



RECOMMENDATION: BUY

4/18/11 Close \$12.97

Analysts

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Target price: \$15.52-\$16.34

Atmel Enters Touch Screen Market

- Acquired Quantum Research Group in 2008.** Quantum research was a London based firm conducting touch screen research. Since the acquisition Atmel has gained market share in the touch screen market through their micro-controller division.

- Revenues were up 95% in 2010.** Atmel's revenue increase in 2010 was led by their increase in micro-controller sales. Going forward their microcontroller division, supplemented by their auto division, will drive future sales increases.

- Atmel is strategically aligned with potential growth in Asia.** Revenues in Asia accounted for 55.27% of 2010's overall revenue. The recent Japan earthquake did not affect their performance and production, a positive result of their fab-lite model.

- Economic rebound bodes well for Atmel's market.** As the economy continues to rebound, Atmel is poised to match economic growth through their micro-controller division. Discretionary spending on touch screen phones and tablet PCs will drive Atmel growth.

- The semiconductor industry is competitive,** led by giants such as Intel and Texas Instruments. Although tough, Atmel has penetrated the market by focusing on niche markets and avoiding the saturated PC semiconductor market.

Company Overview

Atmel Corporation (Nasdaq: ATML) is a worldwide leader in the design and manufacture of microcontrollers, capacitive touch solutions, advanced logic, mixed-signal, nonvolatile memory and radio frequency (RF) components. Atmel with revenues of \$1.64 billion was founded in 1984 that primarily manufactures microcontrollers, nonvolatile memories, radio frequency products designed for the automotive industry, and Application Specific Integrated Circuits. Headquartered in San Jose, California, Atmel will provide a competitive advantage to its customer through timely, innovative, defect-free products and outstanding service driven by a culture of systematic continuous improvement.

Stock Performance Highlights

52 week High	\$16.80
52 week Low	\$4.50
Beta Value	0.95
Average Daily Volume	10.20 m

Share Highlights

Market Capitalization	\$6.01 b
Shares Outstanding	456.89m
Book Value per share	\$2.31
EPS	\$0.90
P/E Ratio	14.61
Dividend Yield	N/A
Dividend Payout Ratio	N/A

Company Performance Highlights

ROA	9.33%
ROE	46.56%
Sales	\$1.64 b

Financial Ratios

Current Ratio	2.59
Debt to Equity	0.39

One year performance



Source from Yahoo Finance

Economic Overview

Gross Domestic Product:

The Federal Reserve uses real GDP to adjust its monetary policy. An increase in real gross domestic product indicates a growing economy. From 1947 to 2010, the US average quarterly GDP growth has averaged 3.30%ⁱ. Recent quarterly GDP growth rates are shown in Figure 1. As the economy recovers from the 2008 GDP growth trough, activity in the markets will increase. The current trend is upward. The Federal Reserve estimates that 2011 U.S. GDP growth will be 3.5% to 4.2%.ⁱⁱ As the economy's recovery continues and begins to expand, the overall market will grow and see higher returns.

Unemployment Rate:

In January 2011, the U.S. unemployment rate dropped to 9%, the lowest level since April 2009 and payrolls increased by 36,000 employees.ⁱⁱⁱ Both indicators suggest the U.S. economy is edging towards pre-crisis growth. The US Bureau of Labor Statistics estimates unemployment will drop just below 9% in 2011. The drop in unemployment won't be quick, but the decrease in unemployment rate, coupled with gains in income-tax receipts and a downward trend in claims for jobless benefits, is positive for the overall U.S. economy.

Atmel provides semiconductors to companies manufacturing consumer products ranging from Smartphone and tablet PCs to automotives. Any decrease in the unemployment rate is positive for Atmel and the industry as a whole. As more jobs are created, individuals have more discretionary income for electronic devices.

