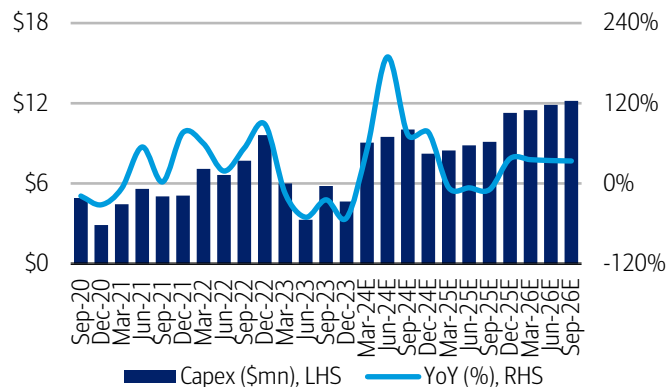


Source: BofA Global Research, Company report

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

We see long-term capex as a mid-single digit percent of sales

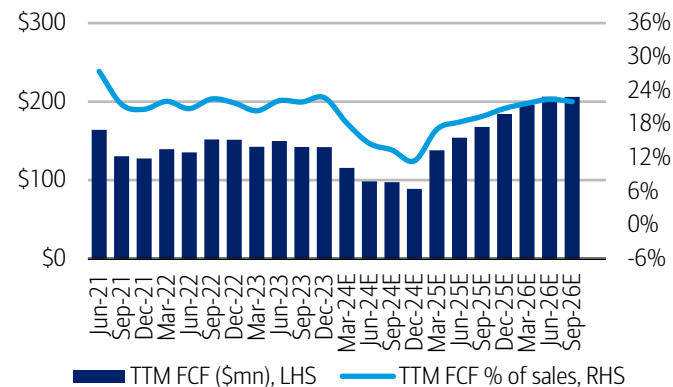


Source: BofA Global Research, Company report

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

MTSI should return to high-teens/mid-20s FCF margins



Source: BofA Global Research, Company report

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**Glossary:**

MTSI: Macom

I&amp;D: Industrial and Defense

AI: Artificial Intelligence

GM: Gross Margin

WOLF: Wolfspeed

QRVO: Qorvo

DC: Datacenter

SAM: Serviceable Available Market

**Exhibit 13: MTSI Income Statement (\$mn)**

MTSI should see +12% YoY FY24 revenue growth

P&L Model (\$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-24	FY25E Sep-25	CY23 Dec-23	CY24E Dec-24	CY25E Dec-25
<b>Revenues</b>	<b>\$180.1</b>	<b>\$169.4</b>	<b>\$148.5</b>	<b>\$150.4</b>	<b>\$157.1</b>	<b>\$181.0</b>	<b>\$189.6</b>	<b>\$200.6</b>	<b>\$205.6</b>	<b>\$211.8</b>	<b>\$221.4</b>	<b>\$227.8</b>	<b>\$648.4</b>	<b>\$728.3</b>	<b>\$866.5</b>	<b>\$625.5</b>	<b>\$776.8</b>	<b>\$886.6</b>
QoQ%	1.1%	-5.9%	-12.3%	1.2%	4.5%	15.2%	4.7%	5.8%	2.5%	3.0%	4.5%	2.9%						
YoY%	12.8%	2.6%	-13.8%	-15.6%	-12.7%	6.8%	27.6%	33.4%	30.8%	17.0%	16.8%	13.5%	-4.0%	12.3%	19.0%	-10.1%	24.2%	14.1%
Cost of revenues (GAAP)	69.7	66.7	62.4	63.7	69.8	83.6	86.8	90.6	92.1	94.4	98.0	97.0	262.6	330.8	381.5	262.7	353.1	384.7
Gross profit (GAAP)	110.4	102.7	86.1	86.6	87.3	97.4	102.7	110.1	113.5	117.4	123.4	130.8	385.8	397.5	485.0	362.8	423.7	501.9
<b>Gross profit (Non-GAAP, ex. stock comp)</b>	<b>112.7</b>	<b>105.2</b>	<b>89.2</b>	<b>90.3</b>	<b>93.1</b>	<b>103.2</b>	<b>108.5</b>	<b>115.9</b>	<b>119.2</b>	<b>123.2</b>	<b>129.2</b>	<b>136.6</b>	<b>397.4</b>	<b>420.6</b>	<b>508.1</b>	<b>377.8</b>	<b>446.8</b>	<b>525.1</b>
R&D Expenses (GAAP)	38.8	35.5	36.7	37.5	39.4	43.0	43.0	45.2	46.1	45.4	46.3	46.8	148.5	170.7	184.6	149.1	177.4	186.7
