



HEDGEYE

SECTOR SPOTLIGHT- TECHNOLOGY

COMPUTER CRASH?

JUNE 27, 2017

DISCLAIMER

DISCLAIMER

Hedgeye Risk Management is a registered investment advisor, registered with the State of Connecticut. Hedgeye Risk Management is not a broker dealer and does not provide investment advice for individuals. This research does not constitute an offer to sell, or a solicitation of an offer to buy any security. This research is presented without regard to individual investment preferences or risk parameters; it is general information and does not constitute specific investment advice. This presentation is based on information from sources believed to be reliable. Hedgeye Risk Management is not responsible for errors, inaccuracies or omissions of information. The opinions and conclusions contained in this report are those of Hedgeye Risk Management, and are intended solely for the use of Hedgeye Risk Management's clients and subscribers. In reaching these opinions and conclusions, Hedgeye Risk Management and its employees have relied upon research conducted by Hedgeye Risk Management's employees, which is based upon sources considered credible and reliable within the industry. Hedgeye Risk Management is not responsible for the validity or authenticity of the information upon which it has relied.

TERMS OF USE

This report is intended solely for the use of its recipient. Redistribution or republication of this report and its contents are prohibited. For more details please refer to the appropriate sections of the Hedgeye Services Agreement and the Terms of Use at www.hedgeye.com

PLEASE SUBMIT QUESTIONS* TO

QA@HEDGEYE.COM

**ANSWERED AT THE END OF THE CALL*

HEDGEYE TECH SECTOR

ACTIVES

GLW- Corning Incorporated **MSCC- Microsemi Corporation**
KEYS- Keysight Technologies

Recently Actives

MU- Micron Technology **INTC- Intel Corporation**
AVGO- Broadcom Ltd
SABR- Sabre Corporation

Under Construction

AKAM- Akamai Technologies
NOK- Nokia Oyj

Background in Tech:

- Networking equipment since 2001
- Semiconductors since 2003
- Hardware (and Internet) since 2006
- Software and Services since 2009
- International Tech since 2009
- Integrated global research since 2011

Previously worked at:

- Joseph Capital Partners LLC (my own!) 2011-2016, Buyside Research in Technology
- Putnam Investments, covering all International Tech, 2009-2011
- Fidelity Investments, domestic Tech, 2006-2009
- Thomas Weisel Partners, semiconductors, 2003-2006
- Two startups in communications equipment 2000-2003
- Bear, Stearns & Co I-Banking 1998-2000

IDEA HUNT

PICKING POOL FOR 2Q-4Q

BULLISH

RNG ++

NTCT +

SWIR +

APTI +

CARB +

MB +

CONE +

DOX + (from Carrier Capex Call)

BEARISH

CTXS –

CALD –

SSNC –

VG –

CSGS –

LOGM –

ORCL –

NOK – (from Carrier Capex Call)