Figure 1

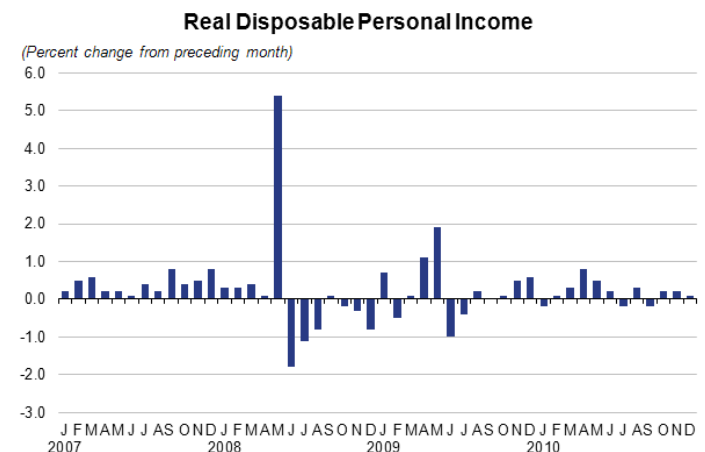


Disposable Personal Income (DPI):

Disposable personal income (DPI) is income left to spend or save after other obligations (mortgage, etc.) are paid. During the recession, individuals tend to save disposable personal income because of economic uncertainty. The last years display sharp contrasts in spending during important events. The May 2008 increase was due to the economic stimulus package, but was followed by three months of significant savings. Fast forward to today, spending and saving of disposable personal income have leveled out. As it shows in Figure 2, personal income increased \$54.5 billion, or 0.4 percent, and disposable personal income (DPI) increased \$47.3 billion, or 0.4 percent, in December 2010. Personal consumption expenditures (PCE) increased \$69.5 billion, or 0.7 percent.^{iv}

The upward disposable personal income upward trend increases the demand for electronic devices. The level of DPI can influence the level of spending on products the semiconductor industry provides controllers for. Increases in DPI provide individual budgets with more room for Smartphone, tablet PCs and other devices which are consumed with discretionary spending.

Figure 2



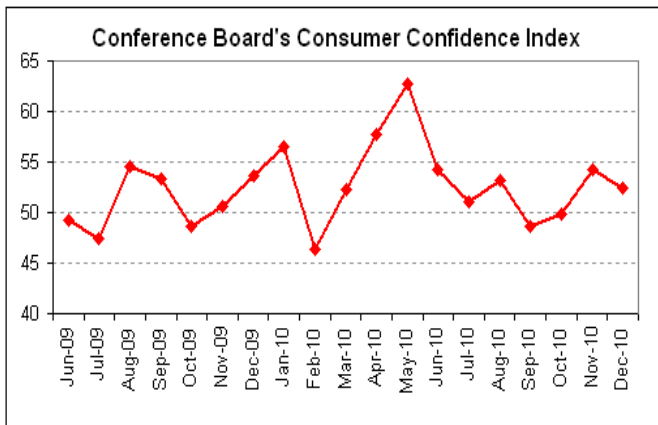
U.S. Bureau of Economic Analysis

Consumer Confidence Index:

The consumer confidence index is designed to measure consumer optimism on the state of the economy by means of savings and spending. Consumer confidence is an important indicator for

firms who rely on consumer discretionary spending. From Figure 3 we know that a more positive economic outlook and a more confident consumer leads to more spending instead of saving. 65.6, the expected consumer confidence for January 2011, is the highest consumer confidence index since March 2008.^v The tech industry leans heavily on consumer confidence. As the economy recovers to pre-crisis levels, consumer confidence will increase close to 100 and drive demand for Atmel and semiconductor products. Increases in consumer confidence, matched with increases in disposable personal income will drive demand and revenues for the semiconductor industry.

Figure 3



Industry Analysis

Overview

Atmel operates in the semiconductor industry. Intel and rival Advanced Micro Devices Inc. (AMD) are the overall industry leaders. The semiconductor industry is mature, but a wider range of electronic devices led to a year-over-year (YOY) increase in 2010. 2010 semiconductor sales were \$298.3 billion, a 31.8 percent YOY increase.^{vi} We expect increasing unit shipments for key end-markets such as computers, cell phones, and other consumer electronics that comprise a large percentage of the semiconductor industry's demand for 2011.^{vii}

Competitive Analysis

Threat to New Entrants

In the early phase of the semiconductor industry most companies were started by engineers who left one company to start another. Atmel, for example, was founded by a former Intel engineer. Today, the industry has matured and market shares have been well developed. It is difficult for new companies to setup a chip fabrication factory and keep up with the state-of-the-art operations.

