

MELLANOX TECHNOLOGIES

2Q Preview; A “Big Data” Winner

We reiterate our 1-OW into 2Q results: MLNX will report 2Q11 on July 20. We estimate revenues of \$61.8mn and non-GAAP EPS of \$0.20. This compares to consensus of \$61.9mn and \$0.21. We have noted throughout the quarter that we view our estimate as achievable given the full quarter contribution from the Voltaire acquisition (only contributed seven weeks in 1Q11) and the continued accelerating growth opportunity with Oracle, which jumped to 13% of sales in 1Q11 from under 10% in 4Q10 and 2010.

Recent HPC data highlight technology prowess: About 70% of MLNX revenues are generated in the HPC (high performance computing) segment. The most recent TOP500 results were released in June and the Infiniband now accounts for 41.2% of the TOP500; MLNX connects five of the top 10 fastest computers in the world and 90% of the Infiniband systems. Infiniband is now the predominant interconnect in the HPC category and MLNX serves an array of customers globally.

We view MLNX as a potential “Big Data” winner: Barclays Capital sees “Big Data,” as one of the most important trends in technology. We see MLNX as well positioned in connecting the appliances that facilitate the storage and management of vast amounts of information. MLNX sells to ORCL (covered by Israel Hernandez), IBM (generally a 10% customer) and EMC (both covered by Benjamin Reitzes) all of which are viewed as market leaders by Barclays Capital.

Risks to Thesis and Valuation: We see the timing of revenues and Infiniband adoption rates as the largest risks to MLNX; this year integration of VOLT is a risk as well. Given momentum in the business and the ORCL and “Big Data” upside potential we believe that the stock could trade up to our “upside case,” or \$36.

MLNX: Quarterly and Annual EPS (USD)

FY Dec	2010		2011			2012			Change y/y	
	Actual	Old	Old	New	Cons	Old	New	Cons	2011	2012
Q1	0.29A	0.24A	0.24A	0.24A	0.24A	0.35E	0.35E	0.34E	-17%	46%
Q2	0.29A	0.20E	0.20E	0.20E	0.21E	0.41E	0.41E	0.38E	-31%	105%
Q3	0.22A	0.29E	0.29E	0.29E	0.28E	0.41E	0.41E	0.40E	32%	41%
Q4	0.21A	0.33E	0.33E	0.33E	0.31E	0.47E	0.47E	0.44E	57%	42%
Year	1.01A	1.05E	1.05E	1.05E	1.04E	1.64E	1.64E	1.56E	4%	56%
P/E	29.6		28.5			18.3				

Source: Barclays Capital
Consensus numbers are from Thomson Reuters

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Stock Rating	1-OVERWEIGHT Unchanged
Sector View	2-NEUTRAL Unchanged
Price Target	USD 33.00 Unchanged

Price (05-Jul-2011)	USD 29.94
Potential Upside/Downside	+10%
Tickers	MLNX

Market Cap (USD mn)	1041
Shares Outstanding (mn)	34.77
Free Float (%)	69.90
52 Wk Avg Daily Volume (mn)	0.3
Dividend Yield (%)	N/A
Return on Equity TTM (%)	2.51
Current BVPS (USD)	8.70

Source: FactSet Fundamentals

Price Performance	Exchange-Nasdaq
52 Week range	USD 32.84-14.60



[Link to Barclays Capital Live for interactive charting](#)

Israel Technology

Joseph Wolf

972.3.623.8746

joseph.wolf@barcap.com

Barclays Capital, London

COMPANY SNAPSHOT

Mellanox

Technology

Income statement (\$m)	2010A	2011E	2012E	2013E	CAGR
Revenue	155	252	319	353	31.6%
EBITDA	43	59	103	116	39.0%
EBIT	23	31	71	81	51.3%
Pre-tax income	23	31	49	81	51.7%
Net income	36	34	66	101	41.1%
EPS (adjusted) (\$)	1.01	1.05	1.64	2.42	34.0%
Diluted shares (m)	37	39	40	42	4.4%
Dividend per share (\$)	-	-	-	-	NA