R&D Expenses (Non-GAAP)	38.8	35.5	36.7	37.5	39.4	43.0	43.0	45.2	46.1	45.4	46.3	46.8	148.5	170.7	184.6	149.1	177.4	186.7
SG&A Expenses (GAAP)	32.9	31.2	32.2	33.5	36.9	39.1	38.7	37.7	37.9	38.3	39.1	39.5	129.9	152.4	154.8	133.8	153.5	157.1
SG&A Expenses (Non-GAAP)	32.9	31.2	32.2	33.5	36.9	39.1	38.7	37.7	37.9	38.3	39.1	39.5	129.9	152.4	154.8	133.8	153.5	157.1
Restructuring charges, other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses (GAAP)	71.8	66.8	68.8	71.0	76.3	82.1	81.7	82.9	84.0	83.7	85.4	86.2	278.4	323.1	339.4	282.9	330.8	343.8
Operating Income (GAAP)	38.6	35.9	17.3	15.6	11.0	15.2	21.0	27.2	29.4	33.7	38.0	44.6	107.4	74.4	145.6	79.8	92.8	158.2
<b>Operating Income (Non-GAAP)</b>	<b>58.8</b>	<b>56.6</b>	<b>37.0</b>	<b>37.2</b>	<b>38.6</b>	<b>40.1</b>	<b>42.9</b>	<b>49.1</b>	<b>51.3</b>	<b>55.6</b>	<b>59.9</b>	<b>66.5</b>	<b>189.6</b>	<b>170.6</b>	<b>233.2</b>	<b>169.3</b>	<b>183.4</b>	<b>245.8</b>
Total other income (expense)	0.5	1.5	2.3	3.4	4.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7	7.8	15.4	14.8	11.5	14.8	14.8
Pretax income (GAAP)	39.1	37.4	19.6	19.0	15.3	18.9	24.7	30.9	33.1	37.4	41.7	48.3	115.2	89.8	160.4	91.3	107.6	173.0
Pretax income (Non-GAAP)	59.9	58.6	39.7	41.4	43.1	44.1	46.9	53.0	55.3	59.5	63.9	70.4	199.6	187.1	249.2	182.8	199.4	261.7
Income tax provision (benefit) GAAP	9.6	11.7	7.8	(5.5)	2.8	3.8	4.9	6.2	6.6	7.5	8.3	9.7	23.6	17.6	32.1	16.7	21.5	34.6
Income tax provision (benefit) Non-GAAP	1.9	1.9	1.2	1.3	1.3	1.3	1.4	1.6	1.7	1.8	1.9	2.1	6.2	5.6	7.5	5.7	6.0	7.9
Income (loss) from continuing operations	29.5	25.8	11.9	24.5	12.5	15.1	19.8	24.7	26.5	29.9	33.4	38.6	91.6	72.1	128.3	74.6	86.1	138.4
(Loss) from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (GAAP)	29.5	25.8	11.9	24.5	12.5	15.1	19.8	24.7	26.5	29.9	33.4	38.6	91.6	72.1	128.3	74.6	86.1	138.4
Net Income (Non-GAAP, ex. stock comp)	<b>58.0</b>	<b>56.7</b>	<b>38.5</b>	<b>40.1</b>	<b>41.8</b>	<b>42.8</b>	<b>45.5</b>	<b>51.5</b>	<b>53.7</b>	<b>57.8</b>	<b>62.0</b>	<b>68.3</b>	<b>193.3</b>	<b>181.5</b>	<b>241.7</b>	<b>177.1</b>	<b>193.4</b>	<b>253.9</b>