Power of Suppliers

Large semiconductor companies have hundred of suppliers. The competition for semiconductor business keeps supplier bargaining power to a minimum. IBM, a leader in cutting-edge equipment and production skills, has been able to gain considerable bargaining power as the largest U.S. based merchant foundry.

Power of Buyers

Size dominates the competitive semiconductor industry. Intel is the world's semiconductor leader ahead of second ranked Samsung. PC semiconductor sales make up most of Intel and Samsung's semiconductor revenue. The industry's key segments are led by few large players. For example, most of the net books ship today with Atom chips from Intel.^{viii} This leaves little power with the buyer.

Availability of Substitutes

Copy-cat suppliers provide cheaper substitutes and are a threat to established semiconductor companies. A firm spends millions on the creation of chip and prices the product in order to recoup R&D costs. A copy-cat supplier can use reverse engineering systems and produce the chip at a fraction of the cost.

Competitive Rivalry

Semiconductor firms are constantly developing new designs and prototypes. Intel has transitioned from 32nm process technology and chief rival Advanced Micro Devices Inc. (AMD) also plans to revamp volume production on 32nm. There is always pressure for chip makers to produce a faster, more efficient, cheaper chipset for customers.

Trends

New conceptual designs and prototypes are continually developing by semiconductor manufacturers. The top chipmakers are making

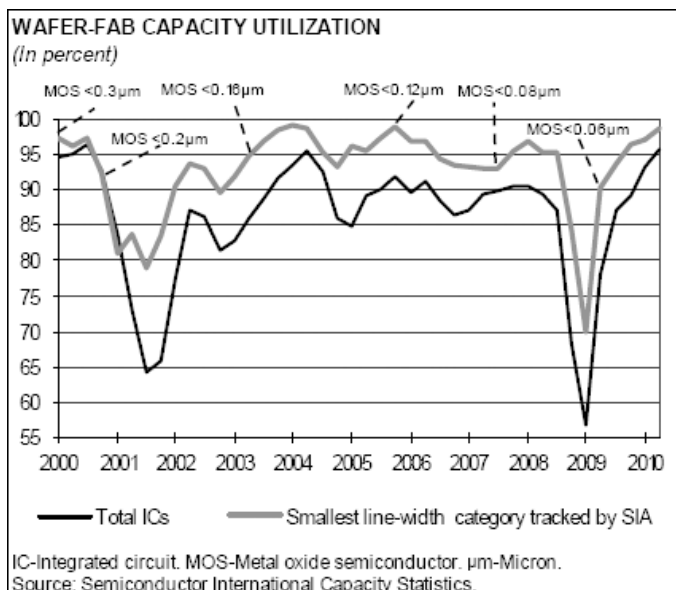
evolution of chips from 45nm to 32nm and below. For instance, Intel is presently developing its next-generation process technology which is only 22nm, and also looks forward to starting to manufacture products on a smaller scale in 2011. Meanwhile, Advanced Micro Devices Inc. (AMD), the chief rival of Intel, is manufacturing chips on 45nm via GlobalFoundries. GlobalFoundries arranges to raise quantity production on 32nm chips later this year, and it plans to mass produce 22nm chips by 2013 as well.

Researchers led by International Business Machines Corp. (IBM) and including GlobalFoundries, Infineon Technologies AG, Samsung Electronics, STMicroelectronics N.V., and Toshiba Corp., among others, introduced their 32nm processors to the market in 2009. IBM is also investing in research so it can transition to 22nm.

Key Industry Ratios

The semiconductor equipment book-to-bill ratio is an indicator of capital spending trends in the semiconductor industry. When the ratio is above 1.0, this indicates that chip manufacturers are raising spending rates for new production equipment. For August 2010, the book-to-bill ratio was at 1.17, revealing that equipment companies received \$117 in new orders for each \$100 worth of product billed. Bookings stood at \$1.8 billion in August 2010, up 195.5% from last year.