Margin and return data (%)	Average				
Gross margin	73.8	66.9	68.0	75.7	71.1
EBITDA margin	28.0	23.5	32.4	33.0	29.2
EBIT margin	15.2	12.3	22.2	23.0	18.2
Pre-tax margin	15.1	12.4	15.2	23.1	16.5
Net margin	23.2	13.6	20.7	28.5	21.5
ROA	12.1	10.1	17.1	22.4	15.4
ROE	13.7	11.9	20.8	26.6	18.2
ROIC	5.7	4.9	8.2	10.6	7.3

Balance sheet and cash flow (\$m)	CAGR				
Tangible fixed assets	15	18	30	43	40.6%
Intangible fixed assets	0.29	167	167	167	NA
Cash and equivalents	108	54	72	128	6.0%
Working capital	268	146	182	243	-3.1%
Inventories	12	17	22	19	17.2%
Accounts receivable	20	40	51	56	41.5%
Accounts payable	7	18	22	19	42.5%
Total assets	316	363	411	485	15.4%
Short and long-term debt	NA	NA	NA	NA	NA
Total liabilities	34	47	52	49	12.7%
Shareholders' equity	282	296	340	416	13.9%
Change in working capital	40	(122)	37	61	14.9%
Cash flow from operations	41	30	43	84	26.7%
Capital expenditure	(11)	(10)	(22)	(25)	NA
Free cash flow	48	(110)	68	124	37.2%
Change in cash	64	(54)	18	57	-4.2%

Valuation and leverage metrics	Average				
EV/sales (x)	6.7	4.4	3.6	3.4	4.5
EV/EBITDA (x)	24.0	18.6	11.1	10.2	16.0
EV/EBIT (x)	44.4	35.5	16.2	14.7	27.7
P/E (adjusted) (x)	29.8	28.5	18.2	12.4	22.2
Price/FCF (x)	0.6	NA	0.4	0.2	0.4
FCF yield (%)	1.6	NA	2.3	4.1	2.7
Price/BV (x)	3.9	3.9	3.5	3.0	3.6
Dividend yield (%)	NA	NA	NA	NA	-

Source: Company data, Barclays Capital

Stock Rating	1-OVERWEIGHT
Sector View	2-NEUTRAL
Price (05-Jul-2011)	USD 29.94
Price Target	USD 33
Ticker	MLNX

Investment case **\$33**

Why a 1-OW? We see the stock trading to 20x 2012e non-GAAP EPS. We believe that the IT spending trends, the near-term/live opportunity with Oracle, and other large opportunities like Web 2.0, make MLNX a winner in the technology environment.

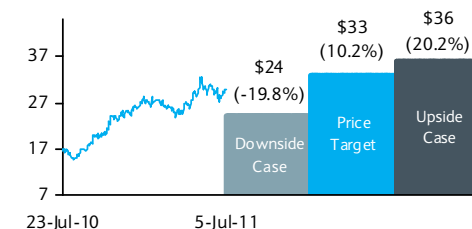
Upside case **\$36**

We believe our estimates for MLNX remain conservative given multiple potential growth opportunities. If our 2012e EPS improves to \$1.80, which could be driven by upside at Oracle or another large customer, we could see the stock trade up to \$36.

Downside case **\$24**

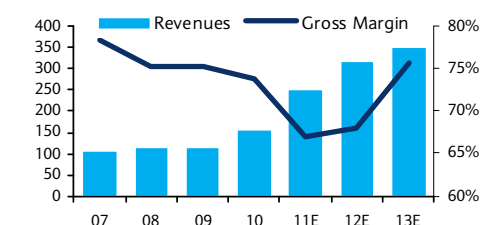
While we are optimistic regarding MLNX's outlook, challenges in 2011 include the integration of VOLT and the roll-out of at least two new products. Should estimates fall back to our prior \$1.35 we would expect multiple compression to 18x and a stock price.

Upside/downside scenarios



Source: Thomson Reuters Datastream, Barclays Capital est.

