

Date: 3/27/2013

Analyst Name: Braden Parsons

CIF Stock Recommendation Report (Spring 2013)

Company Name and Ticker: **Xilinx (XLNX)**

Section (A) Summary

Recommendation Buy: Yes No		Target Price: \$43.67	Stop-Loss Price: \$32.27
Sector: Technology	Industry: semiconductors	Market Cap (in Billions): \$9.93 billion	# of Shrs. O/S (in Millions): 261.56 million
Current Price: \$37.97	52 WK Hi: \$39.43	52 WK Low: \$30.25	EBO Valuation: \$20.55
Morningstar (MS) Fair Value Est.: \$41.00	MS FV Uncertainty: Average	MS Consider Buying: \$28.70	MS Consider Selling: \$55.35
EPS (TTM): 1.76	EPS (FY1): 1.76	EPS (FY2): 1.98	MS Star Rating: 3 star
Next Fiscal Yr. End "Year": 2013 "Month": March	Last Fiscal Qtr. End: Less Than 8 WK: Y N	If Less Than 8 WK, next Earnings Ann. Date: April 24, 2013	Analyst Consensus Recommendation: outperform
Forward P/E: 19.14	Mean LT Growth: 10.76%	PEG: 1.78	Beta: 1.23
% Inst. Ownership: 74.99%	Inst. Ownership- Net Buy: Y N	Short Interest Ratio: 2.6	Short as % of Float: 3%
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	21.64	28.22	29.39
P/S (TTM)	4.52	1.71	3.12
P/B (MRQ)	3.52	1.64	3.91
P/CF (TTM)	18.13	10.75	15.05
Dividend Yield	2.63	1.82	1.60
Total Debt/Equity (MRQ)	32.63	31.69	11.50
Net Profit Margin (TTM)	21.83	3.31	14.25
ROA (TTM)	10.70	3.11	14.31
ROE (TTM)	17.83	2.74	21.45

Investment Thesis I have chosen a buy recommendation for Xilinx with a target price of \$43.67 and a stop loss price of \$32.27. These are both 15% gains and 15% losses and I believe that we will hit the target before the semester closes. Analysts have been making a great deal of up revisions for the company's earnings and the annual report will be revealed on April 24 so we will see if they were able to surprise the market. The company has strong leverage and competes in a duopoly giving them commanding market share. In the last three months XLXN has been able to outperform Altera its main competition as well as the XLK showing the potential for a profit for the CIF. The company has many new products that have been showing impressive growth taking pressure off of their core products which saw less than stellar sales numbers as a result of a stagnant economy and reduction in communication end market spending. The communication spending is forecasted to be up as well as recent growths in the industrial end market due to increased defense spending are positive signs going forward. Also XLXN has an attractive P/E ratio in respect to its competitors as well as attractive dividend payouts. The recent leveraging of debt for its major stock buyback has positioned them to improve their return they see on equity which will in turn boost their share price in the future. Overall I feel we have timed the market well and we should see solid payoffs from buying in to Xilinx.

Pros

- PDL's are poised to take market share away from ASICs as 4g technology spreads because they are more flexible.
- XLXN has larger R&D budget than its duopoly competitor Altera.
- Issues healthy dividends that have been continuously growing.
- High switching costs for customers.

Cons

- Altera is more efficient in its operations.
- Relies heavily on outsourcing through United Microelectronics.

Company Profile: Xilinx designs, develops, and markets programmable logic platforms. These sophisticated semi-conductors consist of various components including integrated circuits (ICs), software design tools, circuit boards, and reference designs. They focus their business around programmable logic devices (PLDs) which are electronic components used to build reconfigurable digital circuits. Before these devices can be used they must be reconfigured which is where XLXN comes in.

Fundamental Valuation: I chose a 5 year abnormal growth period which yielded an implied price of \$22.55. This is far below their current price so by doing sensitivity analysis I discovered by reducing the discount rate to 5% the stock price reflected significant growth for XLXN.

Relative Valuation: XLXN seems to have very different metrics than its competitors in the semi-conductor industry. To begin they have a market cap that is far greater than all of their competitors with the exception of Altera who competes in a duopoly with XLXN. The implied prices based on Altera's metrics seem to suggest XLXN is undervalued.

Revenue and Earnings Estimates: XLXN has shown the ability to surprise the market in a positive way. Estimates have been trending down for revenues and earnings. But revisions have been trending up especially in terms of earnings potential.

Analyst Recommendations: The analyst opinion of XLXN has remained fairly unchanged over the last three months as the mean rating has only decreased 2.36% from three months ago. The consensus vote is outperform.

Institutional Ownership: The company has 74.99% institutional ownership and has two >5% shareholders. They have had a net sell but have had a positive three month net change.

Short Interest: Based on the short interest statistics I believe that the market sentiment is bullish on XLXN. Their days to cover ratio has decreased close to 50% since the beginning of 2013 while both of their competitors have seen their ratios increase over the past year.

