Discuss why you consider this to be a high quality, growth company that should be investigated further. Please include comments on historical sales and EPS growth, pre-tax profit margin, return on equity, and debt.

Sales and earnings have grown strongly and consistently over the past decade. Increasing pre-tax profit margins and return on equity indicate that this is a well-managed company. SWKS carries no debt.

Briefly describe how the company makes money:

(Source: S&P Stock Report) SWKS is a wireless semiconductor company that focuses on radio frequency (RF) and complete cellular system solutions for mobile communications applications. The company offers front-end modules, RF subsystems, and cellular systems to wireless handset and infrastructure customers. The company’s product portfolio includes many key semiconductors found in a digital cellular handset, including switches and filters, components that switch signals and incorporate filtering functionality; power amplifier (PA) modules, which amplify a signal to provide sufficient energy for it to reach a base station; RF transceivers, which perform radio frequency transmit and receive functions; and synthesizers, used to tune to the correct channel to receive the RF signal from the base station.

Projected growth rate for sales: 13%

Why did you select this rate? Discuss from where future growth will come.

While SWKS has experienced nearly 20% sales growth since 2007, future growth will likely slow as this medium size company continues to get bigger. Analyst estimates for future sales range from the low to mid double digits. 70% of the company revenues come from their mobile products. There is still a large demand for advanced 4G LTE-enabled smartphones, and this is a positive driver for SWKS future sales. Increased competition, pricing pressures, and reliance on 2 key customers (Apple and Samsung) present risks to future growth. Diversification into nonhandset end markets in industries such as automotive provides additional opportunites for growth.
**Projected growth rate for earnings per share:** 13%

**Why did you select this rate?**
This is a conservative estimate when compared to many other analyst estimates. I used the Preferred Procedure to estimate the future EPS growth based on sales growth of 13%. Pre-tax profit margin has risen to 31.4%. Assuming that SWKS is able to maintain that profit margin going forward and the number of shares remain steady, then a 13% EPS growth rate is supported. To estimate a higher EPS growth rate would require continued improvement in the profit margin, and I think that may be difficult in a more competitive environment.

**Projected High P/E: 22**

**Why did you select this value?**
As growth rates slow, the P/E of a stock will typically slow. Since I have projected future growth at a slower rate than the historical growth, I have set the future average high P/E to be below the 5 year average.

**Projected Low P/E: 12.4**

**Why did you select this value?**
I think the 5 year average low P/E is reasonable.

**Projected Low Price: $50.8**

**Why did you select this value?**
I use 4B(a) - Average low P/E times Low EPS - as the projected low price. This is sufficiently below the current price of $76.

**At the current price, the stock is a (check one):**
- □ Buy
- □ Hold
- □ Sell

**At the current price, the upside-downside ratio is:** 3.4 to 1

**Compound Annual Return – Using Forecast High P/E:** 17.8%

**Your final recommendation (check one):**
- □ Buy
- □ Hold
- □ Sell

**Explain:**
In spite of lower growth projections, the stock appears to be a buy based on this quick analysis. But the stock is trading near its 52-week low, and that is a signal that more in-depth analysis is needed before making an investment.

SWKS recently started paying a dividend. The current payout ratio is 25% so I adjusted the future % payout in section 5 to 25%, which I think better reflects the company's newly-developed (and changing) dividend policy.
My final recommendation is always to do your research, complete your own stock study and make sure you are comfortable with your forward-looking projections before making any buy or sell decisions.
VISUAL ANALYSIS of Sales, Earnings, and Price

Symbol: SWKS

<table>
<thead>
<tr>
<th>FY 2015 Q4</th>
<th>Sales ($M)</th>
<th>Earnings Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latest Quarter</td>
<td>881</td>
<td>1.18</td>
</tr>
<tr>
<td>Year Ago Quarter</td>
<td>718</td>
<td>0.90</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>22.6%</td>
<td>30.4%</td>
</tr>
</tbody>
</table>