Diluted EPS (GAAP)	\$0.41	\$0.36	\$0.17	\$0.34	\$0.17	\$0.21	\$0.27	\$0.34	\$0.36	\$0.40	\$0.45	\$0.52	\$1.28	\$0.99	\$1.74	\$1.04	\$1.17	\$1.87
<b>Diluted EPS (Non-GAAP, ex. stock comp)</b>	<b>\$0.81</b>	<b>\$0.79</b>	<b>\$0.54</b>	<b>\$0.56</b>	<b>\$0.58</b>	<b>\$0.59</b>	<b>\$0.62</b>	<b>\$0.70</b>	<b>\$0.73</b>	<b>\$0.78</b>	<b>\$0.84</b>	<b>\$0.92</b>	<b>\$2.70</b>	<b>\$2.49</b>	<b>\$3.27</b>	<b>\$2.47</b>	<b>\$2.64</b>	<b>\$3.43</b>
Diluted EPS (Non-GAAP, incl. stock comp)	\$0.66	\$0.66	\$0.42	\$0.43	\$0.46	\$0.59	\$0.62	\$0.70	\$0.73	\$0.78	\$0.84	\$0.92	\$2.17	\$1.98	\$2.68	\$1.97	\$2.11	\$2.83
Diluted shares (pf)	71.4	71.4	71.4	71.8	72.3	73.0	73.2	73.4	73.6	73.8	74.0	74.2	71.5	73.0	73.9	71.7	73.3	74.1
<b>Gross Margin % (pf)</b>	<b>62.6%</b>	<b>62.1%</b>	<b>60.1%</b>	<b>60.1%</b>	<b>59.2%</b>	<b>57.0%</b>	<b>57.3%</b>	<b>57.8%</b>	<b>58.0%</b>	<b>58.2%</b>	<b>58.4%</b>	<b>60.0%</b>	<b>61.3%</b>	<b>57.8%</b>	<b>58.6%</b>	<b>60.4%</b>	<b>57.5%</b>	<b>59.2%</b>
R&D as a % of sales (pf)	21.6%	21.0%	24.7%	24.9%	25.1%	23.8%	22.7%	22.5%	22.4%	21.4%	20.9%	20.5%	22.9%	23.4%	21.3%	23.8%	22.8%	21.1%
SG&A as a % of sales (pf)	18.3%	18.4%	21.6%	22.3%	23.5%	21.6%	20.4%	18.8%	18.4%	18.1%	17.7%	17.3%	20.0%	20.9%	17.9%	21.4%	19.8%	17.7%
Opex as a % of sales (pf)	29.9%	28.7%	35.2%	35.3%	34.7%	34.8%	34.6%	33.3%	33.0%	31.9%	31.3%	30.8%	32.1%	34.3%	31.7%	33.3%	33.9%	31.5%
<b>Operating Margin % (pf)</b>	<b>32.7%</b>	<b>33.4%</b>	<b>24.9%</b>	<b>24.7%</b>	<b>24.5%</b>	<b>22.2%</b>	<b>22.6%</b>	<b>24.4%</b>	<b>25.0%</b>	<b>26.2%</b>	<b>27.1%</b>	<b>29.2%</b>	<b>29.2%</b>	<b>23.4%</b>	<b>26.9%</b>	<b>27.1%</b>	<b>23.6%</b>	<b>27.7%</b>
Pretax Income % (pf)	33.2%	34.6%	26.8%	27.5%	27.4%	24.4%	24.7%	26.4%	26.9%	28.1%	28.9%	30.9%	30.8%	25.7%	28.8%	29.2%	25.7%	29.5%
Tax rate % (pf)	3.1%	3.2%	3.1%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.0%	3.0%	3.1%	3.0%	3.0%
Net income % (pf)	32.2%	33.5%	25.9%	26.7%	26.6%	23.6%	24.0%	25.6%	26.1%	27.3%	28.0%	30.0%	29.8%	24.9%	27.9%	28.3%	24.9%	28.6%