NEUTRAL

INFN +/-

TEAM +/-

BSFT +/-

CHKP +/-

FIVN +/-

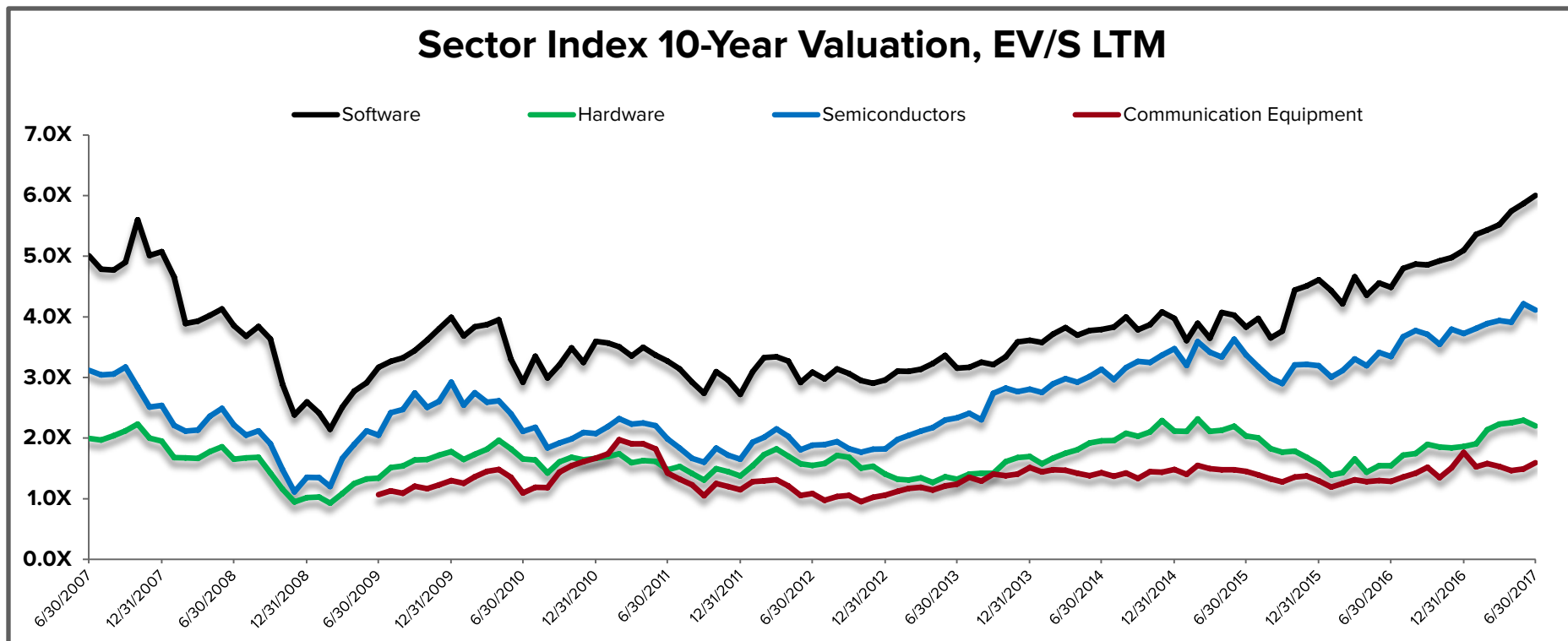
VRNS +/-

CIEN +/-

PFPT +/-

VALUATION OVER TIME

SOFTWARE THE OBVIOUS STANDOUT, SEMIS THE SURPRISE

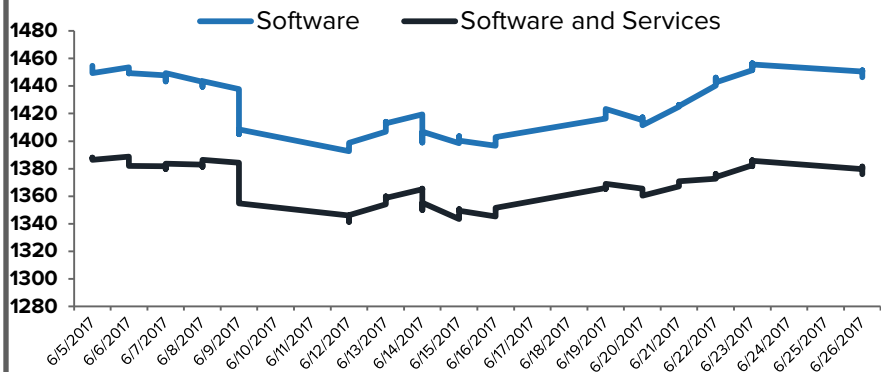


*Indices include S5SOFT, S5TECH, SOX, and Russell 3000 Communications Equipment

