

QCOM and NXPI: A Strategic Powerhouse for the Next Decade

A Focus on ADAS and Secure Connectivity

Summary

QCOM announced the agreement to acquire NXPI for \$110 per share, a modest ~13x F18E consensus of \$8.32. While NXPI investors would have liked a better premium, it is a win for QCOM shareholders, and we believe ultimately creates a strategic powerhouse L-T. We are adjusting NXPI estimates post earnings and adjusting NXPI PT to \$110 (prior \$120) based on the deal price. Our take below.

Key Points

QCOM acquires NXPI ...Finally... but Investors would have liked a better premium. NXPI noting the \$110 deal (EV of \$47B) puts an ~34% premium to the trailing 30-60 day price levels, though we have shown average premiums at 40%+. NXPI is being acquired at ~13x F18E EPS of ~\$8.32 versus TXN trading today at ~21x P/E. **Nonetheless we think the merger creates significant L-T value and solidifies a strategic global vision of redefining transportation and connectivity.**

A Look at the deal. The transaction is for cash and will be financed by cash on hand and debt. QCOM intends to maintain global liquidity of \$8B with new debt financing of ~\$11B. But QCOM expects to get back to pre-transaction leverage in 2 years, as it generates, by our estimate a combined \$10B of FCF/year. QCOM also sees \$500M annualized synergies (65% Opex) for 2 years. **Overall we believe a sweet deal for QCOM as it transforms the commentary from a maturing handset to secular growth story for the next decade.**

The deal is structured as a tender offer given a U.S entity buying a Dutch entity, and expected to close by December 2017 (modestly longer than the 3 quarter that NXPI/FSL and AVGO/BRCM deals were completed) given regulatory approvals required in 9-jurisdictions.

Adjusting our NXPI estimates and PT to \$110 (the deal price). We do not see much of a potential for competing bids, and if there were, we would expect QCOM to raise its offer given the ~\$6B of tax accretion from using offshore cash. Also, a strong combined FCF and the L-T strategic value to QCOM better solidifies this combination. For NXPI, F16E remain at \$9.5B/\$5.75, F17E from \$10.3B/\$7.88 to \$9.2B/\$6.85 and F18E from \$10.8B/8.27 to \$9.4B/\$7.49 as we have now accounted for the STDP divestiture and modestly higher share count. We see a combined NXPI/QCOM F18E at \$6.47 (prior \$6.36). **We would note the increasing attraction for automotive portfolios with two key players, ON and CY, each with ~35% of revenue from auto.**

Company	Symbol	Price		Rating	
		(10/26)	Prior	Curr	PT
NXP Semiconductors NV	NXPI	\$98.66	-	Buy	\$110.00
QUALCOMM Incorporated	QCOM	\$68.20	-	Buy	\$75.00

Source: Bloomberg and Mizuho Securities USA

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A Look at NXPI's Sep/DecQ earnings. Overall NXPI had a good DecQ guide ([Link](#)) given a down 10% q/q guide at its peer TXN. NXPI did note continued slowdown in the SIS (bank card) businesses and less visibility in RF networking. But Automotive continues to be robust underlined by continued growth into the DecQ.

Enabling the decade of the mobility revolution in automotive (the last was the smartphone). We see automotive as a L-T secular roadmap, as global auto OEMs, suppliers, and the hyperscale OEMs push for safety, ADAS, autonomous driving, and the future to mobility and transportation as a service - the next point of convergence, similar to the last decade's smartphone. A QCOM / NXPI combination with telematics, in-cockpit, and powertrain could create the first end-to-end semiconductor automotive supplier. The move to automotive, creates a roadmap to the next decade and transforms the narrative on QCOM from handsets to automotive, a secular growth roadmap with connectivity, mobility, and services platforms.

Maintaining Manufacturing assets (for now). QCOM noting though it is 99% outsourced with the exception of the recent TDK acquisition, the NXPI acquisition has significant proprietary manufacturing assets that it could continue to run without outsourcing. Though QCOM also noted that a joint partner with both outsourcing to TSMC today, does provide a L-T post-close strategic synergy value.

A look at a potential end-to-end automotive supplier. Below, we take a glance at what we believe a potential QCOM+NXPI could look like.

Some key preliminary assumptions:

- We now **have F18E (Dec) NXPI Rev/EPS at \$9.4B/\$7.49** and have accounted for the Standard Products divestiture.
- A QCOM debt raise of ~\$11B at 4.5%, and are using QCOM's 18% tax rate.
- QCOM noting that the combined companies are expected to achieve \$500M in annual run rate synergies. For year 1, we have assumed ~\$300M.
- For the combined company, we believe NXPI's GMs should be modestly dilutive to QCOM, with original estimates around 59%. Overall, we believe the combined company **would add ~\$1.40-1.50 to our QCOM F18E EPS** of \$5.01.
- In our initial look at QCOM+NXPI, we estimated QCOM+NXPI F18E EPS at ~\$6.36. However, QCOM noted only an \$11B debt raise (versus our initial estimates of \$25B), allowing for further accretion despite lower synergy estimates.

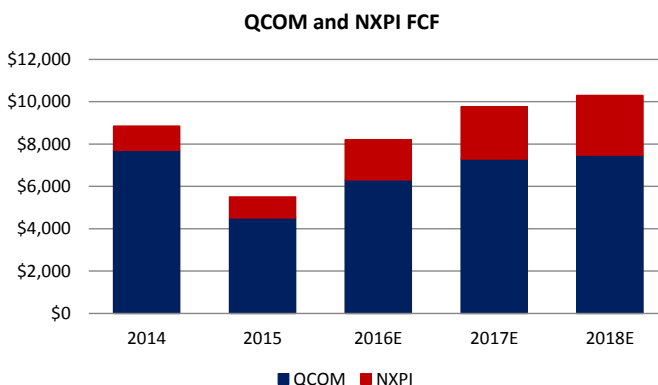
Exhibit 1: Initial Looks Show \$1.40-\$1.50 in QCOM Accretion