Source: BofA Global Research estimates, company reports

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**Exhibit 14: MTSI Segment Model**

Datacenter sales are expected to decline -15% QoQ in MarQ

Segment Model (\$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-24	FY25E Sep-25	CY23 Dec-23	CY24E Dec-24	CY25E Dec-25
Industrial & Defense	77.2	77.2	83.5	79.2	77.0	92.8	98.4	103.8	105.9	109.6	115.1	116.2	317.1	372.1	446.8	316.9	401.0	456.0
Datacenter	41.5	38.3	26.7	40.5	49.5	42.1	44.2	47.5	49.9	51.4	53.4	56.1	147.1	183.2	210.7	155.1	183.6	215.8
Telecom	61.5	53.9	38.3	30.6	30.6	46.1	47.0	49.3	49.8	50.8	52.8	55.5	184.3	172.9	209.0	153.4	192.2	214.7
<b>Total</b>	<b>180.1</b>	<b>169.4</b>	<b>148.5</b>	<b>150.4</b>	<b>157.1</b>	<b>181.0</b>	<b>189.6</b>	<b>200.6</b>	<b>205.6</b>	<b>211.8</b>	<b>221.4</b>	<b>227.8</b>	<b>648.4</b>	<b>728.3</b>	<b>866.5</b>	<b>625.5</b>	<b>776.8</b>	<b>886.6</b>
<b>QoQ%</b>																		
Industrial & Defense	-1.8%	0.0%	8.2%	-5.1%	-2.7%	20.5%	6.0%	5.5%	2.0%	3.5%	5.0%	1.0%						
Datacenter	10.2%	-7.6%	-30.3%	51.7%	22.1%	-15.0%	5.0%	7.5%	5.0%	3.0%	4.0%	5.0%						
Telecom	-0.8%	-12.3%	-28.9%	-20.0%	-0.1%	50.5%	2.0%	5.0%	1.0%	2.0%	4.0%	5.0%						
<b>Total</b>	<b>1.1%</b>	<b>-5.9%</b>	<b>-12.3%</b>	<b>1.2%</b>	<b>4.5%</b>	<b>15.2%</b>	<b>4.7%</b>	<b>5.8%</b>	<b>2.5%</b>	<b>3.0%</b>	<b>4.5%</b>	<b>2.9%</b>						
<b>YoY%</b>																		
Industrial & Defense	5.5%	15.0%	10.6%	0.8%	-0.2%	20.3%	17.9%	31.1%	37.5%	18.1%	16.9%	12.0%	7.7%	17.4%	20.1%	6.2%	26.5%	13.7%
Datacenter	35.3%	9.2%	-23.1%	7.7%	19.3%	9.8%	65.3%	17.1%	0.7%	22.1%	20.9%	18.1%	6.5%	24.6%	15.0%	4.1%	18.4%	17.5%
Telecom	10.1%	-14.4%	-38.2%	-50.6%	-50.2%	-14.5%	22.6%	61.0%	62.8%	10.3%	12.5%	12.5%	-24.1%	-6.1%	20.8%	-38.2%	25.3%	11.7%
<b>Total</b>	<b>12.8%</b>	<b>2.6%</b>	<b>-13.8%</b>	<b>-15.6%</b>	<b>-12.7%</b>	<b>6.8%</b>	<b>27.6%</b>	<b>33.4%</b>	<b>30.8%</b>	<b>17.0%</b>	<b>16.8%</b>	<b>13.5%</b>	<b>-4.0%</b>	<b>12.3%</b>	<b>19.0%</b>	<b>-10.1%</b>	<b>24.2%</b>	<b>14.1%</b>
<b>% of sales</b>																		
Industrial & Defense	42.8%	45.6%	56.2%	52.7%	49.0%	51.3%	51.9%	51.7%	51.5%	51.8%	52.0%	51.0%	48.9%	51.1%	51.6%	50.7%	51.6%	51.4%
Datacenter	23.0%	22.6%	18.0%	27.0%	31.5%	23.2%	23.3%	23.7%	24.3%	24.3%	24.1%	24.6%	22.7%	25.2%	24.3%	24.8%	23.6%	24.3%
Telecom	34.1%	31.8%	25.8%	20.4%	19.5%	25.4%	24.8%	24.6%	24.2%	24.0%	23.9%	24.4%	28.4%	23.7%	24.1%	24.5%	24.7%	24.2%
<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: MTSI Balance Sheet (\$mn)