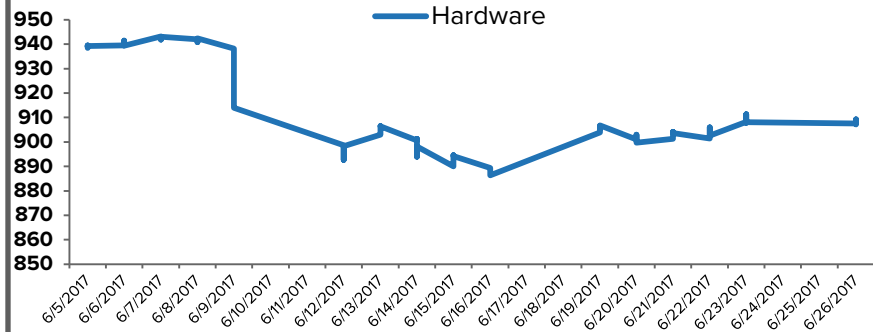
THE COMPUTER CRASH

INDEX PERFORMANCE SINCE THE COMPUTER CRASH

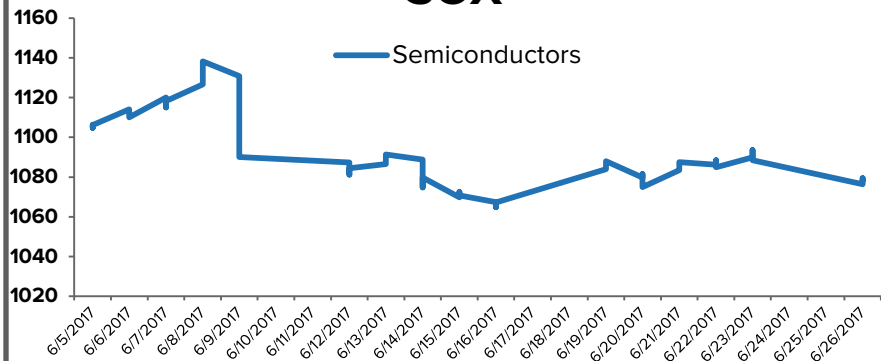
Software and Services



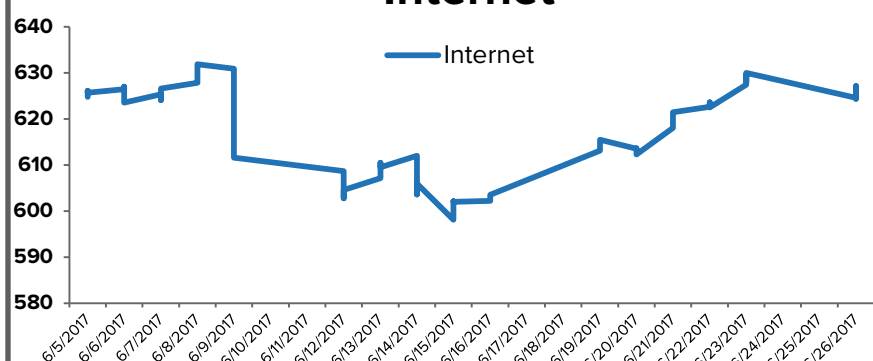
Hardware



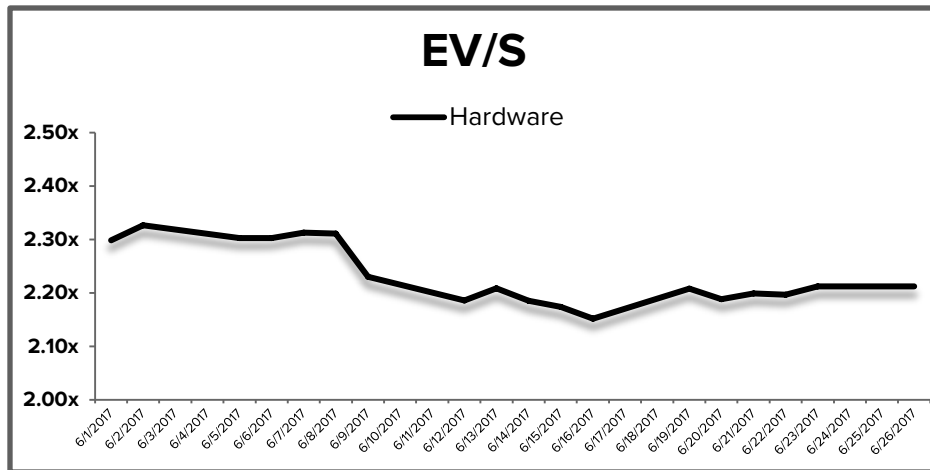
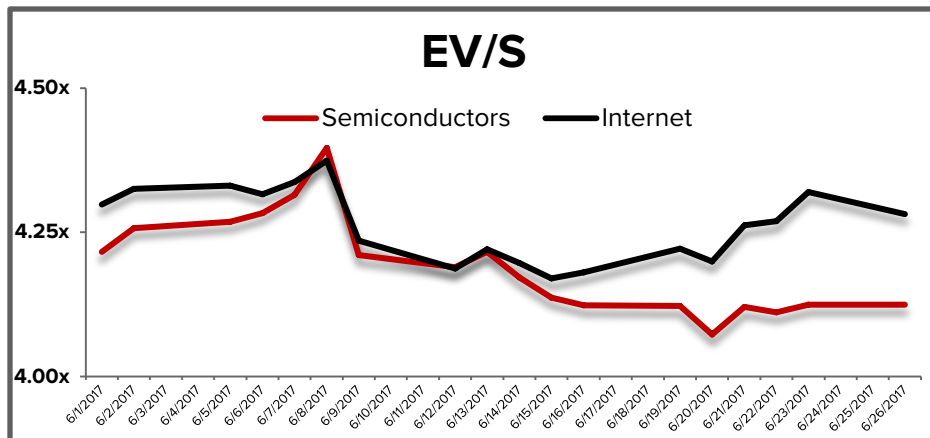
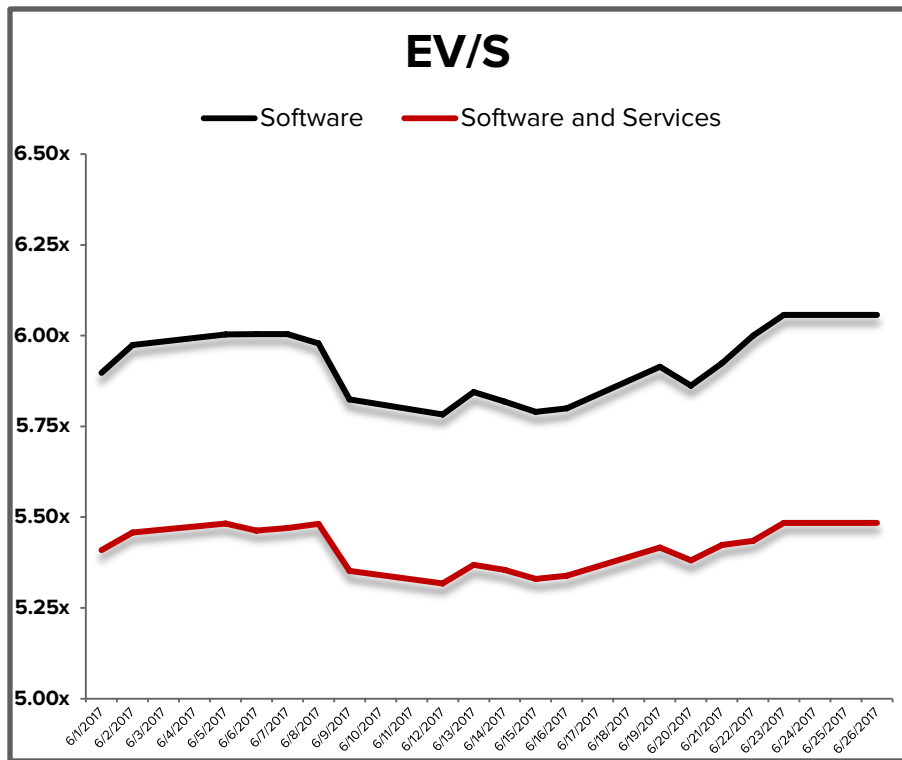
SOX