Stock Price Chart: XLXN has seen its price grow over 50% in the last five years, 5% growth over the last year, and has been very strong in the last 6 months with 6% growth. The technical analysis showed XLXN's ability to rebound quickly from death crosses with golden crosses.

Section (B) Company Profile

Company Summary

Xilinx was founded in 1984 in San Jose, California and designs, develops, and markets programmable logic platforms. These sophisticated semi-conductors consist of various components including integrated circuits (ICs), software design tools, circuit boards, and reference designs. They focus their business around programmable logic devices (PLDs) which are electronic components used to build reconfigurable digital circuits. Before these devices can be used they must be reconfigured which is where XLNX comes in. PLDs replaced read only memory (ROM) chips which were used to create combination logic functions between numerous inputs. They are the world's largest supplier of PLDs based on market share and they produce two different types. The first type is called a field programmable gate array (FPGA) which is an integrated circuit designed to be configured by a customer or a designer after manufacturing is complete. The second type is called a complex programmable logic device (CPLD) which is a programmable logic device with complex elements between that of programmable array logic and FPGAs. The core element of a CPLD is its macro-cell, which contains logic implementing expressions and more specialized logic operations.

XLNX divides its revenues into business units by its products end markets. They feel this is the best way to divide its sales in order to track where it is that their products are being demanded. The divisions include communications which accounted for 43% of 2012 total net revenues, industrial 35%, consumer and automotive 15%, and data processing 7%. Its sales from communication were down from the year prior due to lower sales from both wired and wireless communication applications. This was offset by an increase in sales from industrial which was due to increases in purchases from defense, scientific, and medical applications. It saw a decrease in sales from consumer and automotive due to declines in audio, video, and broadcast applications. Finally it saw growth in its smallest division data processing due to increased sales in storage applications.

XLNX also divides its sales into different geographical regions because they sell their products on a global level. They recognize sales from North America, Asia Pacific, Europe, and Japan. Their business is truly executed with a global state of mind as 31% of 2012 total net revenue came from North America, 33% from Asia Pacific, 26% from Europe, and 10% from Japan. Their revenues decreased in North America last year mostly due to a decline in sales across most of its end markets primarily in communications where wired communication applications saw significant regression. Its revenues were also down in Asia Pacific and Europe because of lackluster communications performance this time from wireless communication

applications. A positive sign for XLNX is that they saw growth in Japan thanks to strong sales in the industrial sphere particularly in test and measurement applications.

Xilinx operates primarily in one business segment which is semi-conductors. Within this industry they face stiff competition as technology rapidly changes in these conductors. Its primary competitors include Advanced Micro Dev, Altera Corporation, and Atmel Corporation. According to Standard & Poor's they expect this industry to grow 4% in fiscal year 2013 due to continued growth in smartphones within its communication end market. S&P also stated that the transition of focus to tablets within the PC sector will be what drags on the industry. Also long term growth in this industry is primarily dependent upon global GDP because of rapidly changing inventory levels. A final positive forward looking statistic is that the industry has experienced 4.4% growth in the trailing twelve months showing the potential for company growth.

The company as stated early competes in a very competitive industry which in turn leads to many risk factors. XLNX faced a 4% increase in selling, general and administrative costs because of increased legal expenses due to its current litigation. On May 18, 2012 XLNX was found guilty of infringement upon two patents held by Pactera Technology International Ltd. As a result XLNX was forced to pay a lump sum of \$15.4 million to PACT for damages and royalties on past sales executed by XLNX. Another troubling sign for the company is that on March 23, 2012 Advanced Processor Technologies LLC filed a lawsuit against XLNX accusing them infringing upon three of its patents. The litigation is still ongoing and the company was unable to speculate on the amount of possible damages. This goes in line with a long history of infringement lawsuits faced by the company over the last ten years which makes me question the integrity of the company. On a brighter note the company does possess a great deal of intellectual property which has helped them remain a giant in their industry, as of March 31, 2012 the company possessed over 2,800 patents and had over 500 still pending.

According to the company's forward looking statements they are focusing their business around expanding PLDs and displacing the products which compete with them. Currently ASICs and ASSPs are alternatives to PLDs that contain advantages and disadvantages. While they are more complex and designed for each individual PLDs are standard components that can be sold to many different users for different purposes. Also PLDs are faster to the market and possess more design flexibility which allows them to make revisions more quickly. According to the 2012 annual report costs and risks associated with application-specific devices can only be justified for high volume or highly specialized commodity products. This means in this business environment that is characterized by increased complexity and diminishing margin windows XLNX must strive for sales volume growth so that future products require PLD inputs instead of these ASICs or ASSPs.