Figure 4



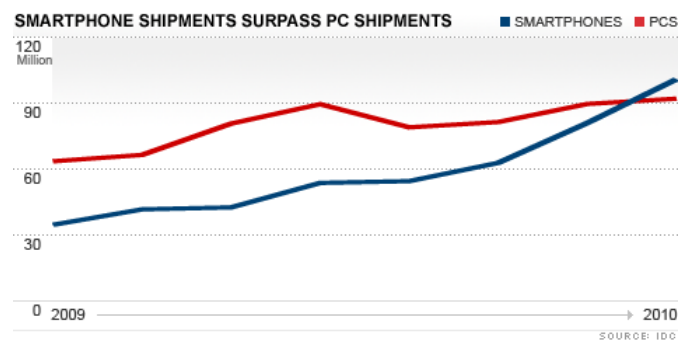
Wafer fabrication plant utilization rates track the

percentage of capacity being operated by chip-making plants around the world. It can help analysts to understand where the industry is in its cycle. Figure 4 show that overall capacity utilization hit a new low at 55.6% in the first quarter of 2009, due to the recent downturn. However, utilization rate increased at 95.6% at the second-quarter 2010. Analysts get more accurate evaluation of the industry's position based on the fabrication plant utilization rate given by each individual semiconductor company.

Microcontroller Market

The semiconductor industry's maturity is driven by PC semiconductor saturation. PC semiconductor leaders Intel and AMD have profited from personal computer growth over the last few decades, but PC sales growth has slowed. The micro-controller and touch screen market is one of the fastest growing markets in the semiconductor industry. The Smartphone sub-industry for semiconductors offers growth potential. Whereas 80 percent of Americans own a PC, only 17 percent own Smartphone. Smartphone shipments surpassed PC shipments in the final three months of 2010. 100.9 million Smart phones are shipped compared to 92.1 personal computers as it shown in Figure 5.^{ix}

Figure 5



Tablet shipments are also increasing. From Figure 6, global tablet shipments are expected to rise to 242.3 million units by 2015.^x 242.3 million tablet shipments are 12 times the 2010 shipment amount. The iPad created demand in 2010 and a second wave will be led by iPad competitors.

Figure 6

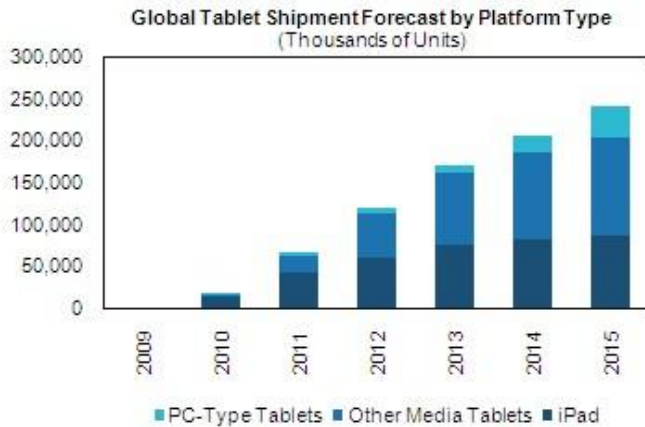
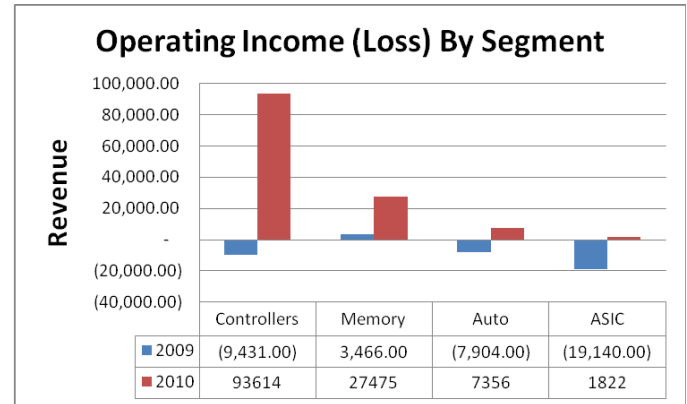


Figure 7



This data was extracted from the Third Quarter 10-Q. The data represents the nine months ended September 30, 2010 and nine months ended September 30, 2009.