Internet



SOME INDICES FLASHED DOWN & RECOVERED



SOME BIG GAINS WERE MADE IN THE TIME SINCE

SNCR UP ON TAKEOVER INTEREST; AMD ON SERVER CHIPS

Name	Ticker	Price	Equity Value (MM)	Return Since Friday Crash	YTD Return	EV/S
QORVO INC	QRVO	\$66.41	\$8,441	-7.4%	25.9%	2.93x
STRATASYS LTD	SSYS	\$24.39	\$1,288	-7.3%	47.5%	1.51x
WAGeworks INC	WAGE	\$66.55	\$2,631	-7.1%	-8.2%	6.94x
FORMFACTOR INC	FORM	\$12.55	\$905	-4.9%	12.1%	1.99x
PHOTRONICS INC	PLAB	\$9.50	\$654	-4.5%	-15.9%	1.09x
NANOMETRICS INC	NANO	\$26.11	\$659	-4.1%	4.2%	2.26x
VIavi SOLUTIONS INC	VIAV	\$10.86	\$2,465	-4.0%	32.8%	2.36x
ENTEGRIS INC	ENTG	\$23.10	\$3,273	-4.0%	29.1%	2.81x
ACACIA COMMUNICATIONS INC	ACIA	\$43.33	\$1,674	-3.9%	-29.8%	2.85x
SILICON LABORATORIES INC	SLAB	\$68.45	\$2,899	-3.3%	5.3%	3.65x
INTEL CORP	INTC	\$34.07	\$160,436	-3.2%	-4.7%	2.68x
PAYCHEX INC	PAYX	\$59.24	\$21,282	-3.0%	-1.2%	6.74x
ELECTRONICS FOR IMAGING	EFII	\$47.98	\$2,230	-3.0%	9.4%	2.12x
COUPA SOFTWARE INC	COUP	\$30.30	\$1,606	-2.9%	21.2%	9.38x
ENGILITY HOLDINGS INC	EGL	\$27.64	\$1,017	-2.8%	-18.0%	1.00x
KEMET CORP	KEM	\$13.33	\$634	-2.8%	101.1%	1.20x
ON SEMICONDUCTOR CORP	ON	\$14.97	\$6,298	-2.7%	17.3%	1.96x
DUN & BRADSTREET CORP	DNB	\$103.20	\$3,808	-2.5%	-14.1%	3.01x
Q2 HOLDINGS INC	QTWO	\$37.15	\$1,521	-2.5%	28.8%	8.94x
MARKETAxESS HOLDINGS INC	MKTX	\$200.85	\$7,538	-2.3%	37.2%	18.76x
FACTSET RESEARCH SYSTEMS INC	FDS	\$166.09	\$6,554	-2.3%	2.3%	5.70x
RUDOLPH TECHNOLOGIES INC	RTEC	\$24.30	\$764	-2.2%	4.1%	2.62x
EQUIFAX INC	EFX	\$139.43	\$16,761	-2.2%	18.6%	5.96x
INOVALON HOLDINGS INC - A	INOV	\$13.30	\$1,942	-2.2%	29.1%	3.85x
SUPER MICRO COMPUTER INC	SMCI	\$24.40	\$1,188	-2.2%	-13.0%	0.52x

Name	Ticker	Price	Equity Value (MM)	Return Since Friday Crash	YTD Return	EV/S
SYNCHRONOSS TECHNOLOGIES INC	SNCR	\$16.14	\$748	49.3%	-57.9%	1.72x
NANTHEALTH INC	NH	\$4.95	\$602	38.7%	-50.2%	4.61x
ADVANCED MICRO DEVICES	AMD	\$14.08	\$13,306	23.1%	24.2%	3.11x
POWER INTEGRATIONS INC	POWI	\$72.75	\$2,160	14.3%	7.7%	4.70x
INSTRUCTURE INC	INST	\$29.55	\$855	13.7%	51.2%	6.71x
ORACLE CORP	ORCL	\$50.86	\$209,273	12.8%	33.4%	5.33x
VASCO DATA SECURITY INTL	VDSI	\$14.65	\$589	11.8%	7.3%	2.36x
NUTANIX INC - A	NTNX	\$19.75	\$2,993	11.8%	-25.6%	3.88x
RED HAT INC	RHT	\$98.19	\$17,431	11.8%	40.9%	6.30x
SYNAPTICS INC	SYNA	\$58.36	\$2,002	11.6%	8.9%	1.17x
CASTLIGHT HEALTH INC-B	CSLT	\$4.30	\$561	10.3%	-13.1%	4.29x
CA INC	CA	\$34.81	\$14,663	9.9%	11.3%	3.64x
CALLIDUS SOFTWARE INC	CALD	\$24.30	\$1,576	9.2%	44.6%	6.44x
PERFICIENT INC	PRFT	\$18.92	\$667	8.9%	8.2%	1.46x
MICRON TECHNOLOGY INC	MU	\$32.50	\$35,955	8.8%	48.3%	3.04x
INNERWORKINGS INC	INWK	\$11.65	\$630	8.0%	18.3%	0.66x
QUANTENNA COMMUNICATIONS INC	QTNA	\$20.82	\$702	7.9%	14.8%	4.16x
MACOM TECHNOLOGY SOLUTIONS H	MTSI	\$60.25	\$3,846	7.9%	30.2%	6.79x
TWILIO INC - A	TWLO	\$28.94	\$2,619	7.7%	0.3%	7.63x
2U INC	TWOU	\$47.87	\$2,276	7.6%	58.8%	9.55x
FITBIT INC - A	FIT	\$5.44	\$1,243	7.5%	-25.7%	0.26x
CARBONITE INC	CARB	\$23.40	\$643	7.3%	42.7%	2.97x
BLACKLINE INC	BL	\$37.80	\$1,939	7.3%	36.8%	13.59x
TECH DATA CORP	TECD	\$103.25	\$3,937	7.2%	21.9%	0.19x
SERVICENOW INC	NOW	\$108.35	\$18,406	7.1%	45.7%	11.95x

DID THE MARKET CAP MATTER?