We believe MTSI will grow its cash position as it maintains positive FCF generation

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	FY23	FY24E	FY25E	CY23	CY24E	CY25E
Balance Sheet (\$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-24	Sep-25	Dec-23	Dec-24	Dec-25
Cash and cash equivalents	126.2	136.6	121.5	174.0	163.6	163.7	189.1	232.5	252.4	301.7	343.2	400.3	174.0	232.5	400.3	163.6	252.4	436.7
Short-term investments													340.6	299.7	299.7	299.7	299.7	299.7
Accounts receivables, net	112.0	121.8	105.9	91.3	101.1	106.5	111.5	118.0	134.5	136.2	142.4	146.5	91.3	118.0	146.5	101.1	134.5	160.0
Inventories	121.3	131.9	139.0	136.3	159.5	190.9	198.3	191.9	200.3	200.1	207.7	205.6	136.3	191.9	205.6	159.5	200.3	207.1
Income taxes receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses & other current assets	19.5	17.3	19.6	19.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1	21.1	19.1	21.1	21.1	21.1	21.1	21.1
<b>Total current assets</b>	<b>847.6</b>	<b>848.3</b>	<b>852.1</b>	<b>761.2</b>	<b>745.0</b>	<b>781.9</b>	<b>819.7</b>	<b>863.2</b>	<b>908.0</b>	<b>958.8</b>	<b>1014.0</b>	<b>1073.2</b>	<b>761.2</b>	<b>863.2</b>	<b>1073.2</b>	<b>745.0</b>	<b>908.0</b>	<b>1124.5</b>
Property and equipment, net	118.9	123.3	155.4	149.5	184.3	184.6	185.0	185.4	185.4	185.4	185.4	185.4	149.5	185.4	185.4	184.3	185.4	185.4
Goodwill	312.2	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5	347.5
Intangible assets, net	44.4	44.4	42.6	42.9	94.6	94.6	94.6	94.6	94.6	94.6	94.6	94.6	42.9	94.6	94.6	94.6	94.6	94.6
Deferred income taxes	229.3	217.8	210.7	218.1	217.5	217.5	217.5	217.5	217.5	217.5	217.5	217.5	218.1	217.5	217.5	217.5	217.5	217.5
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	35.3	36.2	34.6	34.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1	34.1	62.1	62.1	62.1	62.1	62.1
<b>Total assets</b>	<b>1587.7</b>	<b>1617.5</b>	<b>1642.7</b>	<b>1553.2</b>	<b>1650.8</b>	<b>1688.1</b>	<b>1726.3</b>	<b>1770.2</b>	<b>1815.0</b>	<b>1865.7</b>	<b>1921.0</b>	<b>1980.2</b>	<b>1553.2</b>	<b>1770.2</b>	<b>1980.2</b>	<b>1650.8</b>	<b>1815.0</b>	<b>2031.5</b>
<b>Current liabilities:</b>																		
Notes payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	35.6	31.1	27.4	25.0	27.1	32.5	33.7	35.2	33.8	34.6	35.9	35.6	25.0	35.2	35.6	27.1	33.8	31.8
Current portion long-term debt (plus lease obligations)	1.0	4.9	125.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.1	1.1	1.1	1.1
Accrued liabilities	57.1	55.3	58.0	57.4	74.7	74.7	74.7	74.7	74.7	74.7	74.7	74.7	57.4	74.7	74.7	74.7	74.7	74.7
Income taxes payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent consideration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current liabilities</b>	<b>93.8</b>	<b>91.2</b>	<b>210.6</b>	<b>83.5</b>	<b>102.9</b>	<b>108.2</b>	<b>109.5</b>	<b>110.9</b>	<b>109.5</b>	<b>110.3</b>	<b>111.6</b>	<b>111.3</b>	<b>83.5</b>	<b>110.9</b>	<b>111.3</b>	<b>102.9</b>	<b>109.5</b>	<b>107.5</b>
Revolving credit facility	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt, less current	566.3	566.7	446.8	447.1	447.4	447.4	447.4	447.4	447.4	447.4	447.4	447.4	447.1	447.4	447.4	447.4	447.4	447.4
Warrant liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	38.3	39.0	29.1	43.2	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	43.2	44.8	44.8	44.8	44.8	44.8
Deferred income taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities</b>	<b>725.2</b>	<b>723.5</b>	<b>728.0</b>	<b>605.6</b>	<b>626.7</b>	<b>632.1</b>	<b>633.3</b>	<b>634.8</b>	<b>633.3</b>	<b>634.2</b>	<b>635.5</b>	<b>635.1</b>	<b>605.6</b>	<b>634.8</b>	<b>635.1</b>	<b>626.7</b>	<b>633.3</b>	<b>631.4</b>
<b>Stockholders' equity</b>	<b>862.5</b>	<b>894.0</b>	<b>914.7</b>	<b>947.6</b>	<b>1024.1</b>	<b>1056.0</b>	<b>1093.0</b>	<b>1135.5</b>	<b>1181.6</b>	<b>1231.6</b>	<b>1285.5</b>	<b>1345.1</b>	<b>947.6</b>	<b>1135.5</b>	<b>1345.1</b>	<b>1024.1</b>	<b>1181.6</b>	<b>1400.2</b>
<b>Total liabilities and equity</b>	<b>1587.7</b>	<b>1617.5</b>	<b>1642.7</b>	<b>1553.2</b>	<b>1650.8</b>	<b>1688.1</b>	<b>1726.3</b>	<b>1770.2</b>	<b>1815.0</b>	<b>1865.7</b>	<b>1921.0</b>	<b>1980.2</b>	<b>1553.2</b>	<b>1770.2</b>	<b>1980.2</b>	<b>1650.8</b>	<b>1815.0</b>	<b>2031.5</b>

