

SIMG 3Q Preview

Silicon Image (SIMG, \$4.69 -0.06, Buy, Target Price \$7, 2014: \$0.24 on \$261M, 2015: \$0.30 on \$280M)

3Q Preview: SIMG is scheduled to announce 3Q earnings after the close today, and I expect the company to pretty much meet expectations for both 3Q earnings and 4Q guidance, albeit with a slight downside bias to revenue.

There may be a headwind to revenue associated with exposure to customer Samsung, but EPS could well be protected by a richer relative mix of higher-margin consumer business compared to mobile smartphone sales. Also helping is restrained expectations by publishing analysts, as well as a fairly narrow range for both revenue and EPS as noted in the tables below.

Nevertheless, I remain positive on the shares at current price levels where SIMG trades well below the average price-sales ratio of its peers—and is actually the second lowest among all five of them. While an upward revision to estimates is probably unlikely in the current business environment, there is also plenty of headroom for my Buy recommendation to survive any potential downside risk to my \$7 target price. I reiterate my Buy recommendation on SIMG.

<i>pro forma EPS</i>	3Q13	4Q13	2014	2015
<i>Tokeneke</i>	\$0.07	\$0.07	\$0.24	\$0.30
Consensus	\$0.07	\$0.07	\$0.24	\$0.29
Highest Estimate	\$0.08	\$0.08	\$0.26	\$0.33
Lowest Estimate	\$0.05	\$0.06	\$0.23	\$0.25

<i>Revenue (\$ est)</i>	3Q13	4Q13	2014	2015
<i>Tokeneke</i>	\$72.7	\$67.4	\$261.2	\$280.2
Consensus	\$72.3	\$66.6	\$260.1	\$280.0
Highest Estimate	\$72.5	\$67.7	\$260.8	\$290.0
Lowest Estimate	\$72.1	\$65.9	\$259.5	\$270.3

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