In (\$M), except per share data FY Ends Sep 10/27/2016	1Q:18E Dec	2Q:18E Mar	3Q:18E Jun	4Q:18E Sep	2018E
QCOM Revenues	6,243	6,171	6,108	6,371	24,894
NXPI Revenue	2,295	2,264	2,342	2,428	9,329
Combined Revenue	8,538	8,435	8,450	8,799	34,223
Combined GM	58.5%	60.0%	58.9%	58.7%	59.0%
Estimated Synergies	75	75	75	75	300
Combined Net Income	2,385	2,411	2,358	2,455	9,609
Shares (Diluted; millions)	1,486	1,486	1,486	1,486	1,486
QCOM Pro Forma EPS	\$1.26	\$1.28	\$1.22	\$1.25	\$5.01
QCOM+NXPI Pro Forma EPS	\$1.61	\$1.62	\$1.59	\$1.65	\$6.47

Source: Mizuho Securities estimates, Company reports, FactSet

Significant financial synergies, with combined Operating margins in the 30-35% and a \$10B/year of combined FCF. We believe that a potential combined QCOM+NXPI should be able to drive significant FCF, especially as QCOM noting it is only raising \$11B in debt versus some prior estimates of \$20B+. We believe the potential QCOM+NXPI could drive ~\$10B in FCF, making leverage very manageable. QCOM noting that it plans to be back to current leverage ratios within 2 years of transaction close.

Exhibit 2: Combined FCF Approaching \$10B



Source: Mizuho Securities estimates, Company reports

A roadmap for the next decade (10 years) while moving away from a maturing handset market. As we have noted, the smartphone handset market is maturing, with fewer pockets of growth with Huawei, Vivo, and Oppo, and moving to a replacement market with growing competition from Mediatek and INTC. The move to automotive transforms the narrative on QCOM from handsets to an automotive secular growth roadmap with connectivity, mobility, and service platforms.

Enabling the decade of the mobility revolution in automotive (the last was the smartphone). We see automotive a L-T secular roadmap, as global auto OEMs, suppliers, and the hyperscale OEMs push for safety, ADAS, autonomous driving, and the future to mobility and transportation as a service - the next point of convergence similar to the last decade's smartphone.

A look at peer valuations below:

Exhibit 3: Valuation Comps as October 27, 2016

Company	Ticker	Rating	Price Target	Price	Market Cap	FY17E Sales	F17E EV/EBITDA	FY17E EV/Sales	FY17E P/Sales	F17E EV/FCF	FY17E P/E
NXP Semiconductors NV	NXPI	Buy	\$120.00	\$99.99	\$34,597	\$10,091	11.2x	4.1x	3.4x	14.7x	13.4x
Synaptics	SYNA	Buy	\$74.00	\$68.62	\$2,389	\$1,624	9.1x	1.5x	1.5x	21.2x	13.4x
ON Semiconductor	ON	Buy	\$16.00	\$11.71	\$4,866	\$5,004	7.6x	1.6x	1.0x	16.8x	10.0x
Cypress Semiconductor	CY	Buy	\$15.00	\$10.27	\$3,299	\$2,126	9.1x	1.8x	1.6x	17.7x	13.4x
Alps Electric*	6770-JP	Buy	\$25.71	\$24.14	\$4,786	\$7,702	5.7x	0.7x	0.6x	19.0x	13.2x

Source: Mizuho Securities Estimates, Company Reports, FactSet, *covered by Mizuho (JP) analyst Fumihide Goto, foreign currency converted to USD, prices as of 12PM ET

Exhibit 4: QCOM Income Statement

(QCOM) In (\$M), except per share data
FY Ends Sep
10/27/2016

	2015A	1Q:16A	2Q:16A	3Q:16A	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	1Q:18E	2Q:18E	3Q:18E	4Q:18E	2018E
		Dec	Mar	Jun	Sep		Dec	Mar	Jun	Sep		Dec	Mar	Jun	Sep	
Street Revenue Consensus	25,277.0	5,766.0	5,539.0	6,032.0	5,854.6	23,210.8	6,142.9	5,915.1	5,801.7	5,958.6	23,919.6	6,181.3	6,042.7	5,790.2	6,065.6	24,645.7
Revenues	25,277	5,766	5,539	6,032	5,927	23,264	6,080	5,816	5,711	5,812	23,420	6,243	6,171	6,108	6,371	24,894
Y/Y Change	-4.6%	-18.8%	-19.7%	3.4%	8.7%	-8.0%	5.4%	5.0%	-5.3%	-1.9%	0.7%	2.7%	6.1%	7.0%	9.6%	6.3%
Q/Q Change		5.8%	-3.9%	8.9%	-1.7%		2.6%	-4.3%	-1.8%	1.8%		7.4%	-1.2%	-1.0%	4.3%	
COGS	10,059	2,377	2,017	2,395	2,371	9,160	2,432	2,327	2,284	2,325	9,368	2,466	2,314	2,382	2,517	9,679
Gross Profit	15,218	3,389	3,522	3,637	3,556	14,104	3,648	3,490	3,427	3,487	14,052	3,777	3,857	3,726	3,855	15,215
Gross Margin	60.2%	58.8%	63.6%	60.3%	60.0%	60.6%	60.0%	60.0%	60.0%	60.0%	60.0%	60.5%	62.5%	61.0%	60.5%	61.1%
R&D	4,787	1,182	1,138	1,093	1,091	4,504	1,125	1,076	1,057	1,046	4,304	1,155	1,173	1,161	1,211	4,699
% of Revenue	18.9%	20.5%	20.5%	18.1%	18.4%	19.4%	18.5%	18.5%	18.5%	18.0%	18.4%	18.5%	19.0%	19.0%	19.0%	18.9%
SG&A	1,847	466	499	512	510	1,987	426	407	400	407	1,639	437	463	458	478	1,836
% of Revenue	7.3%	8.1%	9.0%	8.5%	8.6%	8.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.5%	7.5%	7.5%	7.4%
Total Operating Expenses	6,654	1,648	1,637	1,605	1,600	6,490	1,550	1,483	1,456	1,453	5,943	1,592	1,635	1,619	1,688	6,534
% of Revenue	26.3%	28.6%	29.6%	26.6%	27.0%	27.9%	25.5%	25.5%	25.5%	25.0%	25.4%	25.5%	26.5%	26.5%	26.5%	26.2%
Operating Income	8,564	1,741	1,885	2,032	1,956	7,614	2,098	2,007	1,970	2,034	8,109	2,185	2,222	2,107	2,166	8,680
Operating Margin	33.9%	30.2%	34.0%	33.7%	33.0%	32.7%	34.5%	34.5%	34.5%	35.0%	34.6%	35.0%	36.0%	34.5%	34.0%	34.9%
Other Income	746	38	12	104	85	239	100	100	100	100	400	100	100	100	100	400
Pre-Tax Income	9,310	1,779	1,897	2,136	2,041	7,853	2,198	2,107	2,070	2,134	8,509	2,285	2,322	2,207	2,266	9,080
Income Tax	1,670	310	345	407	367	1,429	396	379	373	384	1,532	411	418	397	408	1,634
Tax Rate	17.9%	17.4%	18.2%	18.0%	18.0%	18.2%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Sale of Omnitrac																
Net Income	7,640	1,469	1,552	1,729	1,673	6,423	1,802	1,727	1,698	1,750	6,977	1,874	1,904	1,810	1,858	7,446
% of Revenue	30.2%	25.5%	28.0%	28.7%	28.2%	27.6%	29.6%	29.7%	29.7%	30.1%	29.8%	30.0%	30.8%	29.6%	29.2%	29.9%
Non-GAAP Adjustments	-2,370	29	-388	-285	-326	-970	-305	-315	-310	-313	-1,244	-312	-312	-312	-312	-1,248
GAAP Net Income	5,270	1,498	1,164	1,444	1,348	5,454	1,497	1,412	1,387	1,437	5,734	1,562	1,591	1,498	1,546	6,198
Shares (Diluted; millions)	1,639	1,517	1,498	1,486	1,486	1,497	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486	1,486
Pro Forma EPS	\$4.64	\$0.97	\$1.04	\$1.16	\$1.13	\$4.29	\$1.21	\$1.16	\$1.14	\$1.18	\$4.70	\$1.26	\$1.28	\$1.22	\$1.25	\$5.01
Street EPS Consensus	\$4.66	\$0.97	\$1.04	\$1.16	\$1.13	\$4.31	\$1.22	\$1.21	\$1.13	\$1.19	\$4.74	\$1.30	\$1.31	\$1.23	\$1.30	\$4.98