Company Analysis

Atmel (ATML) is an international semiconductor corporation founded in 1984 that primarily manufactures microcontrollers, nonvolatile memories, radio frequency products designed for the automotive industry, and Application Specific Integrated Circuits. Headquartered in San Jose, California, Atmel has become an industry leader in micro-controller and touch screen chipsets for tablet PCs and Smartphone.

Strategic Acquisition

In early 2008, ATML acquired leading independent touch screen research firm Quantum Research Group. The acquisition provided Atmel with an immediate presence in touch screening, one of the fastest growing markets for microcontrollers.^{xi} Atmel has been focused on touch screen chipset innovations since. Later in 2008 Yang Chiah Yee, VP of Asian Sales stated, ““Focus is really on MCUs (micro-controller units), and obviously on high-growth, high-margin proprietary products and technologies. Our core strategy is moving from a company not only selling MCUs, but a company selling MCU system solutions.”^{xii} The focus on MCUs has paid off. In 2006, Atmel’s micro-controller unit represented 24 percent of revenue. Micro-controller unit revenue increased to 40 percent of revenue in the fourth quarter of 2009.^{xiii}

Products

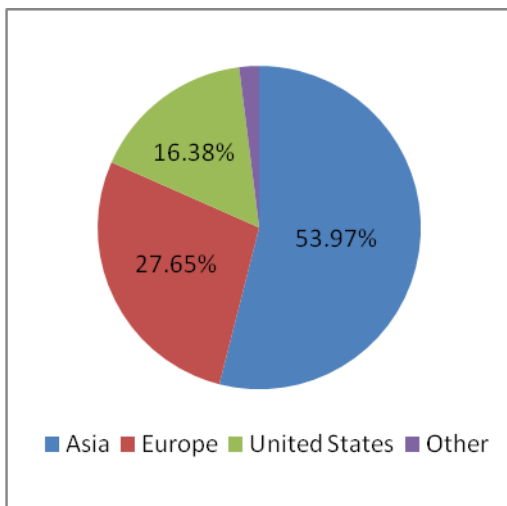
Atmel introduced the maXTouch brand of capacitive touch screen controllers in the first quarter of 2010. Leading Smartphone manufacturers HTC, Sprint Nextel, Samsung, Motorola and Nokia use the maXTouch controller. Samsung also uses the controller in its tablets. In February 2011, Atmel announced the maXTouch E series. The E series is the first single-chip 32-bit solution for Smartphone, e-book readers and tablets up to 12 inches.^{xiv} Atmel’s new series offers consumers unlimited touches, fast response times, high accuracy, low power, and superior sensitivity to enable the detection of a fingernail or a user with gloves. The global market value of touch screen modules will reach about \$14 billion in 2016, from \$4.3 billion in 2009 and ATML has developed touch screen controllers in order to increase market share.^{xv}

Foreign Markets

Atmel is a global corporation benefiting from a growing middle-class in Asia. ATML sells to customers outside of the U.S. by using international sales representatives and through distributors, which are managed from foreign sales offices. Sales offices are maintained in China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, South Korea, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan and the United Kingdom.^{xvi} Sales outside the U.S. represented 84%, 83%, and 86% of net revenues in 2010, 2009, and 2008, respectively and will continue to represent a significant portion of Atmel’s net revenues. Figure 8 shows the average percentage of

sales from 2008 to 2010. International sales and sales to distributors are subject to a variety of risks, including those arising from currency fluctuations, tariffs, trade barriers, taxes, export license requirements, foreign government regulations, and risk of non-payment by distributors. 22%, 24%, and 23% of Atmel's net revenues in the years ended December 31, 2010, 2009, and 2008, respectively, were denominated in foreign currencies. The opportunities outweigh the risks. The growing Asian middle-class provides an opportunity for Atmel to provide with electronic devices to individuals who have increasing disposable income.^{xvii}

Figure 8



This data was extracted from the Third Quarter 10-Q. The data represents the nine months ended September 30, 2010.