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

**Exhibit 16: MTSI Statement of Cash Flows (\$mn)**

We believe MTSI can maintain 10-20% FCF margins

Cash flow statement (\$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-24	FY25E Sep-25	CY23 Dec-23	CY24E Dec-24	CY25E Dec-25
<b>Net Income</b>	<b>29.5</b>	<b>25.8</b>	<b>11.9</b>	<b>24.5</b>	<b>12.5</b>	<b>15.1</b>	<b>19.8</b>	<b>24.7</b>	<b>26.5</b>	<b>29.9</b>	<b>33.4</b>	<b>38.6</b>	<b>91.6</b>	<b>72.1</b>	<b>128.3</b>	<b>74.6</b>	<b>86.1</b>	<b>138.4</b>
Warranty liability expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation and amortization	12.9	12.5	13.1	13.7	14.3	16.4	16.8	17.4	17.6	17.9	18.4	18.7	52.2	64.9	72.6	53.6	68.3	73.5
Amortization of deferred financing costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income taxes	9.1	11.2	7.2	(7.6)	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.8	0.3	0.0	11.0	0.0	0.0
Share based compensation	11.0	9.5	8.3	9.3	8.7	9.0	9.5	10.0	10.3	10.6	11.1	11.4	38.1	37.2	43.3	35.7	38.8	44.3
Payment of contingent consideration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	(10.5)	(7.8)	15.9	14.6	(12.2)	(5.4)	(5.1)	(6.5)	(16.5)	(1.7)	(6.2)	(4.2)	12.3	(29.1)	(28.5)	10.6	(33.4)	(25.5)
Inventories	(6.4)	(1.9)	(4.0)	1.6	1.6	(31.4)	(7.4)	6.4	(8.4)	0.2	(7.5)	2.0	(10.6)	(30.9)	(13.7)	(2.6)	(40.8)	(6.8)
Prepaid expenses and other assets	(0.6)	(2.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(2.9)	0.0	0.0	(2.3)	0.0	0.0
Accounts payable	3.7	(3.9)	0.0	0.0	3.1	5.3	1.3	1.4	(1.4)	0.8	1.3	(0.3)	(0.3)	11.1	0.4	(0.8)	6.6	(2.0)
Accrued and other liabilities	(10.3)	(7.1)	0.9	(4.7)	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(21.3)	6.6	0.0	(4.4)	0.0	0.0
Income taxes	0.2	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.7)	0.0	0.0	(1.0)	0.0	0.0
Deferred revenue/other	0.0	0.0	(4.9)	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(4.3)	0.0	0.0	(4.3)	0.0	0.0
<b>Net cash from operations</b>	<b>38.3</b>	<b>32.5</b>	<b>45.8</b>	<b>50.4</b>	<b>33.1</b>	<b>9.2</b>	<b>34.9</b>	<b>53.4</b>	<b>28.1</b>	<b>57.7</b>	<b>50.4</b>	<b>66.2</b>	<b>166.9</b>	<b>130.6</b>	<b>202.4</b>	<b>161.7</b>	<b>125.6</b>	<b>221.9</b>
Acquisition of a business, net of cash	0.0	(50.8)	(36.9)	0.0	(75.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(87.7)	(75.0)	0.0	(162.7)	0.0	0.0
Purchases of property and equipment	(9.6)	(6.0)	(3.3)	(5.8)	(4.7)	(9.0)	(9.5)	(10.0)	(8.2)	(8.5)	(8.9)	(9.1)	(24.7)	(33.2)	(34.7)	(19.7)	(36.8)	(37.7)
Strategic investments	1.7	31.8	(22.3)	129.5	44.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	140.7	44.9	0.0	183.9	0.0	0.0