BIG CAPS UP 1.9% OVER THAT TIME; SMALL CAPS UP 4.0%

Name	Ticker	Price	Equity Value (MM)	Return Since Friday Crash	YTD Return	EV/S
APPLE INC	AAPL	\$145.82	\$760,282	2.5%	27.0%	2.73x
MICROSOFT CORP	MSFT	\$70.53	\$544,528	0.8%	14.8%	5.76x
ORACLE CORP	ORCL	\$50.86	\$209,273	12.8%	33.4%	5.33x
CISCO SYSTEMS INC	CSCO	\$32.24	\$161,202	1.9%	8.5%	2.59x
INTEL CORP	INTC	\$34.07	\$160,436	-3.2%	-4.7%	2.68x
INTL BUSINESS MACHINES CORP	IBM	\$155.23	\$145,838	-0.1%	-4.8%	2.24x
BROADCOM LTD	AVGO	\$242.75	\$98,700	2.8%	38.5%	6.81x
NVIDIA CORP	NVDA	\$152.15	\$90,529	0.3%	42.9%	11.47x
QUALCOMM INC	QCOM	\$56.56	\$83,564	-0.5%	-11.6%	2.87x
TEXAS INSTRUMENTS INC	TXN	\$78.31	\$78,022	-1.7%	8.7%	5.69x
ADOBE SYSTEMS INC	ADBE	\$144.96	\$71,711	5.2%	40.8%	10.52x
SALESFORCE.COM INC	CRM	\$88.11	\$62,752	2.5%	28.7%	6.92x
APPLIED MATERIALS INC	AMAT	\$43.25	\$46,478	0.3%	34.7%	3.48x
AUTOMATIC DATA PROCESSING	ADP	\$102.21	\$45,730	-1.2%	0.6%	3.66x
ACTIVISION BLIZZARD INC	ATVI	\$60.22	\$45,386	2.4%	67.8%	6.77x
COGNIZANT TECH SOLUTIONS-A	CTSH	\$67.46	\$39,734	1.3%	20.7%	2.65x
S&P GLOBAL INC	SPGI	\$146.27	\$37,708	-1.5%	36.8%	6.93x
VMWARE INC-CLASS A	VMW	\$90.66	\$37,028	2.9%	15.2%	4.22x
MICRON TECHNOLOGY INC	MU	\$32.50	\$35,955	8.8%	48.3%	3.04x
INTUIT INC	INTU	\$138.40	\$35,460	-0.8%	21.5%	6.75x
ELECTRONIC ARTS INC	EA	\$111.86	\$34,630	1.2%	42.0%	6.42x
HP INC	HPQ	\$18.16	\$30,569	4.7%	24.2%	0.63x
ANALOG DEVICES INC	ADI	\$80.57	\$29,570	0.7%	12.2%	9.06x
CORNING INC	GLW	\$30.23	\$27,819	2.8%	25.9%	3.01x
HEWLETT PACKARD ENTERPRIS	HPE	\$16.81	\$27,613	1.9%	-2.4%	0.77x

Name	Ticker	Price	Equity Value (MM)	Return Since Friday Crash	YTD Return	EV/S
XACTLY CORP	XTLY	\$15.65	\$503	0.6%	42.3%	4.87x
XCERRA CORP	XCRA	\$9.83	\$533	-0.5%	28.7%	1.15x
PDF SOLUTIONS INC	PDFS	\$16.90	\$543	2.9%	-25.1%	4.02x
CASTLIGHT HEALTH INC-B	CSLT	\$4.30	\$561	10.3%	-13.1%	4.29x
MOBILEIRON INC	MOBL	\$6.30	\$581	1.6%	68.0%	2.91x
QAD INC-A	QADA	\$31.85	\$584	2.9%	5.3%	1.57x
A10 NETWORKS INC	ATEN	\$8.48	\$588	2.2%	2.0%	2.00x
VASCO DATA SECURITY INTL	VDSI	\$14.65	\$589	11.8%	7.3%	2.36x
NANTHEALTH INC	NH	\$4.95	\$602	38.7%	-50.2%	4.61x
INNERWORKINGS INC	INWK	\$11.65	\$630	8.0%	18.3%	0.66x
KEMET CORP	KEM	\$13.33	\$634	-2.8%	101.1%	1.20x
CARBONITE INC	CARB	\$23.40	\$643	7.3%	42.7%	2.97x
UNISYS CORP	UIS	\$12.80	\$645	3.2%	-14.4%	0.22x
PHOTRONICS INC	PLAB	\$9.50	\$654	-4.5%	-15.9%	1.09x
NANOMETRICS INC	NANO	\$26.11	\$659	-4.1%	4.2%	2.26x
PERFICIENT INC	PRFT	\$18.92	\$667	8.9%	8.2%	1.46x
LIVEPERSON INC	LPSN	\$11.70	\$684	3.1%	55.0%	2.91x
ULTRA CLEAN HOLDINGS INC	UCTT	\$20.57	\$688	-0.3%	112.1%	1.06x
CALAMP CORP	CAMP	\$19.62	\$694	1.2%	35.3%	2.11x
FORRESTER RESEARCH INC	FORR	\$39.30	\$697	-0.5%	-7.6%	1.73x
CTS CORP	CTS	\$21.35	\$701	-0.5%	-4.3%	1.69x
QUANTENNA COMMUNICATIONS INC	QTNA	\$20.82	\$702	7.9%	14.8%	4.16x
AXCELIS TECHNOLOGIES INC	ACLS	\$23.35	\$703	-0.8%	60.5%	2.21x
APPTIO INC - CLASS A	APTI	\$17.86	\$710	5.5%	-3.6%	3.47x
CRAY INC	CRAY	\$18.15	\$731	-0.8%	-12.3%	0.77x

HOW ABOUT VALUATION?