Source: Company Reports, Mizuho Securities Estimates

Exhibit 5: QCOM Balance Sheet

All Figures in \$M FY Ends Sep	4Q15 Sep	1Q16 Dec	2Q16 Mar	3Q16 Jun	4Q16E Sep	1Q17E Dec	2Q17E Mar	3Q17E Jun	4Q17E Sep	1Q18E Dec	2Q18E Mar	3Q18E Jun	4Q18E Sep
Assets													
Cash & Equivalents	7,560	6,913	5,775	5,885	5,579	6,105	6,147	6,225	6,139	6,362	6,652	6,835	6,892
Marketable Securities	9,761	9,615	10,627	11,225	11,225	11,225	11,225	11,225	11,225	11,225	11,225	11,225	11,225
Accounts Receivable	1,964	1,323	1,738	1,939	2,020	1,734	1,742	1,773	1,893	1,907	1,866	1,872	2,014
Inventories	1,492	1,216	1,427	1,338	1,467	1,362	1,455	1,348	1,405	1,434	1,394	1,420	1,510
Deferred Tax Assets	635	607	0	0	0	0	0	0	0	0	0	0	0
Other Current Assets	687	664	590	592	592	592	592	592	592	592	592	592	592
Total Current Assets	22,099	20,338	20,157	20,979	20,884	21,018	21,160	21,163	21,254	21,519	21,730	21,944	22,233
Marketable Securities	13,626	14,063	13,582	13,922	13,922	13,922	13,922	13,922	13,922	13,922	13,922	13,922	13,922
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0
PP&E	2,534	2,484	2,391	2,341	2,246	2,095	1,960	1,830	1,690	1,544	1,392	1,259	1,117
Goodwill	5,479	5,669	5,657	5,657	5,657	5,657	5,657	5,657	5,657	5,657	5,657	5,657	5,657
Deferred Taxes	1,453	1,616	2,203	2,075	2,075	2,075	2,075	2,075	2,075	2,075	2,075	2,075	2,075
Other Assets	5,605	6,059	6,070	5,812	5,812	5,812	5,812	5,812	5,812	5,812	5,812	5,812	5,812
Total Assets	50,796	50,229	50,060	50,786	50,596	50,579	50,586	50,459	50,410	50,529	50,588	50,669	50,816
Liabilities													
Trade Accounts Payable	1,300	1,359	1,452	1,572	1,515	1,482	1,558	1,525	1,519	1,557	1,505	1,570	1,651
Payroll & Benefits	861	895	785	874	874	874	874	874	874	874	874	874	874
Unearned Revenue	583	639	791	535	535	535	535	535	535	535	535	535	535
Current Portion of Long Term Debt	1,000	1,000	1,949	1,749	1,749	1,749	1,749	1,749	1,749	1,749	1,749	1,749	1,749
Other Current Liabilities	2,356	2,610	2,049	2,113	2,113	2,113	2,113	2,113	2,113	2,113	2,113	2,113	2,113
Total Current Liabilities	6,100	6,503	7,026	6,843	6,786	6,753	6,829	6,796	6,790	6,828	6,776	6,841	6,922
Unearned Revenue	2,496	2,630	2,526	2,426	2,426	2,426	2,426	2,426	2,426	2,426	2,426	2,426	2,426
Long-Term Debt	9,969	9,950	9,993	10,024	10,024	10,024	10,024	10,024	10,024	10,024	10,024	10,024	10,024
Other Liabilities	817	913	878	855	855	855	855	855	855	855	855	855	855
Total Liabilities	19,382	19,996	20,423	20,148	20,091	20,058	20,134	20,101	20,095	20,133	20,081	20,146	20,227
Equity													
Paid In Capital	0	0	0	169	169	169	169	169	169	169	169	169	169
Retained Earnings	31,226	30,172	29,485	30,134	30,001	30,017	29,948	29,854	29,811	29,892	30,002	30,019	30,085
Accumulated Other	195	69	160	344	344	344	344	344	344	344	344	344	344
Total Stockholders Equity	31,421	30,241	29,645	30,647	30,514	30,530	30,461	30,367	30,324	30,405	30,515	30,532	30,598
Noncontrolling Interests	(7)	(8)	(8)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)
Total Liabilities & Equity	50,796	50,229	50,060	50,786	50,596	50,579	50,586	50,459	50,410	50,529	50,588	50,669	50,816
Ratios													
Book Value Per Share	\$19.97	\$19.93	\$19.78	\$20.62	\$20.53	\$20.54	\$20.49	\$20.43	\$20.40	\$20.45	\$20.53	\$20.54	\$20.58
TBV/share	\$16.49	\$16.20	\$16.01	\$16.82	\$16.73	\$16.74	\$16.69	\$16.63	\$16.60	\$16.65	\$16.73	\$16.74	\$16.78
Cash & Short Term Invst / Share	\$11.01	\$10.90	\$10.95	\$11.51	\$11.31	\$11.66	\$11.69	\$11.74	\$11.69	\$11.83	\$12.03	\$12.15	\$12.19
Net Cash Per Share	\$4.04	\$3.68	\$2.98	\$3.59	\$3.39	\$3.74	\$3.77	\$3.82	\$3.76	\$3.91	\$4.11	\$4.23	\$4.27
Current Ratio	3.6	3.1	2.9	3.1	3.1	3.1	3.1	3.1	3.1	3.2	3.2	3.2	3.2
Quick Ratio	1.6	1.3	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.3
Days Payable	55	52	66	60	58	55	60	60	59	57	59	59	59
Days Receivable	33	21	29	29	31	26	27	28	30	28	28	28	29
DSO	32	21	28	29	31	26	27	28	29	27	27	28	28
Days Inventory	63	47	65	51	56	51	57	54	55	53	55	54	55
Inventory Turns	6	8	6	7	6	7	6	7	7	7	7	7	7
Debt/Capital	34.9%	36.2%	40.3%	38.4%	38.6%	38.6%	38.7%	38.8%	38.8%	38.7%	38.6%	38.6%	38.5%
EBIT ROA (Annualized)	3.3%	3.5%	3.9%	3.9%	3.9%	4.2%	4.0%	3.9%	4.0%	4.3%	4.4%	4.2%	4.3%

