

SIGM F4Q Earnings

SIGM		Sigma Designs		
Qtr:	F4Q	Grade:	D	Growth(qtr-qtr)
Rev:	44.2	Rev:	+++	Rev: -30.8%
GM:	44.0%	EPS:	- - -	Fcst: +11+18%
EPS:	(\$0.54)	Fcst:	-	Div:

SIGM January-ended F4Q earnings were mixed: revenue was down significantly and both earnings and guidance missed expectations; but management guided for revenue growth and profitability this quarter and for the rest of the year. While the stock is not unattractive on valuation fundamentals and its restructuring following the acquisition of TRID's DTV business leading to profitability this quarter is clearly an inflection point, I remain on the sidelines pending confirmation of revenue growth and profit given the severity and persistent lack of either in recent quarters.

SIGM has cut \$45M in annual expenses by restructuring that included a 15% lay-off from mostly high-cost locales, less contracted R&D, and converging its STB and DTV platforms. Management was very clear that the company will be profitable this quarter and that growth in revenue and earnings will continue throughout the year.

Multimedia accounted for 50% of sales, is split evenly between DTV (digital TV) and IPTV-STB (set-top box) offerings, and was down seasonally. DTV and STB roadmaps are converging to a common platform for both cost-savings and faster time-to-market. SIGM is getting second-source consideration at tier-1 DTV OEMs due to MediaTek's pending acquisition of competitor MStar. Legacy TRID DTV device costs remain high. Second-generation Microsoft Mediaroom IPTV STB design win deployments are expected to ramp throughout the year. Digital media adapter and Wi-Fi display business will occur opportunistically.

Connectivity at 45% of sales declined due to service provider inventory adjustments of HomePNA product. The second-generation G.hn CG5200 family was introduced with several design wins and field trials with service providers expected worldwide 1HCY13. AT&T announced that it will launch digitized service in eight US markets beginning March with SIGM's Z-Wave and HomePlug AV technologies for home security and automation.

—**Dan K. Scovel**
Semiconductor Analyst

LEGEND

		Grade	
+++	exceeded the high-end of the range	A	all +++
++	above consensus, within the high-end of the range	B	all +
+	slightly above consensus	C	all o/+
o	met consensus	D	mixed -o/+
-	slightly below consensus	E	all o/-
--	missed consensus, within the low-end of the range	F	all -
---	missed the low-end of the range		

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