LOOKS LIKE CHEAP STUFF WAS SOLD A BIT MORE

Name	Ticker	Price	Equity Value (MM)	Return Since Friday Crash	YTD Return	EV/S
TECH DATA CORP	TECD	\$103.25	\$3,937	7.2%	21.9%	0.19x
UNISYS CORP	UIS	\$12.80	\$645	3.2%	-14.4%	0.22x
FITBIT INC - A	FIT	\$5.44	\$1,243	7.5%	-25.7%	0.26x
AVNET INC	AVT	\$38.94	\$4,867	0.9%	-17.5%	0.27x
JABIL INC	JBL	\$30.24	\$5,512	6.3%	28.5%	0.38x
SYNNEX CORP	SNX	\$126.27	\$5,040	6.8%	4.8%	0.39x
ARROW ELECTRONICS INC	ARW	\$79.81	\$7,091	3.5%	11.9%	0.40x
FLEX LTD	FLEX	\$16.97	\$8,993	2.8%	18.1%	0.43x
SANMINA CORP	SANM	\$39.60	\$2,991	5.6%	8.0%	0.44x
BENCHMARK ELECTRONICS INC	BHE	\$33.63	\$1,672	1.3%	10.2%	0.49x
SUPER MICRO COMPUTER INC	SMCI	\$24.40	\$1,188	-2.2%	-13.0%	0.52x
PLEXUS CORP	PLXS	\$53.09	\$1,790	2.8%	-1.8%	0.60x
HP INC	HPQ	\$18.16	\$30,569	4.7%	24.2%	0.63x
INNERWORKINGS INC	INWK	\$11.65	\$630	8.0%	18.3%	0.66x
VISHAY INTERTECHNOLOGY INC	VSH	\$16.48	\$2,408	-0.5%	2.5%	0.70x
CRAY INC	CRAY	\$18.15	\$731	-0.8%	-12.3%	0.77x
HEWLETT PACKARD ENTERPRIS	HPE	\$16.81	\$27,613	1.9%	-2.4%	0.77x
NETGEAR INC	NTGR	\$44.10	\$1,431	1.7%	-18.9%	0.80x
DIEBOLD NIXDORF INC	DBD	\$26.85	\$2,027	0.8%	7.5%	0.81x
CONVERGYS CORP	CVG	\$24.27	\$2,284	0.2%	-0.3%	0.84x
XEROX CORP	XRX	\$29.19	\$7,419	2.4%	28.0%	0.84x
CONDUENT INC	CNDT	\$15.91	\$3,330	-0.1%	6.8%	0.85x
AMKOR TECHNOLOGY INC	AMKR	\$10.37	\$2,479	-1.8%	-1.7%	0.87x
MANTECH INTERNATIONAL CORP-A	MANT	\$39.25	\$1,523	1.1%	-6.1%	0.88x
SCIENCE APPLICATIONS INTE	SAIC	\$70.31	\$3,071	-1.0%	-16.4%	0.90x

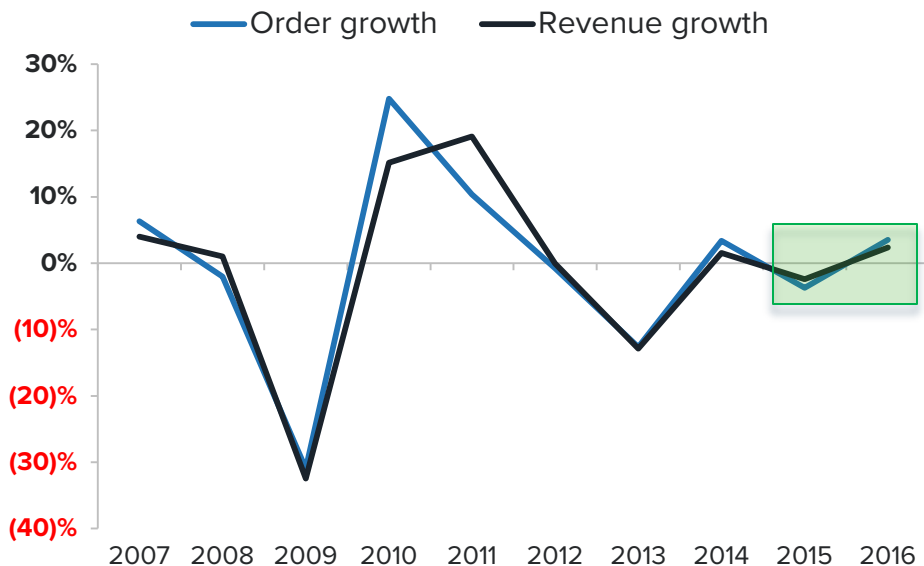
Name	Ticker	Price	Equity Value (MM)	Return Since Friday Crash	YTD Return	EV/S
UNIVERSAL DISPLAY CORP	OLED	\$117.50	\$5,526	0.5%	108.8%	23.15x
MARKETAXESS HOLDINGS INC	MKTX	\$200.85	\$7,538	-2.3%	37.2%	18.76x
VEEVA SYSTEMS INC-CLASS A	VEEV	\$62.33	\$8,711	4.5%	53.1%	13.82x
BLACKLINE INC	BL	\$37.80	\$1,939	7.3%	36.8%	13.59x
LOGMEIN INC	LOGM	\$110.30	\$5,805	1.6%	15.0%	12.48x
SERVICENOW INC	NOW	\$108.35	\$18,406	7.1%	45.7%	11.95x
PAYCOM SOFTWARE INC	PAYC	\$71.77	\$4,265	3.5%	57.8%	11.73x
CEVA INC	CEVA	\$47.10	\$1,015	3.6%	40.4%	11.64x
NVIDIA CORP	NVDA	\$152.15	\$90,529	0.3%	42.9%	11.47x
WORKDAY INC-CLASS A	WDAY	\$102.23	\$21,043	3.9%	54.7%	11.43x
AUTODESK INC	ADSK	\$106.12	\$23,388	1.2%	43.4%	11.37x
ADOBE SYSTEMS INC	ADBE	\$144.96	\$71,711	5.2%	40.8%	10.52x
GUIDEWIRE SOFTWARE INC	GWRE	\$69.04	\$5,135	2.7%	40.0%	9.82x
APPFOLIO INC - A	APPF	\$34.00	\$1,151	6.9%	42.6%	9.81x
COSTAR GROUP INC	CSGP	\$263.94	\$8,644	3.0%	40.0%	9.69x
2U INC	TWOU	\$47.87	\$2,276	7.6%	58.8%	9.55x
ANSYS INC	ANSS	\$122.78	\$10,497	0.8%	32.7%	9.48x
MONOLITHIC POWER SYSTEMS INC	MPWR	\$99.51	\$4,106	2.4%	21.7%	9.46x
IMPINJ INC	PI	\$59.37	\$1,225	6.6%	68.0%	9.45x
COUPA SOFTWARE INC	COUP	\$30.30	\$1,606	-2.9%	21.2%	9.38x
MSCI INC	MSCI	\$104.22	\$9,427	-1.3%	33.1%	9.21x
ANALOG DEVICES INC	ADI	\$80.57	\$29,570	0.7%	12.2%	9.06x
PROOFPOINT INC	PFPT	\$85.78	\$3,750	-1.9%	21.4%	9.05x
Q2 HOLDINGS INC	QTWO	\$37.15	\$1,521	-2.5%	28.8%	8.94x
ASPEN TECHNOLOGY INC	AZPN	\$55.66	\$4,146	0.8%	1.8%	8.85x

