Altera Corporation **Ticker: ALTR** **Sector: Technology** **Semiconductors**	**Intrinsic Value: $51.11** **Current Price: $36.70** **Buy: $43.44** **Sell: $58.77**	**TTM P/E: 23.53** **Forward P/E: 20.62** **Beta: 1.36**	**Market Cap: $11.43 Bil** **Dividend Yield: 1.60%**

Industry Trends:

The fundamental outlook for the semiconductors industry for the next 12 months is positive. Revenue is expected to grow 3.7% in 2013 and 3.95 in 2014, up from a decline of about 3% in 2012. Communications and consumer end markets will be the strongest, as carrier comments suggest to us an improved spending outlook, and continued growth in smartphones

Investment Thesis:

Buy recommendation is based on the long-term, secular growth story of programmable logic devices (PLDs) taking share from more expensive application-specific integrated circuits (ASICs) and from downstream applications through integration

Business Summary:

Altera Corp. is a worldwide supplier of programmable logic devices (PLDs), Hard- Copy brand structured application specific integrated circuits (ASICs), pre-defined design building blocks known as intellectual property cores, and associated software for logic development

performance:

Direct Competitor Comparison	ALTR	LSCC	PVT1	XLNX	Industry
Market Cap:	11.43B	522.44M	N/A	12.17B	N/A
Employees:	3,129	739	N/A	3,329	3.00
Qtrly Rev Growth (yoy):	-0.09	0.20	N/A	-0.01	0.00
Revenue (ttm):	1.77B	292.62M	N/A	2.16B	N/A
Gross Margin (ttm):	0.69	0.54	N/A	0.67	0.42
EBITDA (ttm):	588.99M	33.28M	N/A	682.67M	N/A
Operating Margin (ttm):	0.31	0.04	N/A	0.28	0.00
Net Income (ttm):	499.99M	-2.42M	N/A	514.73M	N/A
EPS (ttm):	1.56	-0.02	N/A	1.88	N/A
P/E (ttm):	22.94	N/A	N/A	24.26	N/A
PEG (5 yr expected):	2.16	1.49	N/A	1.87	N/A
P/S (ttm):	6.53	1.79	N/A	5.61	N/A

Competitive Analysis:

Competition is especially high in the "design win" phase, when a customer chooses a vendor's chip for use in its electronic system. Due to the proprietary nature of PLD chips and development investments, the PLD vendor chosen for the product will generally remain the supplier throughout the product's life cycle

Pros:

PLDs taking market share from ASICs

Superior structured ASIC product than it's major competitor

Partnership with Intel

Risk Factors:

Majority of Altera's cash held internationally

Communication end market make up almost half of Altera's revenue

Total Return Estimates:

Key Valuation Assumptions:	
Est. Revenue Growth	12%
WACC	8.43%
Expected Inflation	3%
Terminal Growth Rate	4%
10 yr. Risk Free Rate	2.82%
Equity Risk Premium	5.90%
Tax Rate	20%
Key Financial Data:	
Est. 2013 EPS	$1.72
Est. 2014 EPS	$2.20
3-5 Yr. Est. EPS Growth	21%
PEG (TTM)	1.32
Credit Quality	A
ROE	15.09%
ROA	7.24%
Price /Book	3.34
Price/Cash Flow	19.3
Debt/Equity	0.1
Current Ratio	6.8
Quick Ratio	5.75
CSR Scores vs. Industry Average:	
Human Rights:	0/1
Business Ethics Policy:	1/1
ESG Disclosure:	33.88/31.87
Equal Opportunity:	1/1
Emission Reduction:	1/1
Environmental Disclosure Score:	33.33/26.05

Prepared By:Murali Kuchipudi on Oct 15, 2013