Sale of product line	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of intellectual property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net cash from investments</b>	<b>(8.0)</b>	<b>(17.0)</b>	<b>(62.4)</b>	<b>123.7</b>	<b>(34.8)</b>	<b>(9.0)</b>	<b>(9.5)</b>	<b>(10.0)</b>	<b>(8.2)</b>	<b>(8.5)</b>	<b>(8.9)</b>	<b>(9.1)</b>	<b>36.3</b>	<b>(63.3)</b>	<b>(34.7)</b>	<b>9.5</b>	<b>(36.8)</b>	<b>(37.7)</b>
Proceeds from issuance of long-term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from revolving credit facility	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments on revolving credit facility	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from notes payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from stock options exercises and stock purchases	2.3	0.0	3.3	0.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.6	2.8	0.0	6.1	0.0	0.0
Common stock repurchased and retired	(26.4)	(4.9)	(1.2)	(0.1)	(11.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(32.6)	(11.6)	0.0	(17.8)	0.0	0.0
Payment of assumed debt	0.0	0.0	0.0	(120.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(120.8)	0.0	0.0	(120.8)	0.0	0.0
Payment of dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net cash from financing</b>	<b>(24.3)</b>	<b>(5.2)</b>	<b>1.7</b>	<b>(121.2)</b>	<b>(9.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(149.0)</b>	<b>(9.1)</b>	<b>0.0</b>	<b>(133.7)</b>	<b>0.0</b>	<b>0.0</b>
<b>Increase in cash &amp; equivalents</b>	<b>6.2</b>	<b>10.4</b>	<b>(15.1)</b>	<b>52.4</b>	<b>(10.4)</b>	<b>0.1</b>	<b>25.4</b>	<b>43.4</b>	<b>19.9</b>	<b>49.2</b>	<b>41.5</b>	<b>57.1</b>	<b>54.0</b>	<b>58.6</b>	<b>167.8</b>	<b>37.4</b>	<b>88.8</b>	<b>184.2</b>
Cash & equivalents at start	120.0	126.2	136.6	121.5	174.0	163.6	163.7	189.1	232.5	252.4	301.7	343.2	120.0	174.0	232.5	126.2	163.6	252.4
<b>Cash &amp; equivalents at end</b>	<b>126.2</b>	<b>136.6</b>	<b>121.5</b>	<b>174.0</b>	<b>163.6</b>	<b>163.7</b>	<b>189.1</b>	<b>232.5</b>	<b>252.4</b>	<b>301.7</b>	<b>343.2</b>	<b>400.3</b>	<b>174.0</b>	<b>232.5</b>	<b>400.3</b>	<b>163.6</b>	<b>252.4</b>	<b>436.7</b>
<b>Free Cash flow</b>																		
<b>Free cash flow</b>	<b>28.7</b>	<b>26.5</b>	<b>42.5</b>	<b>44.5</b>	<b>28.4</b>	<b>0.1</b>	<b>25.4</b>	<b>43.4</b>	<b>19.9</b>	<b>49.2</b>	<b>41.5</b>	<b>57.1</b>	<b>142.2</b>	<b>97.4</b>	<b>167.8</b>	<b>142.0</b>	<b>88.8</b>	<b>184.2</b>
FCF/share	0.4	0.4	0.6	0.6	0.4	0.0	0.3	0.6	0.3	0.7	0.6	0.8	2.0	1.3	2.3	2.0	1.2	2.5
<b>TTM FCF</b>	<b>151.4</b>	<b>142.5</b>	<b>149.9</b>	<b>142.2</b>	<b>142.0</b>	<b>115.7</b>	<b>98.6</b>	<b>97.4</b>	<b>88.8</b>	<b>138.0</b>	<b>154.1</b>	<b>167.8</b>						
FCF as % of sales (TTM)	21.8%	20.4%	22.2%	21.9%	22.7%	18.2%	14.5%	13.4%	11.4%	17.1%	18.4%	19.4%	21.9%	13.4%	19.4%	22.7%	11.4%	20.8%
Capex as % of sales	5.3%	3.5%	2.2%	3.9%	3.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%	3.8%	4.6%	4.0%	3.2%	4.7%	4.3%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