Source: Company Reports, Mizuho Securities Estimates

Exhibit 6: QCOM FCF

All Figures in \$M	FY 2015	1Q16 Dec	2Q16 Mar	3Q16 Jun	4Q16E Sep	FY 2016E	1Q17E Dec	2Q17E Mar	3Q17E Jun	4Q17E Sep	FY 2017E	1Q18E Dec	2Q18E Mar	3Q18E Jun	4Q18E Sep	FY 2018E
Cash Flow Summary																
Free Cash Flow																
Cash Flow from Operatoins	5506.0	2739.0	737.0	1840.0	1625.5	6941.5	2426.1	1943.2	1979.4	1815.3	8163.9	2143.3	2211.5	2103.8	1978.4	8436.9
CapEx	-994.0	-128.0	-125.0	-136.0	-250.0	-639.0	-220.0	-220.0	-220.0	-220.0	-880.0	-240.0	-240.0	-240.0	-240.0	-960.0
Free Cash Flow	4512.0	2611.0	612.0	1704.0	1375.5	6302.5	2206.1	1723.2	1759.4	1595.3	7283.9	1903.3	1971.5	1863.8	1738.4	7476.9
FCF Per Share	2.77	1.72	0.41	1.15	0.93	4.20	1.48	1.16	1.18	1.07	4.90	1.28	1.33	1.25	1.17	5.03

