



# Skyworks Solutions Inc (SWKS)

Updated May 10<sup>th</sup>, 2022 by Felix Martinez

## Key Metrics

<b>Current Price:</b>	\$103	<b>5 Year CAGR Estimate:</b>	20.5%	<b>Market Cap:</b>	\$17.0 B
<b>Fair Value Price:</b>	\$167	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	05/24/22
<b>% Fair Value:</b>	61%	<b>5 Year Valuation Multiple Estimate:</b>	10.3%	<b>Dividend Payment Date:</b>	06/14/22
<b>Dividend Yield:</b>	2.2%	<b>5 Year Price Target</b>	\$246	<b>Years of Dividend Growth:</b>	8
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Buy

## Overview & Current Events

Skyworks Solutions is a semiconductor company that designs, develops, and markets proprietary semiconductor products worldwide. Its products include antenna tuners, amplifiers, converters, modulators, receivers, and switches. Skyworks' products are used in diverse industries, including automotive, connected home, industrial, medical, smartphones, and defense. The company traces its roots back to a merger in 2002, is headquartered in Woburn, Massachusetts, employs over 8,400 people, and has a market capitalization of \$17.0 billion.

On May 3<sup>rd</sup>, 2022, Skyworks reported second-quarter results for Fiscal Year (FY)2022. The company fiscal year ends at the end of September. Revenue grew 14% for the second quarter to \$1.336 billion compared to 2Q21, which exceeded consensus estimates. On a GAAP basis, operating income for the second quarter was \$367.3 million with diluted earnings per share of \$1.86, which is lower than the \$1.95 per share in the company's diluted earnings in 2Q2021. For the first six months of the fiscal year, total revenue is up 6.1% compared to the first six months of FY2021. On a non-GAAP basis, operating income was \$432.3 million, with non-GAAP diluted earnings per share of \$2.63 compared to \$2.37 per share in the same quarter last year. For the six months, non-GAAP per share was \$5.77 compared to \$5.73 in the first six months of FY2021. This is a slight increase of 0.7%.

Overall, Skyworks delivered second-quarter solid results, with double-digit sequential growth in revenue and earnings per share. Management expects that demand for connectivity to start rapidly expanding across multiple essential wireless protocols, including 5G, advanced Wi-Fi, and precision GPS. Key business highlights for the quarter were a partnership with T-Mobile for its integrated 5G home routers, Debuted the industry's first Wi-Fi 6E gaming router featuring ultra-fast quad-band performance, and Shipped Sky5 platforms across the leading 5G smartphone OEMs, including flagship launches at Google and Samsung, among others.

Skyworks management team provided an outlook for the third quarter of the Fiscal Year 2022. They anticipate revenue between \$1.200 billion and \$1.260 billion, with non-GAAP diluted earnings per share of \$2.36 at the midpoint. We estimate EPS for FY2022 to come in at \$11.16, increasing 6.3% from FY2021 earnings.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS</b>	\$1.90	\$2.20	\$3.24	\$5.27	\$5.57	\$6.45	\$7.22	\$6.17	\$6.13	\$10.50	<b>\$11.16</b>	<b>\$16.40</b>
<b>DPS</b>	\$0.00	\$0.00	\$0.22	\$0.65	\$1.06	\$1.16	\$1.34	\$1.58	\$1.88	\$2.24	<b>\$2.24</b>	<b>\$3.45</b>
<b>Shares<sup>1</sup></b>	192.0	192.0	192.0	195.0	192.0	186.0	183.0	175.0	169.0	167.0	<b>167.0</b>	<b>167.0</b>

Skyworks has enjoyed tremendous growth over the past decade thanks to smartphones' proliferation that use its chips. The company increased its EPS by 20.9% per year over the past nine years and 11.6% over the past five years. These past two years of 2020 and 2021 saw a significant upturn for many semiconductor companies, including Skyworks, but analysts, on average, expect 15% earnings growth over the next three years. However, our base case is for ~8% growth over the next five years. The company has been increasing its dividend since 2014, where the three-year average

<sup>1</sup> Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Skyworks Solutions Inc (SWKS)

Updated May 10<sup>th</sup>, 2022 by Felix Martinez

dividend growth rate is 16.1%, and it has a low payout ratio of 20% based on this year's expected earnings of \$11.16 a share.

## Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	10.3	11.6	19.4	14.4	12.9	14.3	9.6	19.6	23.5	15.7	9.2	15.0
Avg. Yld.	---	---	0.4%	0.8%	1.4%	1.1%	1.5%	2.0%	1.3%	1.3%	2.2%	1.4%

Skyworks has averaged a 15.1 P/E ratio over the past nine years. We consider a P/E ratio of approximately 15 to be fair. At least until the company can demonstrate a broader customer base and diversify away from its smartphone focus. However, the stock is undervalued to our fair price. The current dividend yield is higher than its five-year average.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