Revenue and Earnings History

REVENUE

Periods	2011	2012	2013
July	594.737	615.463	582.784
October	619.666	555.209	543.933
January	567.19	511.091	509.767
April	587.852	558.973	

Note: Units in Millions of U.S. Dollars

EARNINGS PER SHARE

Periods	2011	2012	2013
July	0.57555	0.55917	0.47415
October	0.64909	0.47134	0.45673
January	0.5779	0.47414	0.38222
April	0.58808	0.44323	

Note: Units in U.S. Dollars

Things are undoubtedly looking bleak in regards to sales growth and earnings so far in 2013. In each of the first three quarters XLNX saw decreases in sales compared to the year prior and their earnings are reflecting as they also are lower than each of those quarters from fiscal 2012. To make things worse their revenues have been decreasing in each quarter so far in 2013 which gives me an uneasy outlook for quarter 4. Their earnings have also decreased every quarter with a sharp decline in the most recent quarter due to their lackluster performance. Their business is not a seasonal as their sales figures are fairly balanced throughout the four quarters which gives them stability.

Section (C) Fundamental Valuation (EBO)

XLNX	PARAMETERS	FY1	FY2	Ltg									
	EPS Forecasts	1.76	1.98	10.76%	Model 1: 12-year forecasting horizon (T=12). and a 7-year growth period.								
	Book value/share (last fge)	10.35											
	Discount Rate	11.05%			Please download and save this template to your own storage device You only need to input values to cells highlighted in "yellow" The rest of the spreadsheet is calculated automatically Please read "Guidelines_for_FundamentalValuation_ProfLee_Spreadsheet" file								
	Dividend Payout Ratio (PO)	46.40%											
	Next Fisc Year end	2013											
	Current Fisc Mth (1 to 12)	9											
	Target ROE (industry avg.)	1.49%											
Year		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Long-term EPS Growth Rate (Ltg)			0.1076	0.1076	0.1076	0.1076	0.1076					
	Forecasted EPS	1.76	1.98	2.19	2.43	2.69	2.98	3.30					
	Beg. of year BV/Shr	10.350	11.293	12.355	13.530	14.832	16.274	17.871					
	Implied ROE		0.175	0.178	0.180	0.181	0.183	0.185					
ROE	(Beg. ROE, from EPS forecasts)	0.170	0.175	0.178	0.180	0.181	0.183	0.185	0.151	0.117	0.083	0.049	0.015
Abnormal ROE	(ROE-k)	0.060	0.065	0.067	0.069	0.071	0.073	0.074	0.040	0.006	-0.028	-0.062	-0.096
growth rate for B	(1-POr)*(ROE-1)	0.000	0.091	0.094	0.095	0.096	0.097	0.098	0.099	0.081	0.063	0.044	0.026
Compounded growth		1.000	1.091	1.194	1.307	1.433	1.572	1.727	1.898	2.051	2.179	2.276	2.336
growth*AROE		0.060	0.071	0.080	0.090	0.102	0.114	0.128	0.076	0.013	-0.060	-0.140	-0.223
required rate (k)		0.111	0.111	0.111	0.111	0.111	0.111	0.111	0.111	0.111	0.111	0.111	0.111
Compound discount rate		1.111	1.233	1.369	1.521	1.689	1.875	2.083	2.313	2.568	2.852	3.167	3.517
div. payout rate (k)		0.464											
Add to P/B	PV(growth*AROE)	0.05	0.06	0.06	0.06	0.06	0.06	0.06	0.03	0.01	-0.02	-0.04	-0.06
Cum P/B		1.05	1.11	1.17	1.23	1.29	1.35	1.41	1.44	1.45	1.43	1.38	1.32
Add: Perpetuity													
beyond current yr	(Assume this yr's AROE forever)	0.49	0.52	0.53	0.54	0.54	0.55	0.56	0.30	0.05	-0.19	-0.40	-0.57
Total P/B	(P/B if we stop est. this period)	1.54	1.63	1.70	1.77	1.83	1.90	1.97	1.74	1.49	1.24	0.98	0.75
Implied price		17.25	18.27	19.03	19.79	20.55	21.30	22.05	19.53	16.75	13.86	11.02	8.36
Check:													
Beg. BV/Shr		10.35	11.29	12.35	13.53	14.83	16.27	17.87	19.64	21.23	22.56	23.56	24.17
Implied EPS		1.76	1.98	2.19	2.43	2.69	2.98	3.30	2.96	2.48	1.87	1.15	0.36
Implied EPS growth			0.125	0.108	0.108	0.108	0.108	0.108	-0.103	-0.163	-0.246	-0.384	-0.687

Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2): 1.76

Long-term growth rate: 1.98

Book value /share (along with book value and number of shares outstanding):

Book value: \$2,707,700,000

of shares outstanding: 261,560,000

Book value / share: \$10.35

Discount Rate:

Rf: 2.75

Rm: 9.5

Beta: 1.23

Dividend payout ratio: 46.40%

Next fiscal year end: 2013

Current fiscal month: 9

Target ROE: 1.49%

Output

Above normal growth period chosen: 5 years

EBO valuation (Implied price from the spreadsheet): \$20.55

Sensitivity Analysis

EBO valuation would be (you can include more than one scenario in each of the following):

\$19.03 if changing above normal growth period to 3 years

\$22.16 if changing growth rate from mean (consensus) to the highest estimate 1.78, 2.14