FUNDAMENTALS

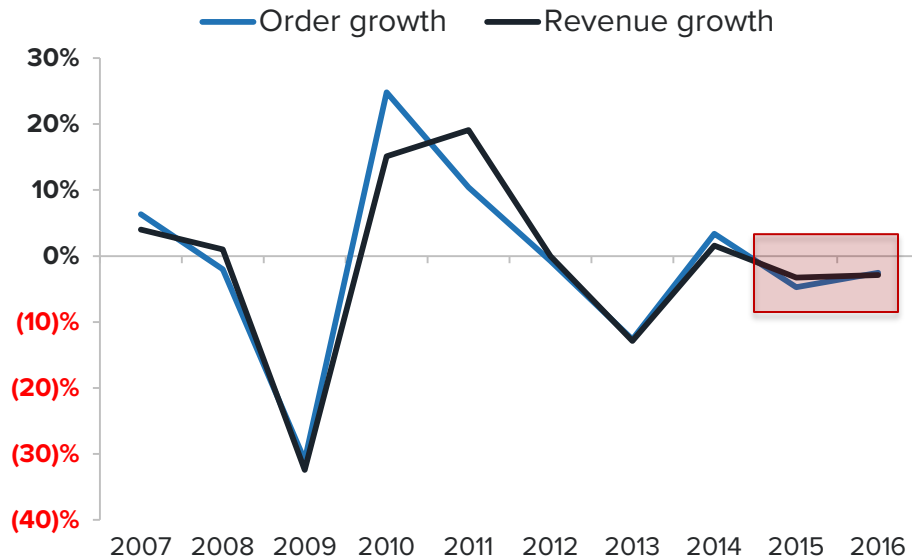
GROWTH CHALLENGED COMPANIES

RELY ON M&A FOR GROWTH, THEN ERRONEOUSLY TELL US TO MODEL INORGANIC GROWTH RATES

At Face Value It Looks Like Improving Data



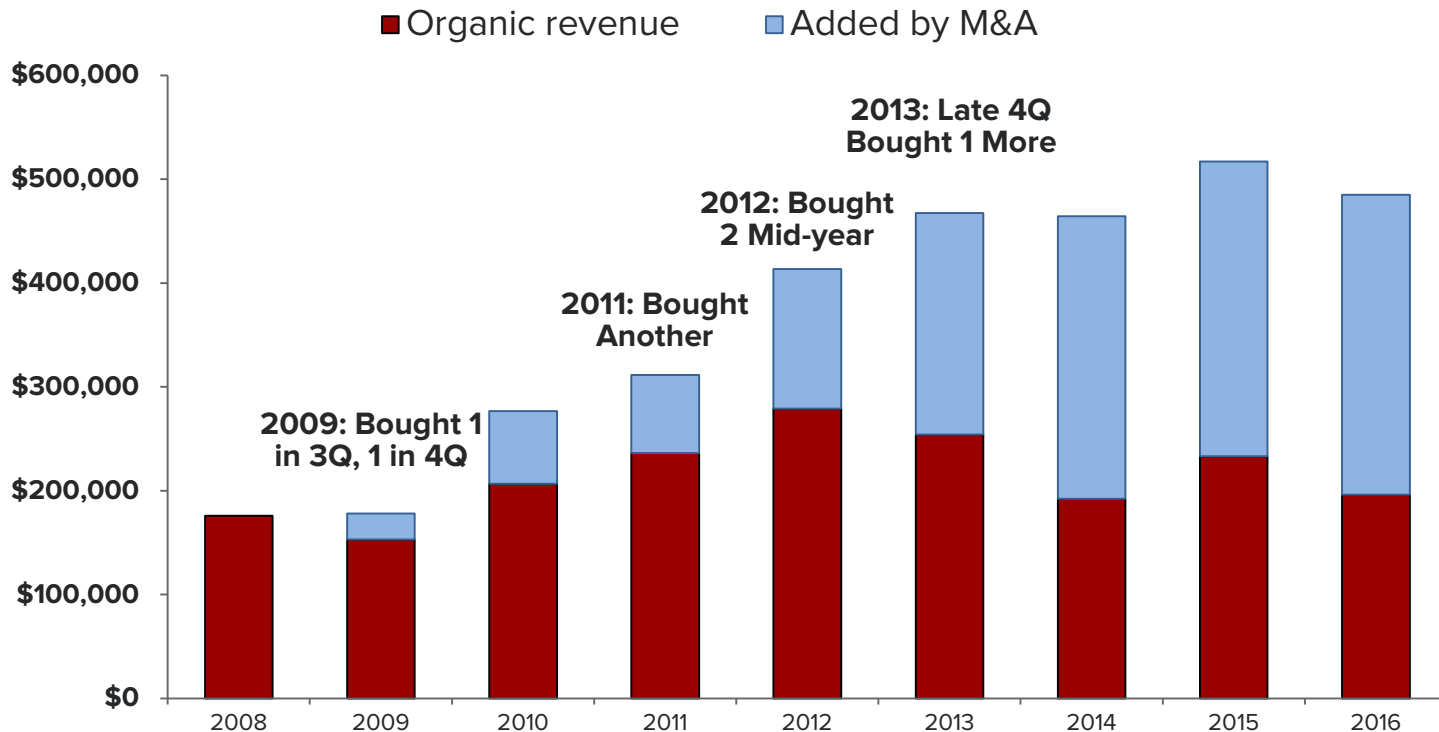
But Scratch The Surface And X-Anite, Organic Data Not As Good - Which Is Why They Had To Buy Ixia



SO I THOUGHT, IF I'VE COME THIS FAR...