Total Revenues and Gross Margin



Note: FY end Dec.

2Q on track; 2011 estimates look achievable

MLNX will report 2Q11 on July 20. We expect that it will meet or exceed our estimates for revenue of \$61.8 million and non-GAAP EPS of \$0.20.

We are also comfortable with our 3Q11 and 4Q11 estimates of \$66.2 million and EPS of \$0.29 and \$69.2 million and EPS of \$0.33 respectively. This is in-line with consensus on revenues and a bit ahead on EPS.

Last year 3Q guidance was a bit messy for MLNX as a transition at HP to LOM (LAN on motherboard) blade servers caused a shift at MLNX from board sales to chip sales. The stock took a severe blow when guidance was below consensus. In our view the relative lack of transparency into the MLNX revenue stream caused the dramatic sell off. We believe that this was in part due to the fact that while MLNX sells into large customers like HP and IBM in every quarter, its relative small size means that correlating MLNX sales to overall industry trends tends to be difficult. In 2011 we believe that the ORCL opportunity is large enough to provide investors with a better view into MLNX and provide a higher degree of comfort surrounding forward estimates. This is due to the significance that ORCL management places on its Exadata/Exalogic deployment and the granularity that it has begun providing regarding this hardware platform. It is still early, but ORCL noted on its June 23 conference call that it has sold 1,000 Exadata systems, 150 in the quarter ended May 31, 2011 and is targeting 3,000 units in its FY12. This tripling of revenues implies 40% sequential growth in the coming four quarters.

Our forecasts do not require MLNX to grow this fast, and in fact even with current levels of disclosure it is early enough in the rollout that we are not 100% certain what inventory trends and overlap will look like given the timing of the fiscal quarters.

In figure 1 below we demonstrate that 2Q guidance only requires 5.5% growth in the non-ORCL and non-VOLT business to reach our estimates. 2Q has historically been a strong quarter for MLNX with greater than 10% growth posted in 2007, 2008, 2009, and 2010.

Figure 1: Incremental growth analysis

		Scenario A Scenario B Scenario C			
	2010	2Q11E	2011E	2011E	2011E
Total Sales (MLNX+VOLT pro-forma)	215	61.8	252.3	252.3	252.3
Incremental revenues		6.7	37.3	37.3	37.3
Assumed revenue growth (seq in 2Q11)		12.2%	17%	17%	17%
Incremental VOLT revs		3.0	NA	NA	NA
Incremental - VOLT		3.7			
Oracle contribution	7.8	8.9	31.7	25	15
% Oracle	3.6%	14.5%	12.6%	10%	6%
Oracle growth rate (seq in 2Q)		25.0%	307%	221%	92%
Incremental revenues from all others		2.0	5.6	12.3	22.3
Assumed growth rate from all other customers		6%	2.7%	5.9%	10.8%

Source: Company and Barclays Capital

MLNX could be a “Big Data” winner

Barclays Capital sees “Big Data” as one of the most important trends in technology and has published two recent reports developing these trends and suggesting potential winners. (See recent reports *U.S. IT Hardware: 'Big Data' Seems Like the Next Big Thing: EMC Well Positioned*, published on 5/17/11 and *U.S. IT Hardware: 'Big Data' Could mean Big Money in Analytics Appliances*, published on 6/28/11.)

With more and more unstructured data being created as digital content moves online in the form of videos, music and other data consuming media files, managing this data requires increasingly complex and sophisticated tools.

Barclays Capital believes that “Big Data” trends help support our estimates for external storage capacity growth of 42% annually through 2014. According to Ben Reitzes, “In IT Hardware, we believe that IBM (2-EW/1-Pos) and EMC (1-OW/1-Pos) are best positioned to win in this market given their current technology and strategic assets. IBM seems to be making the right investments in software and services, while leveraging its position in the database market. We believe IBM’s business model gives it particular advantages in analytics software and value added services...” (see recent report: *U.S. IT Hardware: 'Big Data' Could mean Big Money in Analytics Appliances*, published on 6/28/11). Within Software, we also believe that Oracle is well positioned, leveraging its position in the database market. SAP (covered by Raimo Lenschow) with its HANA solution could also be an interesting partner for hardware vendors given its pure software focus.