Source: Company Reports, Mizuho Securities Estimates

Exhibit 7: NXPI Income Statement

NXPI (In \$M), Except per-share data	2015A	1Q:16A	2Q:16A	3Q:16A	4Q:16E	2016E	1Q:17E	2Q:17E	3Q:17E	4Q:17E	2017E	1Q:18E	2Q:18E	3Q:18E	4Q:18E	2018E
FY Ends Dec		Mar	Jun	Sep	Dec		Mar	Jun	Sep	Dec		Mar	Jun	Sep	Dec	
10/27/2016																
Total Revenues	6,101.0	2,224.0	2,365.0	2,469.0	2,440.0	9,498.0	2,426.6	2,198.7	2,280.3	2,295.4	9,201.0	2,264.1	2,342.2	2,427.7	2,359.5	9,393.4
Total Cost of Goods Sold [GAAP]	3,314.0	1,627.0	1,266.0	1,285.0	1,222.5	5,400.5	1,224.7	1,058.1	1,089.0	1,094.2	4,466.0	1,080.8	1,107.0	1,136.3	1,094.5	4,418.6
Total Cost of Goods Sold	3,102.0	1,112.0	1,182.0	1,222.0	1,202.5	4,718.5	1,204.7	1,038.1	1,069.0	1,074.2	4,386.0	1,060.8	1,087.0	1,116.3	1,074.5	4,338.6
Total Gross Profit [GAAP]	2,787.0	597.0	1,099.0	1,184.0	1,217.5	4,097.5	1,201.9	1,140.6	1,191.3	1,201.2	4,735.0	1,183.2	1,235.2	1,291.4	1,264.9	4,974.8
Total Gross Profit	2,999.0	1,112.0	1,183.0	1,247.0	1,237.5	4,779.5	1,221.9	1,160.6	1,211.3	1,221.2	4,815.0	1,203.2	1,255.2	1,311.4	1,284.9	5,054.8
R&D	755.0	360.0	355.0	350.0	351.4	1,416.4	315.5	281.4	275.9	277.7	1,150.6	276.2	276.4	276.8	271.3	1,100.7
Selling	281.0	117.0	111.0	104.0	98.0	430.0	118.9	109.9	109.5	107.9	446.2	104.1	107.7	106.8	108.5	427.2
G&A	284.0	116.0	111.0	103.0	98.1	428.1	101.9	109.9	109.5	107.9	429.2	101.9	100.7	99.5	99.1	401.2
Restructuring and other	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PPA, other GAAP charges	695.0	473.0	558.0	453.0	445.8	1,929.8	446.6	384.8	396.3	398.2	1,625.9	393.3	402.9	413.8	398.3	1,608.3
GAAP Operating Expenses	2,035.0	1,066.0	1,135.0	1,010.0	993.2	4,204.2	982.9	886.1	891.1	891.7	3,651.8	875.5	887.8	896.9	877.3	3,537.5
Non GAAP Operating Expenses	1,320.0	593.0	577.0	557.0	547.4	2,274.4	536.3	501.3	494.8	493.5	2,025.9	482.2	484.8	483.1	479.0	1,929.2
Other income (expense) [GAAP]	1,263.0	-2.0	10.0	0.0	0.0	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income (expense)	6.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Income [GAAP]	2,015.0	-471.0	-26.0	174.0	224.3	-98.7	219.1	254.5	300.2	309.5	1,083.2	307.7	347.4	394.5	387.6	1,437.3
Operating Income	1,685.0	519.0	606.0	691.0	690.0	2,506.0	685.7	659.3	716.5	727.7	2,789.1	721.0	770.4	828.3	806.0	3,125.6
Financial Income (expense) [GAAP]	-529.0	-116.0	-126.0	-115.0	-30.0	-387.0	-32.0	-31.0	-30.0	-30.0	-123.0	-32.0	-31.0	-30.0	-30.0	-123.0
Interest & Other, net	-172.0	-93.0	-88.0	-87.0	-86.0	-354.0	-61.0	-59.0	-57.0	-55.0	-232.0	-54.0	-53.0	-52.0	-51.0	-210.0
Pretax Income EBT [GAAP]	1,486.0	-587.0	-152.0	59.0	194.3	-485.7	187.1	223.5	270.2	279.5	960.2	275.7	316.4	364.5	357.6	1,314.3
Pretax Income EBT	1,513.0	426.0	518.0	604.0	604.0	2,152.0	624.7	600.3	659.5	672.7	2,557.1	667.0	717.4	776.3	755.0	2,915.6
Taxes [GAAP]	-104.0	-199.0	-152.0	-44.0	21.0	-374.0	16.9	16.2	17.8	20.2	71.1	46.7	50.2	54.3	52.8	204.1
Taxes	40.0	14.0	18.0	19.0	21.0	72.0	16.9	16.2	17.8	20.2	71.1	46.7	50.2	54.3	52.8	204.1
Results relating to equity-accounted investees	9.0	1.0	1.0	5.0	0.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income (loss) from continuing operations [GAAP]	1,599.0	-387.0	1.0	108.0	173.2	-104.8	170.2	207.3	252.4	259.3	889.1	229.0	266.2	310.2	304.8	1,110.2
Income (loss) from discontinued operations, net of tax	0.0	0.0	0.0	0.0	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]	1,599.0	-387.0	1.0	108.0	173.2	-104.8	170.2	207.3	252.4	259.3	889.1	229.0	266.2	310.2	304.8	1,110.2
Net gains (loss) attributable to non-controlling interests	-73.0	-11.0	-14.0	-17.0	-18.0	-60.0	-18.0	-18.0	-18.0	-18.0	-72.0	-18.0	-18.0	-18.0	-18.0	-72.0
Net Income [GAAP]	1,526.0	-398.0	-13.0	91.0	155.2	-164.8	152.2	189.3	234.4	241.3	817.1	211.0	248.2	292.2	286.8	1,038.2
Pro Forma Net Income	1,400.0	401.0	486.0	568.0	565.0	2,020.0	589.8	566.1	623.7	634.5	2,414.1	602.3	649.2	704.0	684.1	2,639.6
Pro Forma EPS	\$5.59	\$1.14	\$1.39	\$1.61	\$1.60	\$5.75	\$1.67	\$1.61	\$1.77	\$1.80	\$6.85	\$1.71	\$1.84	\$2.00	\$1.94	\$7.49
Street EPS Consensus	\$5.60	\$1.14	\$1.39	\$1.76	\$1.62	\$5.76	\$1.63	\$1.83	\$2.02	\$2.04	\$7.46	\$1.85	\$2.00	\$2.17	\$2.08	\$8.32
Mizuho Securities Difference	-0.2%	0.2%	0.1%	-8.5%	-1.2%	-0.2%	2.9%	-12.3%	-12.3%	-11.9%	-8.1%	-7.5%	-8.1%	-7.8%	-6.7%	-10.0%
Fully Diluted Shares [GAAP]	247.8	341.8	341.3	344.4	344.4	343.0	344.4	344.4	344.4	344.4	344.4	344.4	344.4	344.4	344.4	344.4
Fully Diluted Shares	250.4	351.0	349.4	352.4	352.4	351.3	352.4	352.4	352.4	352.4	352.4	352.4	352.4	352.4	352.4	352.4
Margin Analysis																
Gross Margin	49.2%	50.0%	50.0%	50.5%	50.7%	50.3%	50.4%	52.8%	53.1%	53.2%	52.3%	53.1%	53.6%	54.0%	54.5%	53.8%
R&D	12.4%	16.2%	15.0%	14.2%	14.4%	14.9%	13.0%	12.8%	12.1%	12.1%	12.5%	12.2%	11.8%	11.4%	11.5%	11.7%
Selling	4.6%	5.3%	4.7%	4.2%	4.0%	4.5%	4.9%	5.0%	4.8%	4.7%	4.8%	4.6%	4.6%	4.4%	4.6%	4.5%
G&A	4.7%	5.2%	4.7%	4.2%	4.0%	4.5%	4.2%	5.0%	4.8%	4.7%	4.7%	4.5%	4.3%	4.1%	4.2%	4.3%
Operating Margin	27.6%	23.3%	25.6%	28.0%	28.3%	26.4%	28.3%	30.0%	31.4%	31.7%	30.3%	31.8%	32.9%	34.1%	34.2%	33.3%
EBT Margin	24.8%	19.2%	21.9%	24.5%	24.8%	22.7%	25.7%	27.3%	28.9%	29.3%	27.8%	29.5%	30.6%	32.0%	32.0%	31.0%
Net Margin	22.9%	18.0%	20.5%	23.0%	23.2%	21.3%	24.3%	25.7%	27.3%	27.6%	26.2%	26.6%	27.7%	29.0%	29.0%	28.1%
GAAP Tax Rate	NM	33.9%	100.0%	NM	10.8%	77.0%	9.0%	7.3%	6.6%	7.2%	7.4%	16.9%	15.9%	14.9%	14.8%	15.5%
Effective Tax Rate		3.3%	3.5%	3.1%	3.5%	3.3%	2.7%	2.7%	2.7%	3.0%	2.8%	7.0%	7.0%	7.0%	7.0%	7.0%
Q/Q Change																
Revenues		38.5%	6.3%	4.4%	-1.2%		-0.5%	-9.4%	3.7%	0.7%		-1.4%	3.4%	3.7%	-2.8%	
COGS		39.0%	6.3%	3.4%	-1.6%		0.2%	-13.8%	3.0%	0.5%		-1.2%	2.5%	2.7%	-3.7%	
R&D		64.4%	-1.4%	-1.4%	0.4%		-10.2%	-10.8%	-2.0%	0.7%		-0.5%	0.1%	0.1%	-2.0%	
SG&A		50.6%	-4.3%	-7.2%	-4.8%		3.9%	7.9%	-0.4%	-1.4%		-5.6%	-1.1%	-1.2%	-0.4%	
Operating Income		19.9%	16.8%	14.0%	-0.1%		-0.6%	-3.8%	8.7%	1.6%		-0.9%	6.8%	7.5%	-2.7%	
Pre-Tax Income		13.0%	21.6%	16.6%	0.0%		3.4%	-3.9%	9.9%	2.0%		-0.8%	7.6%	8.2%	-2.8%	
Net Income		17.6%	21.2%	16.9%	-0.5%		4.4%	-4.0%	10.2%	1.7%		-5.1%	7.8%	8.4%	-2.8%	
Non GAAP Operating Expenses		58.6%	-2.7%	-3.5%	-1.7%		-2.0%	-6.5%	-1.3%	-0.3%		-2.3%	0.5%	-0.4%	-0.9%	
Share Count		78.25	-1.67	3.00	0.00		0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	