\$18.71 if changing growth rate from mean (consensus) to the lowest estimate 1.66, 1.80

\$49.47 if changing discount rate to 5%

\$20.55 if changing target ROE to 40%

Section (D) Relative Valuation

XLNX												
				Mean FY2								
Ticker	Name	Mkt Cap	Current Price	Earnings Estimate (next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM
ALTR	Altera Corporation	\$ 11,101.81	\$ 34.72	\$ 1.88	18.47	12.75%	1.45	3.33	17.60%	0.19	6.23	27.18
ATML	Atmel Corporation	\$ 2,961.16	\$ 6.74	\$ 0.53	12.72	-13.20%	-0.96	2.90	13.70%	0.21	2.07	27.58
AMD	Advanced Micro Dev	\$ 1,813.76	\$ 2.54	\$ (0.04)	-63.50	2.67%	-23.78	3.37	-45.80%	-0.07	0.33	0
FCS	Fairchild Semiconductor Intl	\$ 1,741.59	\$ 13.71	\$ 1.14	12.03	5.00%	2.41	1.27	1.63%	0.78	1.24	10.89
XLNX	Xilinx	\$ 9,931.50	\$ 37.89	\$ 1.98	19.14	10.76%	1.78	3.52	21.74%	0.16	4.52	18.13
Implied Price based on:					P/E		PEG	P/B		Value	P/S	P/CF
ALTR	Altera Corporation				\$36.57		\$30.86	\$35.84		\$44.28	\$52.22	\$56.80
ATML	Atmel Corporation				\$25.18		-\$20.53	\$31.22		\$49.54	\$17.35	\$57.64
AMD	Advanced Micro Dev				(\$125.73)		-\$506.69	\$36.28		-\$17.22	\$2.77	\$0.00
FCS	Fairchild Semiconductor Intl				\$23.81		\$51.24	\$13.67		\$182.33	\$10.39	\$22.76
	High				\$36.57		\$51.24	\$36.28		\$182.33	\$52.22	\$57.64
	Low				-\$125.73		-\$506.69	\$13.67		-\$17.22	\$2.77	\$0.00
	Median				\$24.50		\$5.17	\$33.53		\$46.91	\$13.87	\$39.78

From the top panel

XLNX seems to have very different metrics than its competitors in the semi-conductor industry. To begin they have a market cap that is far greater than all of their competitors with the exception of Altera. These companies all compete directly with XLNX in the semi-conductor industry and Altera focuses on PDLs making them XLNX's largest rival. Additionally Altera and Xilinx lead this programmable logic market which makes them a great comparison. XLNX also has a stock price that is in a different stratosphere than all of its competitors with exception

again to Altera who is trading close to \$3 less than XLNX. A positive note is that they have higher earnings estimates for the next fiscal year than all of the competition and have a higher growth rate than all competitors except Altera. Their P/B and P/S is unfortunately higher than their competition which means that the stock is possibly overvalued because these ratios are more expensive. Its P/CF looks attractive in respect to Altera which means the company is doing well with the cash flows that it is producing. These metrics have produced forward P/E and PEG ratios that reflect the stock is more expensive than its competitors. That being said I do believe most of these competitors are outliers as some of them have negative metrics for ROE and long term growth rate. Also because of the difference in size these companies do not possess the same value that XLNX has to offer with its commanding market share.

From the bottom panel

Based on the implied prices derived from the competitors multiples XLNX appears to be overvalued. Based on Altera's P/E, PEG, and P/B implied prices calculated ranged from \$36.57 to \$30.86 which is lower than the stock is currently trading and is below its 52 week high that is close to \$40. Its 52 week low is slightly below this mark at \$30.25 showing the validity of these calculations. A bright sign was that based on Altera's P/S and P/CF implied prices were calculated in the mid-\$50 range showing that there is potential for a price increase for XLNX. Based on Atmel's metrics implied prices state that XLNX is overvalued with the exception of its P/CF. Because of Atmel's negative long term growth rate I believe that their metrics are outliers and I do not place much emphasis on them. Advanced Micro Devices produced nothing but outliers due to the fact that they have negative earnings estimates for the future and have a P/CF of 0. In regards to its final competitor Fairchild Semiconductor Intl, XLNX appears yet again to be overvalued. The only metric that yielded an implied price that was not below its current price, 52 week high, and 52 week low was PEG which had the company very undervalued. I believe that because of the difference in size and current value that these companies' metrics do not reflect the value of XLNX to a very large degree. I do believe that Altera is a good comparison because of how closely their businesses compete and that their implied prices leave me feeling more bullish than bearish for XLNX future performance.

