

Marvell Technology, Inc.

Ticker: (NYSE: MRVL)

BUY

Business Description:

Marvell Technology, Inc. is a leading semiconductor producer headquartered in Wilmington, Delaware, United States. Marvell specializes in developing analog, mixed-signal, embedded, and standalone integrated circuits, as well as Ethernet solutions such as network adaptors, switches, and transceivers. Marvell generates the majority of its revenue from the following three product lines: networking, storage, and other. Networking products consist of ethernet solutions and embedded processors; storage products consist of storage controllers and fibre channel adapters; other products consist of printer solutions.¹ Marvell develops the aforementioned products primarily for the telecommunications and automotive industries, serving as a long-time supplier to Nokia and Samsung. Marvell is also focusing heavily on the implementation of 5G infrastructure, which is estimated to become an \$80.5 billion industry by 2028.²

Thesis:

Marvell is continuing to grow, particularly through its acquisitions. Most notably, the acquisition of optical networking equipment maker Inphi for \$10 billion has proven advantageous for Marvell. Further, 5G rollout is on pace as many carriers are continuing to lay the groundwork for these capabilities. Marvell's products will allow both businesses and consumers to take advantage of the capabilities offered through the 5G network. Once fully optimized, the 5G network will revolutionize every sector of the economy, from transportation to healthcare.

¹ <https://investor.marvell.com/2021-06-07-Marvell-Technology,-Inc-Reports-First-Quarter-of-Fiscal-Year-2022-Financial-Results>

² <https://www.bloomberg.com/press-releases/2021-07-28/5g-infrastructure-market-size-worth-80-5-billion-by-2028-cagr-49-8-grand-view-research-inc>

Marvell develops the equipment that will make this monumental shift possible, so they will likely benefit the most from its implementation in the coming years. Considering that the stock is trading at only around \$70 per share, a steep discount to its competitors, now is the time to open a BUY position and capitalize on this groundbreaking opportunity. Currently, our portfolio has little exposure to the semiconductor industry, which is one of the fastest growing industries in this technological age. We would like to purchase 60 shares of MRVL at current market price of around \$75.00 totaling to \$4,500. This will increase our exposure to 24.02% in technology, and effectively reduce our cash position from approximately 9 % to 8.08%.

Valuations:²

P/E: 62.342x

P/S: 15.08x

P/B: 4.08x

PEG: 1.83x

P/Cash Flow: 83.50x

Income Statement:

Revenue (In Millions \$):

2017	\$2,301.0
2018	\$2,409.2
2019	\$2,865.8
2020	\$2,699.2

² Morningstar & NetAdvantage

Net Income (In Millions \$):

2017	\$21.2
2018	\$520.8
2019	(\$179.1)
2020	\$1,584.4

Balance Sheet (In Millions \$):

Total Cash & ST Investments:

2017	\$1,668.4
2018	\$1,841.3
2019	\$582.4
2020	\$647.64

Total Assets:

2017	\$4,648.7
2018	\$4,708.3
2019	\$10,016.8
2020	\$11,133.2

Long-term Debt:

2019	\$1,732.7
2020	\$1,439.0

Goodwill/Intangibles:

2017	\$2,062.9
2018	\$2,080.8
2019	\$8,180.5
2020	\$8,379.6

Cash Flow Summary:

Net Operating Cash Flow (In Millions \$):

2017	(\$358.42)
2018	\$556.74
2019	\$596.74
2020	\$360.3
2021	\$779.26

Ratios:

Ratios				
For the Fiscal Period Ending	12 months Jan-28-2017	12 months Feb-03-2018	12 months Feb-02-2019	12 months Feb-01-2020
Profitability				
Return on Assets %	2.8%	6.8%	3.4%	(0.7%)
Return on Capital %	3.5%	7.8%	3.8%	(0.8%)
Return on Equity %	1.8%	10.8%	(3.1%)	19.8%
Return on Common Equity %	1.8%	10.6%	(3.1%)	19.8%

Recent News:

- **Shipping Update:**

<https://investor.marvell.com/news-releases#:~:text=Marvell%20Shipping%20High-Volu%20SONiC-Enabled%20Production%20Switch%20Silicon%20Into%20Tier-1%20Cl%20ouds>

- **Public Company of the Year Award:**

<https://investor.marvell.com/news-releases#:~:text=Marvell%20Wins%202021%20Leading%20Lights%20Award%20for%20Public%20Company%20of%20the%20Year>

- **Recent Acquisition of Innovium:**

<https://investor.marvell.com/news-releases?o=5#:~:text=Marvell%20Completes%20Acquisition%20of%20Innovium>

Dividend:

Dividend Payout per Quarter	Total Yearly Dividends
\$0.06 per share	\$0.24 per share

Closing Summary:

After examining Marvell's balance sheet and income statement, it is evident that the company is seeing consistent growth. Further, recent earnings calls and interviews point to the fact that Marvell is well-positioned for the future, even amid the semiconductor shortage and the COVID-19 pandemic. Given our lack of diversification in the semiconductor industry, starting a position in Marvell will allow us to not only diversify our holdings, but also reap the benefits of the groundbreaking technology that is 5G. Lastly, investing in Marvell will generate quarterly cash flow through dividends. Therefore, we should buy 60 shares of MRVL at \$75 per share.

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