(1) Historical Sales Growth 19.8%  (3) Historical Earnings Per Share Growth 30.1%
(2) Estimated Future Sales Growth 13.0%  (4) Estimated Future Earnings Per Share Growth 13.0%
This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

5-YEAR POTENTIAL

<table>
<thead>
<tr>
<th>Year</th>
<th>Price High</th>
<th>Price Low</th>
<th>Earnings per Share</th>
<th>Price Earnings Ratio</th>
<th>Dividend</th>
<th>% Payout</th>
<th>% High Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>37.8</td>
<td>17.9</td>
<td>1.19</td>
<td>31.8</td>
<td>15.1</td>
<td>0.00</td>
<td>0.0</td>
</tr>
<tr>
<td>2012</td>
<td>31.4</td>
<td>13.7</td>
<td>1.05</td>
<td>29.9</td>
<td>13.0</td>
<td>0.00</td>
<td>0.0</td>
</tr>
<tr>
<td>2013</td>
<td>26.5</td>
<td>19.2</td>
<td>1.45</td>
<td>18.3</td>
<td>13.3</td>
<td>0.00</td>
<td>0.0</td>
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<tr>
<td>2014</td>
<td>59.3</td>
<td>23.3</td>
<td>2.38</td>
<td>24.9</td>
<td>9.8</td>
<td>0.22</td>
<td>9.3</td>
</tr>
<tr>
<td>2015</td>
<td>112.9</td>
<td>44.1</td>
<td>4.10</td>
<td>27.6</td>
<td>10.8</td>
<td>0.65</td>
<td>15.9</td>
</tr>
<tr>
<td>AVERAGE</td>
<td>23.6</td>
<td>26.5</td>
<td>2.42</td>
<td>24.9</td>
<td>9.8</td>
<td>0.22</td>
<td>9.3</td>
</tr>
<tr>
<td>CURRENT/TTM</td>
<td>4.10</td>
<td>1.04</td>
<td>25.4</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

AVERAGE PRICE EARNINGS RATIO 19.4  CURRENT PRICE EARNINGS RATIO 18.8

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 22.0 X Estimate High Earnings/Share 7.55 = Forecasted High Price $ 166.0

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 12.4 X Estimate Low Earnings/Share 4.10 = Forecasted Low Price $ 50.8
(b) Avg. Low Price of Last 5 Years 23.6
(c) Recent Market Low Price 23.3
(d) Price Dividend Will Support = 0.65 High Yield 1.48% = 44.1

Selected Forecasted Low Price $ 50.8

C ZONING using 25%-50%-25%
Forecasted High Price 166.0 Minus Forecasted Low Price 50.8 = 115.2 Range. 25% of Range 28.8
Buy Zone 50.8 to 79.6
Hold Zone 79.6 to 137.2
Sell Zone 137.2 to 166.0
Present Market Price of 76.83 is in the BUY Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

High Price 166.0 Minus Present Price 76.83 = 89.20 = 3.4 To 1 Present Price 76.83 Minus Low Price 50.8 = 26.03

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price 166.0 Closing Price 76.83 = 2.1609 X 100 = 216.09 - 100 = 116.1 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A Indicated Annual Dividend 0.65 Closing Price 76.83 = 0.0135 = 1.4 % Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

Avg. % Payout 25.0 % Avg. % Payout 1.1 %
Forecast High PE 22.00 Forecast Average PE 17.20

AVERAGE YIELD - USING FORECAST AVERAGE P/E

Avg. % Payout 25.0 % = 1.5 %

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 16.7 % Annualized Appreciation 11.1 %
Average Yield 1.1 % Average Yield 1.5 %
Annualized Rate of Return 17.8 % Annualized Rate of Return 12.5 %

COMPOUND ANNUAL RETURN - USING FORECAST AVERAGE P/E

Annualized Appreciation 11.1 %
Average Yield 1.5 %
Annualized Rate of Return 12.5 %