Section (E) Revenue and Earnings Estimates

Estimates vs. Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-12	527.66	509.77	17.89	-3.39
Quarter Ending Sep-12	547.72	543.93	3.79	-0.69
Quarter Ending Jun-12	574.99	582.78	7.80	1.36
Quarter Ending Mar-12	531.59	558.97	27.39	5.15
Quarter Ending Dec-11	499.27	511.09	11.82	2.37
Earnings (per share)				
Quarter Ending Dec-12	0.37	0.38	0.01	2.48
Quarter Ending Sep-12	0.41	0.46	0.05	12.47
Quarter Ending Jun-12	0.45	0.47	0.02	4.75
Quarter Ending Mar-12	0.40	0.49	0.09	21.11
Quarter Ending Dec-11	0.37	0.41	0.04	11.75

XLNX has shown their ability to surprise the market in a positive way over the 5 quarters reported. They experienced positive surprises in all 5 quarters in terms of earnings with significant outperformance in the quarters ending September 2012, March 2012, and December 2011. That being said the company had been surprising the market in terms of revenue for the oldest 3 quarters but recently has not met estimates and had negative surprises in the two most recent quarters. As stated in the company profile sales for the company's communications end market were down this past year which took its toll on their revenues at the end of the year. The positive surprises did outweigh the negative ones so the company did outperform expectations in recent time. The surprises were more notable for earnings where they saw significant percentages over what was projected. There was no large impact on their share price due to their outperformance. This data is fairly old seeing as the company is in the final quarter of its fiscal 2013 year so I would like to examine more recent data.

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	24	529.67	532.39	521.80	612.53
Quarter Ending Jun-13	24	555.71	571.70	546.00	635.50
Year Ending Mar-13	26	2,167.51	2,195.00	2,158.30	2,341.48
Year Ending Mar-14	28	2,311.50	2,398.40	2,217.00	2,581.16
Earnings (per share)					
Quarter Ending Mar-13	27	0.45	0.47	0.42	0.54
Quarter Ending Jun-13	28	0.47	0.51	0.42	0.59
Year Ending Mar-13	28	1.76	1.79	1.66	1.97
Year Ending Mar-14	30	1.98	2.14	1.80	2.37
LT Growth Rate (%)	4	10.76	15.00	5.00	12.3

1. Difference between High and mean

2. Difference between low and mean

Sales Q end March 13: 0.51%	Sales Q end March 13: 1.49%
Sales Q end June 13: 2.80%	Sales Q end June 13: 1.75%
Sales Y end March 13: 1.25%	Sales Y end March 13: 0.42%
Sales Y end March 14: 3.62%	Sales Y end March 14: 4.08%
Earnings Q end March 13: 4.26%	Earnings Q end March 13: 6.67%
Earnings Q end June 13: 7.84%	Earnings Q end June 13: 10.64%
Earnings Y end March 13: 1.67%	Earnings Y end March 13: 5.68%
Earnings Y end March 14: 7.48%	Earnings Y end March 14: 9.10%
LT Growth Rate: 28.27%	LT Growth Rate: 53.53%

3. The divergent are much more notable for the upcoming quarter than the current one in both terms of revenue and earnings. Also FY2 has much more divergent figures than does FY1 which reiterates that analysts are not as sure about future performance compared to short term. The differences between the high and low estimates is fairly low compared to other companies I have done in the past showing the stability and consistency that the company possesses.

4. There are only 4 analysts that speculated on LT growth which was around 25% of the analysts that projected earnings and revenues. One analyst was very bearish about future growth giving them a projected 5% which brought down the mean estimate to 10.76%. The other three analysts have a much more bullish mindset for XLNX which is the stance that I have taken on as well.

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-13	529.67	529.67	529.58	529.60	612.53
Quarter Ending Jun-13	555.71	555.71	556.63	556.73	635.50
Year Ending Mar-13	2,167.51	2,168.72	2,168.68	2,168.60	2,341.48
Year Ending Mar-14	2,311.50	2,311.50	2,318.71	2,321.00	2,581.16
Earnings (per share)					
Quarter Ending Mar-13	0.45	0.45	0.44	0.44	0.54
Quarter Ending Jun-13	0.47	0.47	0.46	0.46	0.59
Quarter Ending Mar-13	1.76	1.76	1.76	1.76	1.97
Quarter Ending Mar-14	1.98	1.98	1.96	1.96	2.37

1. Consensus estimates are trending down for XLNX in terms of both revenue and earnings. This is a very bad sign as all of the quarters and years projected have been consistently trending down from not only 1 year ago but even as close as two months ago. This projection of lackluster performance can be attributed to decreased sales across the board in fiscal 2012.

- The trend is fairly comparable across both quarters and both years speculated for revenues and earnings appears to be more severe in FY2 as they dropped from 2.37 a year ago to 1.98 today. This is another sign of uncertainty for future performance of XLNX.