## Price objective basis & risk

### M/A-Com (MTSI)

Our \$105 PO is based on a 31x CY25E P/E, within historical 14x-37x trading range and justified, in our view, as opportunities in the data center are offset by telecom weakness.

Downside risks to our price objective are: (1) Semiconductor cyclicalities driven by weak macroeconomic conditions, demand or inventory corrections, (2) Large private ownership with limited public float could add volatility to the stock price, (3) Demand fluctuations in optical, aerospace and defense markets, and (4) High degree of leverage could limit M/A-Com's flexibility and ability to engage in buybacks/dividends.

## 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

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × 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 valuations. 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.

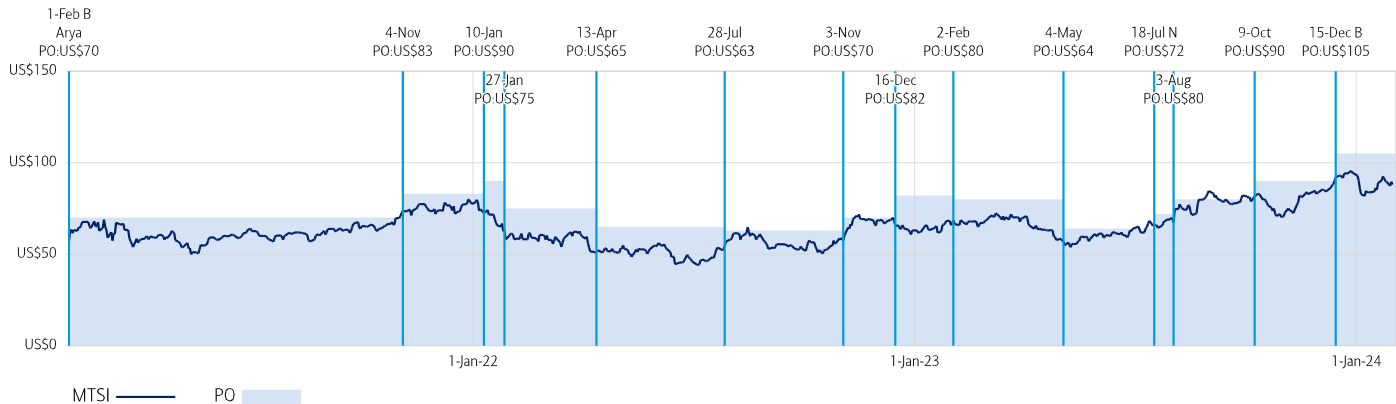
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# Disclosures

## Important Disclosures

### M/A-Com (MTSI) 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%

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