

Market Extra

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## Apple halo not so bright on one supplier

### TriQuint shares slip as demand for iPhones seen falling

By Benjamin Pimentel, MarketWatch

**SAN FRANCISCO (MarketWatch) — Apple Inc.'s strong results cast a wide halo for its suppliers, whose shares rose after the tech giant's earnings report Tuesday.**

But the Apple (NASDAQ:AAPL) halo wasn't shining too bright for TriQuint Semiconductor (NASDAQ:TQNT) .

Shares of the maker of radio-frequency amplifier chips fell 13% to close at \$4.81 Thursday after the company issued a weak revenue forecast.

Hillsboro, Ore.-based TriQuint blamed the expected shortfall on lower demand from its largest customer, Foxconn, which most analysts agreed actually meant Apple Inc. Foxconn is Apple's manufacturing partner in China.

"They blamed it on Foxconn, which is Apple," Williams Financial analyst Cody Acree said in an interview, and that TriQuint "lives and dies by the swings of Apple." Roughly 40% of its revenues come from Apple, he added.

#### Google to sell a phone ... again

Digits guests talk about Google reviving its strategy of selling phones online, and Sam Schechner joins the program to discuss Barry Diller firing a shot across the bow of the cable industry. (Photo: Getty Images)

Yet for the time being, Apple's much-anticipated launch of a new iPhone is turning out to be bad news for TriQuint. That's because Apple is expected to burn through its inventory of iPhone 4S devices before the launch of what's being called iPhone 5.

"With last year's transition from iPhone 4 to iPhone 4S as a proxy, it appears Apple will avoid stranded inventory by bleeding the current product out of the channel before the new one is launched," Charter Equity analyst Edward Snyder wrote in a note.

TQNT 4.81, -0.71, -12.86%



"Combine this with a steep drop in connectivity sales to Nokia on the Texas Instruments' (NASDAQ:TXN) platform, and lower demand from Apple, and this creates a much larger revenue hole for TriQuint than we anticipated," he said.

TriQuint Chief Executive Ralph Quinsey sounded optimistic about the second half of the year, saying on the call with analysts: "I feel very good about our second-half product road map. We were just in that gap between older product lines and newer product lines."

Asked if he expects TriQuint to maintain share at its "largest customer" over the next two quarters, he responded: "Yes. ... We have every expectation to continue to support all of

our customers in the same fashion.”

But there’s typically some uncertainty among suppliers as Apple gears up for a product launch, according to Snyder at Charter Equity. “There are a lot of factors that go into that decision, and Apple doesn’t tell them until the very end,” he said.

Bottom line for TriQuint, Acree at Williams Financial argued, is that the heavy exposure to Apple can be a problem. TriQuint also supplies other manufacturers, including Nokia Corp. (NYSE:NOK) and Research In Motion Ltd. (NASDAQ:RIMM)

“Investors are looking for TriQuint to able to diversify their customer base,” he said. “Until they can do that, it’ll leave them prone to this volatility, and investors are not pleased with volatility.”

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