Based on this investment case, we see Mellanox as a potential clear winner as well. We have been highlighting the MLNX opportunity at Oracle for some time now and in 1Q11 ORCL jumped to 13% of sales, the first time it has been a 10% customer (Sun was a historic 10% customer for MLNX in the HPC segment, but that hardware has been discontinued). MLNX’s Infiniband switches are an integral part of the Exadata server platform – there are 3 MLNX Infiniband switches in each full rack Exadata configuration and 2 switches in the ½ rack and ¼ rack configurations. List price for a full rack system is \$1 million, \$550,000 for a ½ rack and \$300,000 for the ¼ rack. While we believe that the actual sales price is discounted we do believe that MLNX content in any Exadata system is \$9,000 - \$12,000. At a 3,000 system run rate one year from now (in line with an ORCL fiscal year) MLNX should be generating \$30 million plus from ORCL alone annually in the near term.

Barclays Capital sees EMC and IBM as two other winners in “Big Data,” and MLNX is a potential winner with both of these customers as well.

EMC bought Isolon in 2010 to augment its storage business. As our colleague Ben Reitzes wrote, “...Isolon arguably has the most compelling scale-out solution and seems likely to increase share”(see recent reports *U.S. IT Hardware: 'Big Data' Seems Like the Next Big Thing: EMC Well Positioned*, published on 5/17/11). The Isolon platform is based on MLNX Infiniband.

Finally, IBM is almost always a 10% customer for MLNX. Much of this revenue has historically been in the HPC segment. MLNX recently announced that it is working with IBM on its db2 PureScale database product. We therefore see MLNX as a winner in the database market, independent of which hardware vendor wins.

In short, investors who believe in “Big Data” should see MLNX as a merchant vendor and very well placed in this fast growing and important technology trend.

Valuation and model

MLNX shares do not look cheap at almost 28x 2011e non-GAAP EPS and 18x 2012e. However, having posted 20%+ growth in all recent years with the exception of 2009, and given the potential growth trajectory in 2011 and 2012 we do not believe the valuation to be too rich either. In fact, given our view that MLNX could exceed our estimates and consensus in each of the coming 3-5 quarters we believe that our upside case analysis, which could mean upside to our 2012e EPS to \$1.80 (up from our published estimate of \$1.64) is becoming more likely. In this scenario we believe that shares of MLNX could go beyond our \$33 PT and reach our upside case potential of \$36.

Figure 2: Peer valuation sheet

Company	Ticker	BarCap Rating	Price 05/07/11	Price Target	Non GAAP EPS		Non-GAAP P/E	
					2011E	2012E	2011E	2012E
nVidia	NVDA	1-OW	\$15.88	\$26	\$0.65	\$1.05	24	15
Qualcomm	QCOM	1-OW	\$58.14	\$64	\$3.12	\$3.32	19	18
Skyworks	SWKS	1-OW	\$23.06	\$31	\$1.82	\$1.99	13	12
TriQuint	TQNT	1-OW	\$10.19	\$15	\$0.85	\$1.00	12	10
Atheros Communications	ATHR	0-RS	\$44.80	NA	NA	NA	NA	NA
Broadcom	BRCM	1-OW	\$34.27	\$45	\$2.66	\$2.84	13	12
Cavium	CAVM	1-OW	\$43.65	\$50	\$1.33	\$1.67	33	26
Marvell Technology	MRVL	2-EW	\$15.19	\$16	\$1.64	\$1.50	9	10
Texas Instruments	TXN	2-EW	\$32.92	\$37	\$2.45	\$2.70	13	12
ARM Holdings	ARM.L	2-EW	£6.02	£6.50	£0.10	£0.13	57	47
Ezchip	EZCH	1-OW	\$37.31	\$35	\$1.13	\$1.65	33	23
Ceva	CEVA	1-OW	\$31.68	\$34	\$0.82	\$1.15	39	28
Mellanox	MLNX	1-OW	\$29.94	\$33	\$1.05	\$1.64	28	18