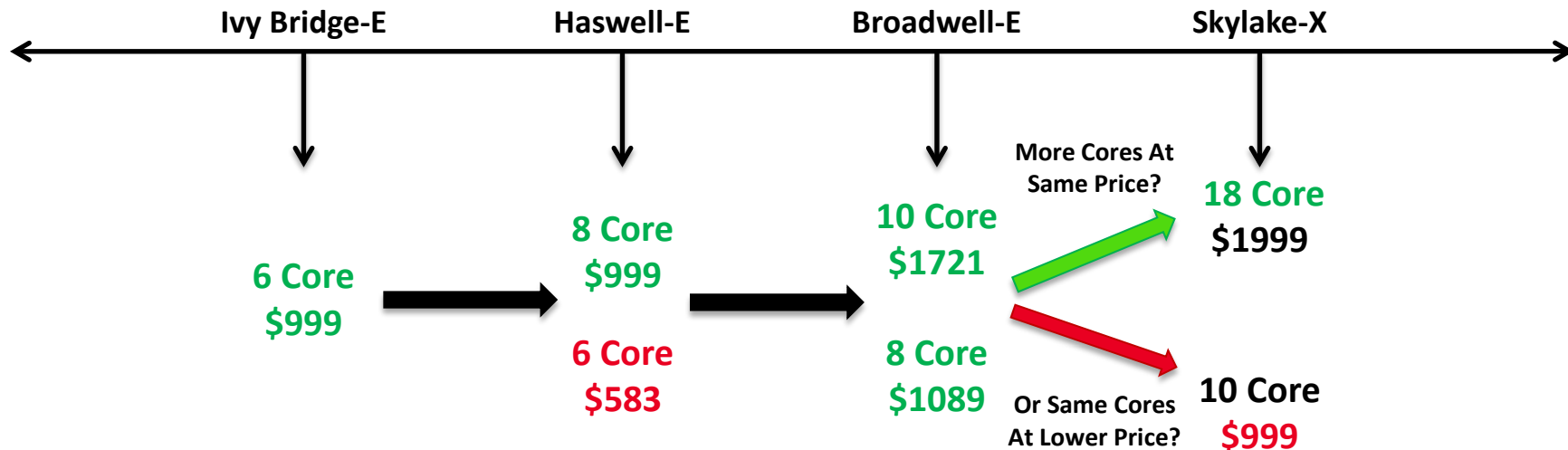
AMAZING WHAT IS BEING SOLD: A FLAT DECADE PLUS COBBLED TOGETHER M&A

Organic and Inorganic Revenue for Ixia



INTEL GOT RICH ON BROADWELL

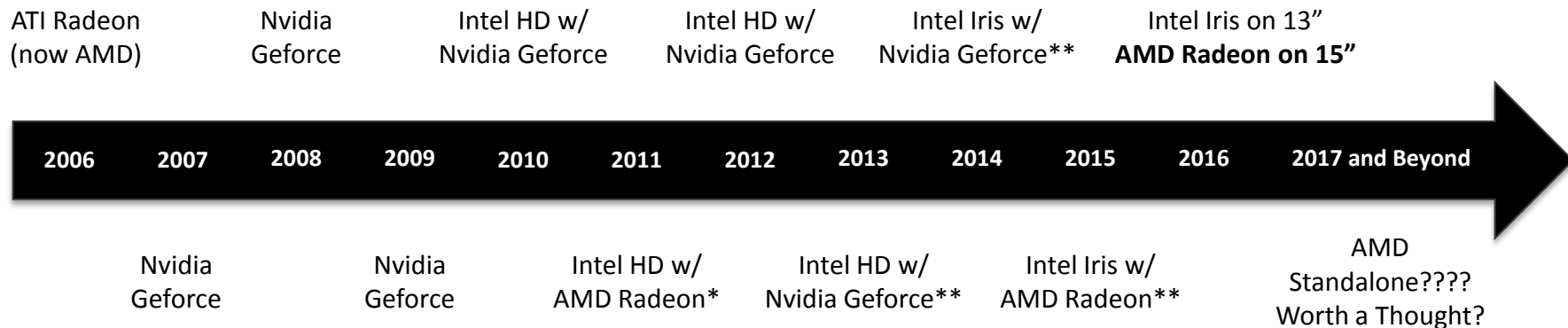
TOP SKU'S PRICE FOR PAST FOUR INTEL GENERATIONS



INTC INCREASED PRICES WHILE THEY COULD, THEN CUT \$/CORE IN HALF

The mass update feels like a self-consuming chase. It validates multicore processors as a market, incentivizing software writers towards gearing traditionally single-threaded applications like games into multi-threaded ones- boosting AMD's strength. At that, price per core was cut in half since last generation, cutting the profits on a like-to-like basis

HISTORY OF THE MACBOOK PRO GRAPHICS CARD



* Signifies non-Intel GPU offered as a shared GPU w/ Intel GPU, or on its own w/o Intel

** Signifies an Intel-only graphics as well as the shared GPU

APPLE CHOSE TOP RATE INTC CPUS, BUT THIRD RATE INTC GPUS- TIME FOR A SWITCH?

Although this is not the first time AMD has been in the MacBook Pro, it is the first time since 2011 that it has been offered as a discrete option. During that time, Intel was the only legitimate high-end CPU maker. Now that AMD can compete in CPUs while beating Intel handedly in GPUs, they can compete with a more all-around integrated system (integrated is thinner than discrete, and thus more favorable to notebook OEMs)

FOR MORE INFORMATION, CONTACT US AT:

SALES@HEDGEYE.COM
(203) 562-6500