

IDT takes another shot at the Big Time

BY MARY DUAN

For Integrated Device Technology Inc., it appears that timing — quite literally — is everything.

The publicly traded company, best known for chips that control the timing and synchronization of all chips on a processor, is emerging from a two-year reorganization. During that time, it consolidated 11 diverse business units to focus on three market segments: computing, consumer electronics and communications. It acquired five companies, sold its network search engine business for \$90 million and snagged as a senior technologist Paul Brokaw, a nearly 40-year veteran from Analog Devices Inc. who holds more than 100 patents for analog circuit design.

This restructuring has led to a hiring spree. The company plans to add 75 employees, mostly analog and power management engineers, at its 500-employee headquarters on 21 acres at Silver Creek Valley Road. IDT isn't ruling out further acquisitions, either.

CEO Ted Tewksbury, who led the shake-up when he joined IDT two years ago, said he believes a company has to spend money to make money.

"We don't look at acquisitions as a way of pumping up revenues, we look at them as a way of expanding our total addressable market by bringing in new technologies and capabilities, and to expand the share of markets we're already in," said Tewksbury. "We're always looking at acquisitions. And we fish where the fish are."

Analyst Sukhi Nagesh, a vice president at Deutsche Bank, said mainstream consumers may not have heard of IDT because it exists in an obscure "but crucial" space.



VICKI THOMPSON

PICTURE THIS: One of IDT's products, the HQV processor, converts standard-definition video close to high-definition quality, said CEO Ted Tewksbury.

The 30-year-old company's chips can be found in almost every device, including PCs, notebooks, flat panel displays and servers; if a microprocessor is the brain, Tewksbury said, IDT helps power the nervous system.

Its customers include Sony Corp., where its chips help power the PlayStation3, and Hewlett-Packard Co., where the chips power the audio on the HP Envy line of computers. Other customers include Samsung Electronics Co. Ltd., Cisco Systems Inc., Apple Inc. and IBM Corp.

"If you think about their business, they're predominantly known as a clock company, and every electronic device needs an internal clock," Nagesh said. "The reason they have a good presence is that their clocks are highly customizable."

Nagesh added that while IDT has a big presence in the computing market, it's

wrong to think of it solely as a computing play. The acquisition in April 2009 of Canada-based Tundra Semiconductor Corp. put it firmly in the communications space, specifically the switches used in cell phone tower communication.

"They had zero presence in that market before the acquisition, and now this puts them straight into China," Nagesh said. "Their footprint into the base station business is going to be something to watch."

IDT had several rough quarters in fiscal year 2009, notably Q4 and Q1, when revenue was \$107 million and \$116 million, respectively. With IDT's refocus, a bevy of analysts say the company is back on track.

The company has \$300 million in cash reserves and just issued a \$225 million stock repurchase plan. At the end of July, IDT reported that its first quarter revenue rose 36 percent to \$158.3 million, up

from \$116 million from the same quarter a year earlier. Analysts covering the company's stock have a consensus price target of \$8.40 a share. The stock trades on the Nasdaq under the symbol IDTI and as of Aug. 4 is trading at \$5.73.

"We've been on a tear as far as financial results are concerned," Tewksbury said. "New products are coming out and are now 15 percent of our revenue, heading to 20 percent. But year-over-year the stock price is down. We need to get the word out."

Analyst Betsy Van Hees, vice president of equity research at Wedbush Securities Inc. in San Francisco, said the reorganization and the spending that went along with acquiring five companies may have been difficult for investors to take, but the results are starting to pay off.

"Ted's been on a big mission and that was a lot for investors to swallow, but they've been investing in the future," Van Hees said. "They've done an excellent job executing. They've come through the terrible downturn and recession and

AT-A-GLANCE

Integrated Device Technology Inc.

Location: San Jose

CEO: Ted Tewksbury

Revenue: \$535 million for fiscal year ended in March

Founded: 1980

Employees: 500 in San Jose; 2,000 worldwide

Website: www.idt.com

Phone: 408.284.8200

emerged as a strong company that continues to meet its commitments."

IDT competes with a variety of companies, depending on the chip in question. In general, though, the company is in the same market as Cypress Semiconductor Corp., Broadcom Corp., Analog Devices Inc., Texas Instruments Inc., Intersil Corp. and Marvell Technology Group Ltd.

Brokaw, 75, an analog design veteran who joined IDT along with about 15 analog design engineers in 2009, is there to help IDT straddle the line between the

The acquisitions

April 2009: IDT acquired Tundra Semiconductor Corp., a publicly traded Canadian company for \$123 million.

June 2009: IDT purchased the touch sensor technology assets from Leadis Technology for about \$2.6 million, according to the website Filingwatch.com.

January 2010: IDT acquired Mobius Microsystems, a leader in precision all-silicon oscillator technology. The amount was not disclosed.

April 2010: IDT acquired the assets of IKOR, former subsidiary of iWatt Corp., which makes power modules for high-performance computing. The amount was not disclosed.

digital and analog worlds.

"It doesn't mean all of the analog guys will become digital guys, or vice versa, but we have to learn to speak each other's language," Brokaw said. "We want it to be like the U.S. and Canada. We get along pretty well, and we want the analog and digital guys to get on like that and recognize we're part of the same culture."