Source: Company data, Barclays Capital

Figure 3: Mellanox - Income Statement

\$ Millions	2009	2010	1Q11	2Q11E	3Q11E	4Q11E	2011E	2012E
Total revenues	116.0	154.6	55.1	61.8	66.2	69.2	252.3	319.0
COGS SBC	28.7	40.6	19.2	20.4	21.8	22.2	83.6	102.1
Gross profit SBC	87.4	114.1	35.9	41.4	44.3	47.1	168.7	216.9
<i>Operating expenses</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
R&D SBC	42.2	56.8	20.4	19.8	19.9	20.4	80.5	88.0
Sales and marketing (non-GAAP)	17.0	22.1	8.7	7.7	8.6	8.7	33.7	38.1
G&A (non-GAAP)	9.4	11.7	8.4	6.2	4.3	4.5	23.4	20.0
Stock based compensation expense	10.7	14.1	4.4	5.3	5.3	5.3	20.1	22.3
Total operating expenses SBC	68.6	90.7	37.6	38.9	38.0	38.8	137.6	146.2
Income from operations SBC	18.7	23.4	-1.7	2.5	6.3	8.3	31.1	70.7
Other income, net	0.5	-0.1	0.0	0.0	0.0	0.0	0.2	0.2
Income before taxes	19.3	23.3	-1.6	2.5	6.4	8.3	31.3	48.6
Income taxes	-6.4	-9.8	0.0	-0.1	-0.5	-0.7	-1.3	-4.9
Net Income SBC	12.9	13.5	-1.6	2.4	5.9	7.6	14.3	43.8

EPS, basic	0.40	0.41	-0.05	0.07	0.17	0.21	0.40	1.20
GAAP EPS, fully diluted	0.39	0.38	-0.05	0.07	0.17	0.21	0.41	1.18
NON GAAP EPS, fully diluted	0.81	1.01	0.24	0.20	0.29	0.33	1.05	1.64
Fully diluted shares (non GAAP)	35.4	36.6	38.1	38.6	39.0	39.3	38.7	39.7

Source: Company data, Barclays Capital

Figure 4: Mellanox - Balance Sheet

\$Millions	2009	2010	2011E	2012E
Assets				
<i>Current Assets</i>				
Cash and equivalents	43.6	108.0	54.1	71.9
Short-term investments	166.4	142.0	46.2	47.6
Restricted Cash	3.2	3.4	5.1	5.6
AR, net	20.4	19.9	40.4	51.0
Inventories	9.3	11.7	16.7	22.5
Deferred taxes	8.6	0.6	0.6	0.6
Prepaid expenses and other	3.8	3.9	3.2	2.5
Total Current Assets	255.3	289.4	166.3	201.8
PPE	9.7	15.5	17.5	29.6
Severance assets	4.6	5.8	6.8	7.8
Intangible assets, net	0.4	0.3	167.3	167.3
Deferred taxes	0.8	1.4	1.4	1.4
Other long-term assets	4.5	3.4	3.4	3.4
Total Assets	275.4	315.8	362.7	411.3
Liabilities and Shareholders Equity				
<i>Current Liabilities</i>				
Accounts payable	8.8	6.5	18.4	22.5
Other accrued liabilities	14.8	16.9	16.9	16.9
Capital lease obligations, current	0.5	0.3	-0.2	-0.7
Total current liabilities	24.1	23.8	35.1	38.7
Accrued severance	5.8	7.4	8.2	9.0
Capital lease obligations	0.5	0.2	0.2	0.2
Other long-term obligations	2.1	2.8	3.3	3.8
Total liabilities	32.5	34.1	46.7	51.5
Total shareholders equity	242.9	281.7	296.0	339.7
Total liabilities and shareholders equity	275.4	315.8	362.7	411.3