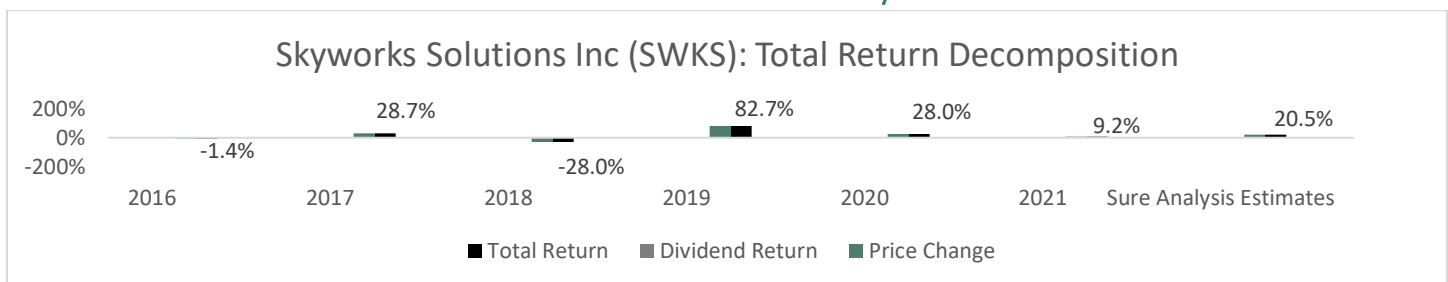
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	6.8%	12.3%	19.0%	18.0%	18.6%	25.6%	30.7%	21.3%	20%	21%

Skyworks's advanced products give it a small economic moat in the niche of wireless technology, but the company is heavily reliant on the smartphone market, particularly on Apple. Over the past three years, Skyworks has generated 39%-51% of its annual revenue from Apple. This has been a tremendously profitable Skyworks relationship during the proliferation of iPhones and other smartphones over the past decade. Still, as iPhones and other smartphones become saturated in the marketplace, Skyworks is increasingly looking to diversify into other markets. The company is expected to benefit from the 5G cellphone technology shift with more revenue earned per phone. Still, it seeks to strengthen its foothold in automobile connectivity, smart homes, and other Internet of Things end markets to diversify its customer base outside of the phone market. Thus far, the company has generated very high returns on invested capital, often over 20% per year. Skyworks has over \$778.2 million in cash and cash equivalents and zero debt. This gives the company tremendous flexibility and resiliency to offset some of its concentrated customer base risks and move forward with its growth plans. The dividend is new but very well covered by earnings, and we consider it very safe. The company remained profitable during the previous recession.

## Final Thoughts & Recommendation

Skyworks is a specialized semiconductor company that has generated desirable growth rates and capital returns during the past decade. The company's earnings growth will likely be less stellar in the future because its crucial growth driver in recent years, the smartphone market, has matured. Skyworks' key opportunity and challenge will be diversifying into other industries and broadening its customer base while maintaining a solid presence in the phone market. However, we expect 20.5% forward returns for the next five years. We give SWKS a buy recommendation as the price has gone lower from our last report.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Skyworks Solutions Inc (SWKS)

Updated May 10<sup>th</sup>, 2022 by Felix Martinez

## Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenue</b>	1569	1792	2292	3258	3289	3651	3868	3377	3356	5109
<b>Gross Profit</b>	667	767	1023	1555	1665	1842	1951	1604	1613	2512
<b>Gross Margin</b>	42.5%	42.8%	44.6%	47.7%	50.6%	50.4%	50.4%	47.5%	48.1%	49.2%
<b>SG&amp;A Exp.</b>	158	160	179	191	196	205	208	198	231	323
<b>D&amp;A Exp.</b>	103	103	123	196	248	255	299	372	364	437
<b>Operating Profit</b>	263	352	566	1027	1124	1254	1320	959	906	1622
<b>Operating Margin</b>	16.8%	19.6%	24.7%	31.5%	34.2%	34.4%	34.1%	28.4%	27.0%	31.7%
<b>Net Profit</b>	202	278	458	798	995	1010	918	854	815	1498
<b>Net Margin</b>	12.9%	15.5%	20.0%	24.5%	30.3%	27.7%	23.7%	25.3%	24.3%	29.3%
<b>Free Cash Flow</b>	191	376	564	563	882	1141	830	944	806	1120
<b>Income Tax</b>	53	66	108	225	205	247	414	107	77	100

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets</b>	2137	2333	2974	3719	3855	4574	4829	4840	5107	8591
<b>Cash &amp; Equivalents</b>	307	511	806	1044	1084	1617	733	851	567	
<b>Accounts Receivable</b>	298	293	318	538	417	455	656	465	394	756
<b>Inventories</b>	233	230	271	268	424	494	490	610	806	885
<b>Goodwill &amp; Int. Ass.</b>	895	865	926	902	940	951	1334	1298	1243	3875
<b>Total Liabilities</b>	231	232	441	560	314	508	732	717	943	3294
<b>Accounts Payable</b>	141	127	201	291	110	258	230	191	227	236
<b>Shareholder's Equity</b>	1906	2101	2532	3159	3541	4066	4097	4122	4164	5297

## Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Return on Assets</b>	10.0%	12.4%	17.2%	23.9%	26.3%	24.0%	19.5%	17.7%	16.4%	21.9%
<b>Return on Equity</b>	11.5%	13.9%	19.8%	28.1%	29.7%	26.6%	22.5%	20.8%	19.7%	31.7%
<b>ROIC</b>	11.4%	13.9%	19.8%	28.1%	29.7%	26.6%	22.5%	20.8%	19.7%	25.6%
<b>Shares Out.</b>	192.0	192.0	192.0	195.0	192.0	186.0	183.0	175.0	169.0	167.0
<b>Revenue/Share</b>	8.18	9.32	11.90	16.72	17.12	19.56	21.11	19.35	19.75	30.59
<b>FCF/Share</b>	1.00	1.96	2.93	2.89	4.59	6.11	4.53	5.41	4.74	6.71

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.