Source: Company Reports, Mizuho Securities Estimates

Exhibit 8: NXPI Balance Sheet

All Figures in \$M	4Q15	1Q16	2Q16	3Q16	4Q16E	1Q17E	2Q17E	3Q17E	4Q17E	1Q18E	2Q18E	3Q18E	4Q18E
Balance Sheet	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Cash & cash equivalents	1,614.0	1,488.0	1,335.0	1,569.0	2,000.5	2,473.6	3,157.2	3,638.8	3,834.8	4,296.1	4,908.2	5,500.8	6,007.1
Accounts receivable	1,047.0	1,054.0	1,085.0	1,157.0	1,171.3	1,110.2	948.8	980.5	1,121.9	1,084.7	1,064.0	1,083.0	1,112.8
Other receivables	83.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets held for sale	15.0	8.0	1,101.0	1,092.0	1,092.0	1,092.0	1,092.0	1,092.0	1,092.0	1,092.0	1,092.0	1,092.0	1,092.0
Current assets of 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
Inventories	1,879.0	1,452.0	1,167.0	1,141.0	1,396.1	1,386.6	1,072.8	1,044.9	1,394.9	1,323.4	1,172.1	1,108.4	1,221.7
Other current assets	174.0	243.0	251.0	244.0	244.0	244.0	244.0	244.0	244.0	244.0	244.0	244.0	244.0
Investments in equity-accounted investees	0.0	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 non-current financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current assets of 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
PP&E	2,922.0	2,848.0	2,403.0	2,366.0	1,944.0	1,524.3	1,144.1	749.7	352.7	(38.8)	(443.9)	(863.7)	(1,271.8)
Goodwill	9,228.0	9,239.0	8,873.0	8,910.0	8,910.0	8,910.0	8,910.0	8,910.0	8,910.0	8,910.0	8,910.0	8,910.0	8,910.0
Intangibles	8,790.0	8,446.0	7,847.0	7,656.0	7,665.0	7,674.0	7,683.0	7,692.0	7,701.0	7,710.0	7,719.0	7,728.0	7,737.0
Other non-current assets	602.0	595.0	519.0	657.0	657.0	657.0	657.0	657.0	657.0	657.0	657.0	657.0	657.0
Total Assets	26,354.0	25,373.0	24,581.0	24,792.0	25,079.9	25,071.7	24,908.9	25,009.0	25,308.4	25,278.5	25,322.5	25,459.5	25,709.9
Accounts payable	1,014.0	948.0	873.0	889.0	1,155.6	1,129.3	911.2	910.9	1,103.0	996.0	925.8	904.7	1,002.3
Liabilities held for sale	0.0	0.0	155.0	182.0	182.0	182.0	182.0	182.0	182.0	182.0	182.0	182.0	182.0
Current liabilities of 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
Accrued liabilities	781.0	821.0	749.0	712.0	712.0	712.0	712.0	712.0	712.0	712.0	712.0	712.0	712.0
Short-term provisions	0.0	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 current liabilities	197.0	193.0	193.0	159.0	159.0	159.0	159.0	159.0	159.0	159.0	159.0	159.0	159.0
Short-term debt	556.0	736.0	622.0	621.0	619.0	617.0	615.0	613.0	611.0	609.0	607.0	605.0	603.0
Long-term debt	8,656.0	8,270.0	8,272.0	8,761.0	8,611.0	8,461.0	8,311.0	8,161.0	8,011.0	7,861.0	7,711.0	7,561.0	7,411.0
Long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities 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
Other non-current liabilities	3,347.0	2,914.0	2,648.0	2,714.0	2,714.0	2,714.0	2,714.0	2,714.0	2,714.0	2,714.0	2,714.0	2,714.0	2,714.0
Total Liabilities	14,551.0	13,882.0	13,512.0	14,038.0	14,152.6	13,974.3	13,604.2	13,451.9	13,492.0	13,233.0	13,010.8	12,837.7	12,783.3
Non-controlling interest	288.0	299.0	188.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0
Shareholders' Equity	11,515.0	11,192.0	10,881.0	10,550.0	10,723.2	10,893.4	11,100.7	11,353.1	11,612.4	11,841.4	12,107.7	12,417.8	12,722.6
Total Liabilities + Shareholders' Equity	26,354.0	25,373.0	24,581.0	24,792.0	25,079.9	25,071.7	24,908.9	25,009.0	25,308.4	25,278.5	25,322.5	25,459.5	25,709.9
Balance check													
Ratios													
Book Value Per Share	42.21	31.88	31.15	29.94	30.43	30.92	31.50	32.22	32.96	33.61	34.36	35.24	36.11
Cash Per Share	5.92	4.24	3.82	4.45	5.68	7.02	8.96	10.33	10.88	12.19	13.93	15.61	17.05
Net Debt	7,598.00	7,518.00	7,559.00	7,813.00	7,229.50	6,604.40	5,768.78	5,135.19	4,787.20	4,173.87	3,409.76	2,665.16	2,006.86
Net Debt Per Share	27.85	21.42	21.64	22.17	20.52	18.74	16.37	14.57	13.59	11.85	9.68	7.56	5.70
Current Ratio	2.4	2.2	2.5	2.7	2.7	2.9	3.3	3.6	3.6	3.9	4.3	4.6	4.7
Quick Ratio	1.5	1.4	1.9	2.1	2.0	2.3	2.8	3.0	2.9	3.3	3.7	4.0	4.1
ROE	3.0%	3.6%	4.5%	5.4%	5.3%	5.4%	5.1%	5.5%	5.5%	5.1%	5.4%	5.7%	5.4%
ROA	1.3%	1.6%	2.0%	2.3%	2.3%	2.4%	2.3%	2.5%	2.5%	2.4%	2.6%	2.8%	2.7%
Return on Sales	21.2%	18.0%	20.5%	23.0%	23.2%	24.3%	25.7%	27.3%	27.6%	26.6%	27.7%	29.0%	29.0%
DSO	50	44	41	41	43	41	39	39	44	43	41	40	42
Inventory Q/Q	150.2%	-22.7%	-19.6%	-2.2%	-22.4%	-0.7%	-22.6%	-2.6%	33.5%	-5.1%	-11.4%	-5.4%	10.2%
Inventory Days	171	80	83	80	103	102	91	86	115	110	95	88	100
Inventory Turns	2	3	4	4	3	3	4	4	3	3	4	4	4
A/P Days Outstanding	114	77	66	65	86	84	79	77	92	85	77	73	84