Source: Company data, Barclays Capital

ANALYST(S) CERTIFICATION(S)

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Primary Stocks (Ticker, Date, Price)

Mellanox Technologies (MLNX, 05-Jul-2011, USD 29.94), 1-Overweight/2-Neutral

Materially Mentioned Stocks (Ticker, Date, Price)

AMR Corp. (AMR, 05-Jul-2011, USD 5.34), 1-Overweight/1-Positive

Atheros Communications, Inc. (ATHR, 24-May-2011, USD 44.99), RS-Rating Suspended/2-Neutral

Broadcom Corp. (BRCM, 05-Jul-2011, USD 34.27), 1-Overweight/2-Neutral

CEVA, Inc. (CEVA, 05-Jul-2011, USD 31.68), 1-Overweight/2-Neutral

EMC Corp. (EMC, 05-Jul-2011, USD 27.88), 1-Overweight/1-Positive

EZchip Semiconductor (EZCH, 05-Jul-2011, USD 37.31), 1-Overweight/2-Neutral

IBM Corp. (IBM, 05-Jul-2011, USD 175.43), 2-Equal Weight/1-Positive

Marvell Technology Group, Ltd. (MRVL, 05-Jul-2011, USD 15.19), 2-Equal Weight/2-Neutral

QUALCOMM, Inc. (QCOM, 05-Jul-2011, USD 58.14), 1-Overweight/2-Neutral

Skyworks Solutions, Inc. (SWKS, 05-Jul-2011, USD 23.06), 1-Overweight/2-Neutral

Texas Instruments, Inc. (TXN, 05-Jul-2011, USD 32.92), 2-Equal Weight/2-Neutral

Triquint Semiconductor (TQNT, 05-Jul-2011, USD 10.19), 1-Overweight/2-Neutral

Other Material Conflicts

QCOM: Barclays Capital is serving as financial advisor and rendered a fairness opinion to Qualcomm in the potential sale of its spectrum licenses to AT&T.

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In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

2-Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

3-Underweight - The stock is expected to underperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

IMPORTANT DISCLOSURES CONTINUED

RS-Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including when Barclays Capital is acting in an advisory capacity in a merger or strategic transaction involving the company.

Sector View

1-Positive - sector coverage universe fundamentals/valuations are improving.

2-Neutral - sector coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

3-Negative - sector coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "sector coverage universe":

Israel Technology

CEVA, Inc. (CEVA)	Elbit Systems Ltd. (ESLT.TA)	EZchip Semiconductor (EZCH)
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Mellanox Technologies (MLNX)	Nice Systems (NICE)	
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U.S. Airlines

AerCap Holdings (AER)	Air Lease Corp. (AL)	Alaska Air Group (ALK)
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Allegiant Travel Co. (ALGT)	AMR Corp. (AMR)	Delta Air Lines (DAL)
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JetBlue Airways (JBLU)	Southwest Airlines (LUV)	Spirit Airlines (SAVE)
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United Continental Holdings (UAL)	US Airways Group (LCC)	
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U.S. IT Hardware

3D Systems Corp. (DDD)	Apple, Inc. (AAPL)	Dell Inc. (DELL)
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EMC Corp. (EMC)	Hewlett-Packard (HPQ)	IBM Corp. (IBM)
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Ingram Micro Inc. (IM)	Lexmark International (LXK)	NetApp, Inc. (NTAP)
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Seagate Technology (STX)	Tech Data Corp. (TECD)	Western Digital Corp. (WDC)
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Xerox Co. (XRX)