Last Week	Last 4 Weeks			
	Up	Down	Up	Down
Number Of Revisions:				
Revenue				
Quarter Ending Mar-13	0	0	2	0
Quarter Ending Jun-13	0	0	1	3
Year Ending Mar-13	0	0	1	1
Year Ending Mar-14	0	0	2	5
Earnings				
Quarter Ending Mar-13	0	0	3	2
Quarter Ending Jun-13	0	0	8	3
Year Ending Mar-13	0	0	5	2
Year Ending Mar-14	0	0	11	6

- In terms of revenue XLNX has seen 9 down revisions and 6 up revisions. The bulk of the down revisions (5) were given to FY2 which yet again reiterates the lack of confidence analyst have in XLNX to outperform in the long term. On the other hand there were 27 up revisions and only 11 down revisions in the last 4 weeks for earnings. What I found interesting is that the bulk of the up revisions (11) were in FY 2. This is a positive sign that even though sales are not forecasted to be great, the company will still be able to outperform in terms of their earnings per share.
- The revisions are fairly balanced and I would not classify them as one directional. That being said the revenues are trending down while the earnings are trending up.
- There have been zero revisions made in the last week.

XLNX participates in a wide range of end markets which causes its revenues to be very cyclical meaning that they trend with the broad economy and its semi-conductor industry. Xilinx benefited from an improvement in its industrial business largely due to increased U.S. defense spending which bodes well not for only XLNX but all chip suppliers. This was good news because sluggish macroeconomic conditions had hindered their profit margins in their last fiscal year. XLNX has seen its revenue growth supported by new products which offset its mixed results from its base products. Its new products which include chips named Virtex 7, Kintex 7, Artix 7, Zynq 7000, Virtex 6, and Spartan 6 increased by 79% in fiscal 2012 compared to the year prior. Moshe Gavrielov who is Xilinx president and CEO was quoted saying, "Strength from new products is an encouraging sign in the face of macroeconomic conditions that remained challenging during the quarter." This was in reference to the most recent quarter which closed in December. They also have had much better gross margins in recent years than its competitors in the chip market because of their active outsourcing. Also the company's operating leverage is very attractive thanks to its consistent operating expense levels for its development and sales. The operating margin has expanded 10% over the last two years which bodes well for future profit margins.

A notable strategic move XLNX made in 2010 increased its debt levels for a major share repurchase program. While this adds risk to the company I believe that they will be able to generate sufficient profit margins and cash flows to pay its dividends and maintain a significant cash balance. This added leverage will hopefully allow them to increase their return on equity, where Altera has outperformed them in recent years.

I believe that with the increases the company has seen primarily in its industrial end market that they will beat the consensus estimates. Government defense spending has a very positive outlook in the near future and the continuing innovation XLNX has shown leads me to believe that they will outperform in the long term as well as the short term. Also the PLD chips that the company focuses its business around have been taking secular control over the ASIC chips of the past which will boost their sales upon the new product cycles. Although the macro economic outlook is not bright for FY 2013 it is expected that communications spending will increase for the year which is a good sign as it is one of the most pivotal end markets for XLNX. Finally I feel that the market has anticipated down revenues for the company so I believe that we will see XLNX not only meet these new projections but far surpass them.

Section (F) Analysts' Recommendations

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	4	5	4	4
(2) OUTPERFORM	7	6	6	5
(3) HOLD	18	18	19	19
(4) UNDERPERFORM	0	0	0	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.48	2.45	2.52	2.54

The analyst opinion of XLNX has remained fairly unchanged over the last three months as the mean rating has only decreased 2.36% from three months ago. The fact that it has not changed much shows the neutral stance that analysts have taken on the company. They received mostly hold votes for the time period with between 18 and 19 votes out of 29 for all of the time periods. They also received between 7 and 5 outperform votes in each time period with between 4 and 5 buy votes. The neutrality of these analysts seemed a little off from the revisions that had been made to the consensus analyst estimates which all trended down but because of their dominance in the semi-conductor market the outlook remains bright. The mean rating is between outperform and hold but as we have seen this is not a very attractive rating compared to that of other stocks I have examined.

Revision Date	Upgrade or Downgrade	Current Recommendation	Previous Recommendation	Firm	Last Revision
The most recent revision date					

The earliest revision date in the last two months					

There were zero upgrades and zero downgrades for Xilinx in the two months leading to this recommendation.

Section (G) Institutional Ownership

XLNX				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			340,190,104	100.00%
# of Holders/Tot Shares Held	551	100.00%	255,108,553	74.93%
# New Positions	41	7.44%		
# Closed Positions	41	7.44%		
# Increased Positions	214	38.84%		
# Decreased Positions	256	46.46%		
Beg. Total Inst. Positions	551	100.00%	247,172,004	72.66%
# Net Buyers/3 Mo. Net Chg	-42	45.53%	7,936,555	2.33%
Ownership Information		% Outstanding		
Top 10 Institutions % Ownership	39.90%			
Mutual Fund % Ownership	2.48%			
Float %	99.01%			
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
The Vanguard Group, Inc.	6.1	12/31/2012		
T. Rowe Price Associates, Inc.	5.5	12/31/2012		

1. Institutions have been decreasing their ownership on a net basis. While there have been 41 new positions there has also been 41 closed positions. There were 256 decreased positions compared to only 214 increased positions for a -42 number of net buyers. This is a bearish indicator.
2. The stock does have a sizable institutional support with 551 holders and 39.9% top 10 institutions % ownership. With 39.9% of its shares owned by these top ten insitutions they have the support necessary for future success.