Source: Company Reports, Mizuho Securities Estimates

Exhibit 9: NXPI FCF

All figures in \$M	FY	1Q16	2Q16	3Q16	4Q16E	FY	1Q17E	2Q17E	3Q17E	4Q17E	FY	1Q18E	2Q18E	3Q18E	4Q18E	FY
Cash Flow Summary	2015	Mar	Jun	Sep	Dec	2016E	Mar	Jun	Sep	Dec	2017E	Mar	Jun	Sep	Dec	2018E
Cash Flow from Operations	1,330.0	414.0	434.0	718.0	690.3	2,256.3	731.4	932.8	734.0	449.0	2,847.2	713.1	867.0	850.9	761.9	3,193.0
Capex	(341.0)	(88.0)	(71.0)	(99.0)	(97.8)	(355.8)	(97.3)	(88.2)	(91.4)	(92.0)	(368.9)	(90.8)	(93.9)	(97.3)	(94.6)	(376.7)
FCFF	989.0	326.0	363.0	619.0	592.5	1,900.5	634.1	844.6	642.6	357.0	2,478.3	622.3	773.1	753.6	667.3	2,816.3
FCF Per Share	\$4.0	\$0.9	\$1.0	\$1.8	\$1.7	\$5.4	\$1.8	\$2.4	\$1.8	\$1.0	\$7.0	\$1.8	\$2.2	\$2.1	\$1.9	\$8.0