U.S. Semiconductors

Advanced Micro Devices (AMD)	Altera Corp. (ALTR)	Analog Devices (ADI)
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Atheros Communications, Inc. (ATHR)	Atmel Corp. (ATML)	Avago Technologies Ltd. (AVGO)
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Broadcom Corp. (BRCM)	Cavium Inc. (CAVM)	Cypress Semiconductor Corp. (CY)
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Entropic Communications Inc. (ENTR)	Freescale Semiconductor Holdings (FSL)	Integrated Device Technology, Inc. (IDTI)
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Intel Corp. (INTC)	Linear Technology (LLTC)	LSI Corp. (LSI)
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MagnaChip Semiconductor (MX)	Marvell Technology Group, Ltd. (MRVL)	Maxim Integrated Products (MXIM)
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Microchip Technology (MCHP)	Micron Technology, Inc. (MU)	Netlogic Microsystems (NETL)
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NVIDIA Corp. (NVDA)	NXP Semiconductors NV (NXPI)	RF Micro Devices (RFMD)
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Silicon Laboratories, Inc. (SLAB)	Skyworks Solutions, Inc. (SWKS)	Smart Modular Technologies (SMOD)
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Spansion Inc. (CODE)	Texas Instruments, Inc. (TXN)	Triquint Semiconductor (TQNT)
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Volterra Semiconductor Corp. (VLTR)	Xilinx, Inc. (XLNX)	
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U.S. Wireless Equipment

Amdocs Ltd. (DOX)	Ceragon Networks Ltd. (CRNT)	Cogo Group, Inc. (COGO)
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Comverse Technology, Inc. (CMVT)	Ericsson (ERIC)	Garmin, Ltd. (GRMN)
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InterDigital, Inc. (IDCC)	Motorola Mobility Holdings (MMI)	Motorola Solutions, Inc. (MSI)
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Nokia (NOK)	Powerwave Technologies (PWAV)	QUALCOMM, Inc. (QCOM)
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Research In Motion (RIMM)	Sierra Wireless (SWIR)	Tekelec (TKLC)
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IMPORTANT DISCLOSURES CONTINUED

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Mellanox Technologies (MLNX)

USD 29.94 (05-Jul-2011)

Stock Rating

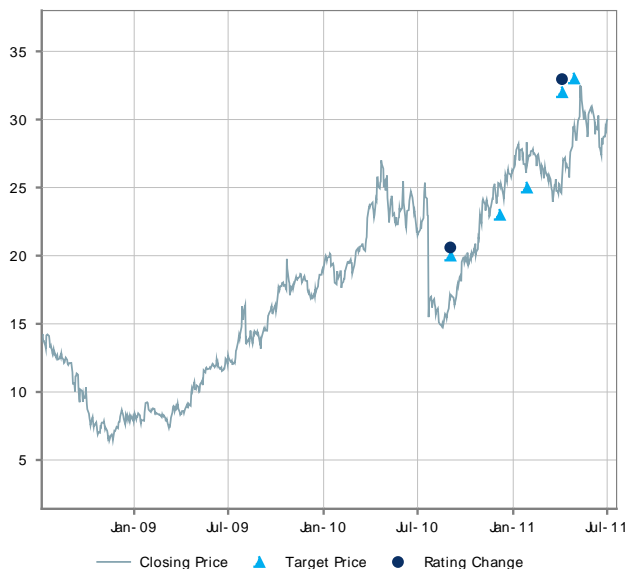
1-OVERWEIGHT

Sector View

2-NEUTRAL

Rating and Price Target Chart - USD (as of 05-Jul-2011)

Currency=USD



Date	Closing Price	Rating	Price Target
28-Apr-2011	29.15		33.00
05-Apr-2011	25.62	1-Overweight	32.00
27-Jan-2011	28.32		25.00
06-Dec-2010	25.27		23.00
02-Sep-2010	16.93	2-Equal Weight	20.00

[Link to Barclays Capital Live for interactive charting](#)

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Valuation Methodology: Our \$33 price target is based on a DCF valuation that uses a WACC of 9.6%, incremental ROCE of 15% and a terminal growth rate of 4%. Our PT also equates to 20x 2012e EPS.

Risks which May Impede the Achievement of the Price Target: Given MLNX's exposure to the storage and cloud computing segments, the positive sentiment towards these end markets could cause the stock to appreciate more than we expect. Continued transition to LOM designs and mix of business that is reducing margins could provide downside pressure on the stock. The acquisition and integration of Voltaire is another risk to consider.

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