3. There are two groups who possess over 5% ownership of XLNX and they are The Vanguard group which is an investment management group with 6.1% and T. Rowe Price which is a global investment firm with 5.5%. There are no corporate insiders affiliated with these companies. These companies are mutual funds that manage over one trillion dollars each in assets which makes them a very strong owner for XLNX.
4. I believe the small decreasing of ownership is not an alarming movement. With its strong institutional backing and impressive >5% owners I remain bullish on this stock.

Section (H) Short Interest (two pages)

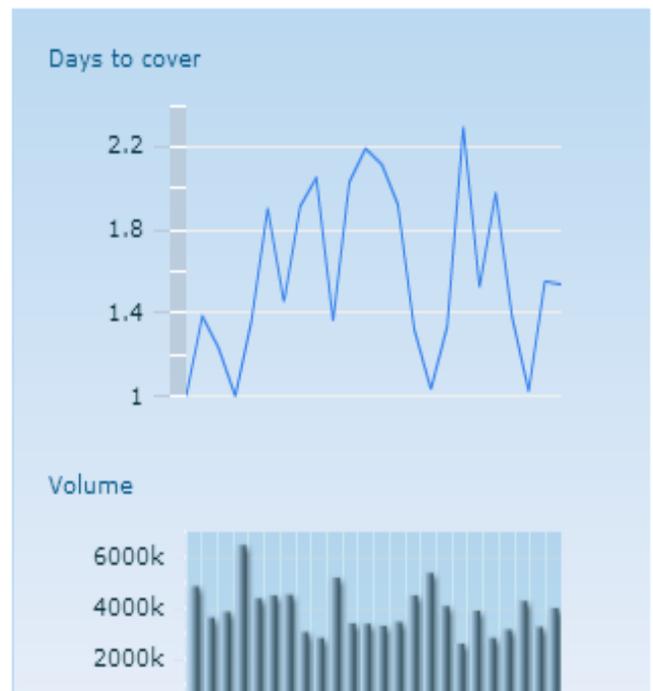
XLNX

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/28/2013	7,992,828	3,910,564	2.043907
2/15/2013	7,364,824	2,883,702	2.553948
1/31/2013	7,456,786	3,134,820	2.378697
1/15/2013	8,572,275	3,179,416	2.696179
12/31/2012	9,433,253	2,223,557	4.242416
12/14/2012	9,501,163	1,955,856	4.857803
11/30/2012	9,615,584	2,268,186	4.239328
11/15/2012	9,862,102	3,104,137	3.177083
10/31/2012	9,875,900	2,691,364	3.669478
10/15/2012	9,613,870	2,259,226	4.255382
9/28/2012	9,376,391	2,252,817	4.162074
9/14/2012	9,261,152	2,944,785	3.144933
8/31/2012	8,957,764	2,346,139	3.818088
8/15/2012	8,711,849	2,633,261	3.308388
7/31/2012	8,788,840	4,879,611	1.801135
7/13/2012	7,757,158	2,406,179	3.223849
6/29/2012	7,692,612	2,802,334	2.745073
6/15/2012	8,185,790	3,430,983	2.385844
5/31/2012	8,428,764	4,055,483	2.078363
5/15/2012	8,300,392	3,617,941	2.294231
4/30/2012	9,310,677	4,084,456	2.279539
4/13/2012	11,699,299	3,518,966	3.324641
3/30/2012	12,017,736	3,539,738	3.395092
3/15/2012	13,263,524	3,388,483	3.914296