Source: Company Reports, Mizuho Securities Estimates

Glossary

~ - approximately	eMCP - embedded multi-chip module using DRAM and NAND	IoT - internet of things	nm - nanometer	RSP - Renesas Semiconductor products/Drivers
1H/2H - first half/second half	EMV - Europay, MasterCard and Visa, a payment consortium	IP - intellectual property	NOL - Net Operating Losses	RSU - Restricted Stock Units
2G/3G/4G - 2nd generation, third generation, 4th generation wireless	EOY - end of year	ISM - Institute for Supply Management	NOR - a type of non-volatile storage memory	SAS - serial attached SCSI (small computer system interface)
3G/4G - Third generation / Fourth generation	EPS - earnings per share	ITU - International Telecommunication Union	NPV - net present value	SAW - surface acoustic wave filters
4G-LTE - Fourth generation, long term evolution	ET - envelope tracking	JPY - Japanese yen	NVMe - Non-volatile Memory Express	SDH - Synchronous Digital Hierarchy, mostly in Europe
ADAS - Automotive driver assist systems	ETD - Emerging Technologies Division	JV - joint venture	NYSE - New York Stock Exchange	SG&A - Sales, General and Administrative
APU - accelerated processing unit	EU - European Union	K - Thousand	ODM - original design manufacturer	SLAC - subscriber line audio-processing circuit
ARM - a family of instruction set architectures used for processors for computers, servers, etc.	EV - enterprise value	Kbps/Mbps - Kilobit per second/Megabit per second bandwidth	OEM - original equipment manufacturer	SLIC - subscriber line interface circuit
ASIC - application specific integrated circuits	EvDO - Evolution Data Only	KGD - Known Good Die	OFN - optical finger navigation	SMIC - Semiconductor Manufacturing International Corporation
ASP - average selling price	EVP - Executive Vice President	Kwpm - thousand wafer per month capacity	OLT - Optical Line Termination or Terminal	SoC - system on chip
ATM - Asynchronous Transfer mode	F - Fiscal	LIBOR - London Interbank Offered Rate	OM - operating margin	SONET - Synchronous Optical Network, used in North America
B - Billion	FASB - Financial Accounting Standards Board	LQ - last quarter	ONU - Optical Network Unit	SOX - Philadelphia semiconductor index
BAW - bulk acoustic wave filters	FBAR - film bulk acoustic resonator, a type of filter	LSD - low single digits	Opex - operating expenses	SRAM - static random access memory
BiDi - Bi Directional	FBAR/BAW - Film Bulk acoustic resonator/Bulk acoustic wave Filters	LT - long term	P/B - price to book value ratio	SSD - solid state drive
BOM - bill of materials	FCF - free cash flow	LTE - long term evolution, a 4th generation wireless protocol	P/E - price to earnings	TAM - total available market
bps - basis points	FDD LTE - Frequency Division Duplex Long Term Evolution	LY - last year	P/S - price to sales	TD - time division
CA - carrier aggregation	FP - finger print	m - Meters	PA - power amplifier	TDDI - touch display driver integration
CAGR - compound annual growth rate	FPGA - field programmable gate arrays	M - Million	PAD - power amplifier duplexer, essentially 2 filters and a Power amplifier	TDD-LTE - Time Division Duplex Long Term Evolution
CAPEX - capital expenditures	FT - force touch	M&A - mergers and acquisitions	PC - personal computer	TD-SCDMA - Time Division Synchronous
CDMA - code division multiple access	FTC - Federal Trade Commission	MB - megabyte	PCIe - Peripheral Component Interconnect Express	TLC - triple level cell
CEO/CFO - Chief Executive/Chief Financial	FY - fiscal/full year	Mbps - megabit per second	PMI - Purchasing Managers' Index	Tx/Rx - Transmit / Receive
CES - consumer electronics show	GAAP - generally accepted accounting principles	MCU - micro controller unit	PMIC - Power Management Integrated Circuit	USB - universal serial bus
CF - cash flow	Gb/GB - gigabytes/Gigabit	MHz - megahertz	PoE - Power over Ethernet	wpm - wafer per month
CFIUS - Committee on Foreign Investment in the United States	Gb/s - Gigabit per second	MIIT - China Ministry of Industry and Information Technology	PSD - Programmable systems division	x86 - Intel based processor architecture
COO - Chief Operation Officer	GF - Global Foundries	MIMO - multiple in, multiple out	PSoC - programmable system on a chip	XMC - Wuhan Xin Xin Semiconductor Manufacturing Corporation
CSP - chip scale packaging	GHz - gigahertz	MLC - multi level cell	PT - price target	y/y - year over year
CY - calendar year	GM - gross margin	MoE - merger of equals	Q - quarter	YE - year end
D/E - debt to equity	GPU - graphics processing unit	MOFCOM - Ministry of Commerce People's Republic of China	q/q - quarter over quarter	YTD - year to date
DCF - discounted cash flow	GSM - Global System for Mobile Communication	MSD - mid single digits	QCT - Qualcomm chip technologies	
DoD - Department of Defense	HDD - hard disk drive	MSM - multi station modems, QCOM's QCT chips	QTL - Qualcomm technology licensing	
DRAM - dynamic random access memory	HSA - heterogeneous system architecture combining x86 and ARM	NAND - "not and," a type of memory	R&D - research and development	
DT - desktop	HSD - high single digits	NB - notebook	Rev - revenues	
eMMC - Embedded managed NAND solution	I/O - input output operations	NDRC - National Development and Reform Commission in China	RF - radio frequency	
EBITDA - earnings before interest, taxes, depreciation and amortization	IC - integrated circuits	NFC - near field communications	ROI - return on investment	

Price Target Calculation and Key Risks

NXP Semiconductors NV

Price Target: We have NXPI at a Buy rating and a \$110PT. Our PT is the QCOM acquisition price and represents a P/E multiple of approximately 16.1x our post-FSL merger EPS of \$6.85 for F17E and takes into consideration our expectations for approximately \$2.5B of FCF. We believe that multiple product cycles with EMV, NFC, Automotive, synergies, execution and a focus on cash flow position NXPI well into 2016-17E.

Risks: Among the risks to our recommendation and price target are the following factors:

- 1) NXPI has high debt relative to peers;
- 2) NXPI has a big automotive exposure and any slowdown there could impact outlook;
- 3) NXPI has exposure in key cyclical NFC markets;
- 4) Other risks include competition, new technologies, IP, and licensing;
- 5) NXPI also has a significant exposure ~40%+ of revenues from China;
- 6) NXPI is also exposed to key smartphone cycles including Apple; and
- 7) NXPI competes in cyclical markets and is as such exposed to macro-economic, technology, competitive and litigation risks and also pending regulatory approvals on key mergers.

QUALCOMM Incorporated

We have QCOM with a Buy rating and a \$75 PT, based on ~16.0x our F17E EPS of \$4.70.

Risks: QCOM competes in a technologically intensive and cyclical industry and we believe the risks to QCOM continue to be a slowdown in the handset market, lower royalties, competition from China handset suppliers. Also increasing handset market share between Apple and Samsung has implied less merchant processor opportunity for QCOM.

Companies Mentioned (prices as of 10/26)

Cypress Semiconductor Corporation (CY- Buy \$10.33)
 ON Semiconductor Corporation (ON- Buy \$11.71)
 Synaptics Inc. (SYNA- Buy \$67.10)

NXP Semiconductors NV (NXPI- Buy \$98.66)
 QUALCOMM Incorporated (QCOM- Buy \$68.20)

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- Neutral:** Stocks for which the anticipated share price appreciation is within 10% of the share price.
- Underperform:** Stocks for which the anticipated share price falls by 10% or more.
- RS:** Rating Suspended - rating and price objective temporarily suspended.
- NR:** No Rating - not covered, and therefore not assigned a rating.

Rating Distribution

(As of 10/26)	% of coverage	IB service past 12 mo
Buy (Buy)	43.02%	46.49%
Hold (Neutral)	54.34%	29.17%
Sell (Underperform)	2.64%	28.57%

For disclosure purposes only (NYSE and FINRA ratings distribution requirements), our Buy, Neutral and Underperform ratings are displayed as Buy, Hold and Sell, respectively.

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