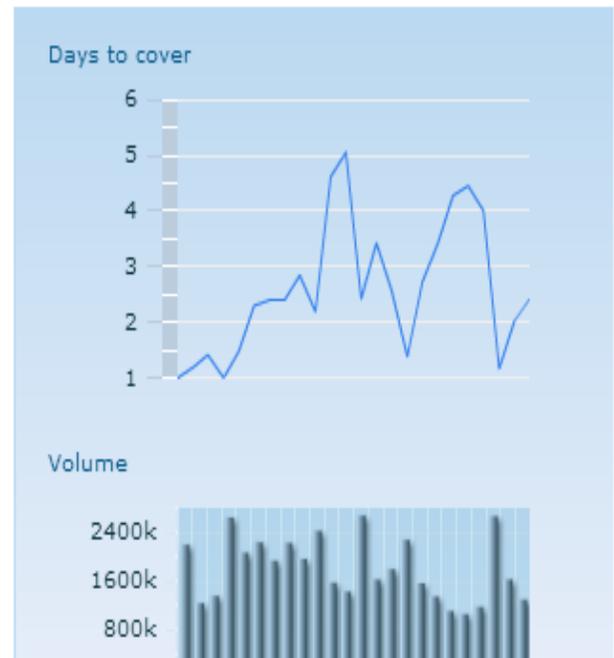
Altera

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/28/2013	6,152,069	3,996,200	1.539480
2/15/2013	5,044,133	3,245,932	1.553986
1/31/2013	4,376,306	4,273,912	1.023958
1/15/2013	4,354,006	3,141,890	1.385792
12/31/2012	5,579,737	2,815,594	1.981726
12/14/2012	5,924,065	3,889,639	1.523037
11/30/2012	5,969,330	2,600,495	2.295459
11/15/2012	5,429,699	4,076,651	1.331902
10/31/2012	5,567,326	5,383,513	1.034144
10/15/2012	5,959,599	4,499,695	1.324445
9/28/2012	6,599,613	3,435,072	1.921244
9/14/2012	6,983,545	3,298,835	2.116973
8/31/2012	7,406,182	3,378,707	2.192017
8/15/2012	6,895,289	3,397,666	2.029419
7/31/2012	7,076,165	5,201,206	1.360485
7/13/2012	5,795,491	2,826,272	2.050578
6/29/2012	5,850,635	3,055,694	1.914667
6/15/2012	6,555,556	4,510,415	1.453426
5/31/2012	8,583,465	4,502,929	1.906196
5/15/2012	5,967,506	4,377,529	1.363213
4/30/2012	5,958,778	6,470,706	1.000000
4/13/2012	4,759,602	3,857,714	1.233788
3/30/2012	5,036,967	3,634,082	1.386036
3/15/2012	4,829,072	4,843,072	1.000000



Fairchild Semiconductor Intl

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
2/28/2013	3,103,816	1,284,225	2.416879
2/15/2013	3,279,763	1,619,009	2.025784
1/31/2013	3,079,814	2,656,738	1.159246
1/15/2013	4,682,278	1,171,516	3.996768
12/31/2012	4,650,074	1,044,715	4.451046
12/14/2012	4,710,415	1,101,594	4.275999
11/30/2012	4,550,483	1,334,779	3.409166
11/15/2012	4,260,493	1,557,018	2.736316
10/31/2012	3,143,101	2,272,005	1.383404
10/15/2012	4,597,809	1,790,575	2.567784
9/28/2012	5,529,729	1,617,112	3.419509
9/14/2012	6,449,586	2,667,550	2.417794
8/31/2012	7,149,557	1,415,649	5.050374
8/15/2012	7,250,516	1,572,448	4.610973
7/31/2012	5,290,621	2,419,643	2.186530
7/13/2012	5,571,186	1,961,835	2.839783
6/29/2012	5,336,640	2,222,466	2.401225
6/15/2012	4,627,958	1,926,419	2.402363
5/31/2012	5,109,073	2,226,558	2.294606
5/15/2012	3,034,040	2,057,014	1.474973
4/30/2012	2,156,701	2,635,344	1.000000
4/13/2012	1,905,571	1,345,329	1.416435
3/30/2012	1,459,480	1,232,630	1.184037
3/15/2012	1,336,329	2,193,726	1.000000



From <http://finance.yahoo.com/>

Complete the following table with information from the “*share statistics*” table.

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
3,088,720	2,910,940	261.56 million	261.13 million
Shares Short (2-28-13)	Short Ratio (2-28-13)	Short % of Float (2-28-13)	Shares Short (2 weeks prior)
7.99 million	2.60	3.00%	7.36 million

Based on the short interest statistics I believe that the market sentiment is bullish on XLNX. Their days to cover ratio has decreased close to 50% since the beginning of 2013 while both of their competitors have seen their ratios increase over the past year. The sentiment has seemed to have changed recently in regards to short selling and I feel that we have timed the market properly and should see considerable growth out of this stock as it has been trading at a very high volume over the past 10 days. The short ratio is very bullish at 2.6 days as it indicates short sellers will cover their entire positions in a situation where the stock sees its price increase. Their days to cover ratio still is higher than their competitors but I believe that this recent dramatic decrease in XLNX’s ratio is an indicator of good things to come.

Section (I) Stock Charts
A three months price chart



A one year price chart



A five year price chart



Technical Analysis





After reviewing the stock charts my bullish outlook on Xilinx has only gotten stronger. It is an aggressive growth stock like many technology companies are as can be seen on the 5 year chart. XLNX has seen its price grow over 50% in the last five years which is impressive until you consider the close to 100% growth of Altera. Its growth over that time period was outstanding but in the past year as the macro economy has been down Altera has seen -10% growth where XLNX still saw over 5% growth. Speaking in terms of timing I believe that the three month price chart shows that now is the opportune time to get in with XLNX. After examining the technical indicators it becomes clear that XLNX is a very volatile stock that is prone to price increases as well as decreases. In the last 6 months it saw a death cross but was able to recover and saw a golden cross. The technical indicators show the lines flattening out towards the end which leads me to believe they will not cross in any near time frame. The 2 year analysis displayed the volatility as there were four total crosses. The company has shown the ability to recover quickly in times that it appears they might be in trouble which makes them a very attractive option in my eyes. The annual report for fiscal year 2013 is released April 24, 2013 and we will then see what turn the company's price takes based on that.

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