Micro-controller Competition

Although Atmel is in the semiconductor industry led by Intel and Advanced Micro Devices, ATML does not compete for the same market share. Atmel's acquisition of London's Quantum Research Group focused its strategy on the micro-controller and touch screen market. Its main competition comes from companies focused on the same.

Cypress Semiconductor Corporation (CY) manufactures chips that help computer memory functions, but has used the emerging touch screen market to diversify its business model and emerge as a competitor in the micro-controller sub-industry. Touch screen revenues accounted for 11% of its overall revenue in 2010. Cypress expects the touch screen revenues to grow to a quarter of its 2011 revenues.^{xviii} Samsung Galaxy, HTC Android and

Windows phones use Cypress touch screen multi-controller chips.

In addition, Synaptics Inc. (SYNA) has also emerged in the micro-controller and touch screen market. SYNA has made the transition from the PC market to mobile devices. SYNA's PC controller revenue was weaker than expected due to low touch module sales to PC makers, but second quarter revenue rose 20 percent due to higher mobile touch screen sales.^{xix} Sales to mobile-phone makers grew 48 percent. In 2010, smart phone growth was 55%.^{xx} SYNA's ability to secure mobile sales will drive its long-term growth.

Stock Prospects

The broad semiconductor industry is led by firms focused on processors for personal computers (Intel, AMD, and Texas Instruments). Companies like Atmel and Cypress have avoided the saturated personal computer market by producing semiconductors for niche semiconductor sub-industries (microcontrollers for smart phone and tablet PCs). The global economy is slowly growing. The consumer confidence index and disposable personal income both have upward trends. This is beneficial for Atmel. Atmel produces semiconductors for discretionary electronic devices. The demand for these products has risen during the recession and will increase even farther once the economy returns to pre-crisis growth levels. In recent weeks Atmel's market presence has resonated with the industry. Atmel has formed strategic alliances have been formed with NVIDIA and TouchSensor Technologies. Atmel is collaborating with NVIDIA to bring high-performance, multi-touch, large-format touch screen solutions to market.^{xxi} Specifically, these two giants are at work on a newer Samsung Galaxy tablet. TouchSensor has selected Atmel's maXTouch technology as its platform for next generation touch screen solutions for the medical, commercial, automotive, industrial, and appliance markets.^{xxii} In recent weeks, Atmel has penetrated even farther. The Atmel maXTouch solution has been selected to power the touch screen innovation behind the recently-announced 10.1-inch Android tablet from Acer.^{xxiii}

Lastly, on April 18th Atmel announced that the Atmel maXTouch mXT224 controller has been selected to power the touch screens for the Kyocera Echo dual-screen Android phone.^{xxiv}

Touch screen Smartphone, tablet PCs and various industrial technologies are clearly a trend. Atmel is at the center of this growing semiconductor sub industry.

Valuation Analysis

Overview

The Discounted Cash Flow (DCF) model and the Economic Profit (EP) model resulted in a valuation of \$15.52 The Dividend Discount Model (DDM) resulted in a price of \$7.03. A relative Price/Earnings (P/E) analysis resulted in a valuation of \$10.28. The resulting premiums/discounts on the current stock price are shown in the chart below.

	DCF	EP	DDM	Relative P/E
Model Price	\$15.52	\$15.52	\$7.03	\$10.28
Premium	19.66%	19.66%	-45.80%	-20.74%

Assumptions

Our valuation models were developed using many key assumptions based on our economic review of the economy, the semiconductor industry and ATML specific drivers.

Revenue growth and costs

We project conservative growth for the semiconductor industry as a whole over the next five years. 2010 yielded a 31.5% growth for the industry and although the sector will maintain future growth it will be hard to match the Ipad driven growth of 2010. To forecast growth we used a multiple calculated from the 31.5% industry increase in 2010 which resulted in a 95% revenue growth for Atmel. We estimate Atmel's revenue growth to be 14.85 percent in 2011 with total sales revenue of \$1.89 billion. This is under, but close to other analyst estimates^{xxv}. Our 2011 and future growth estimates are driven by increases in Atmel's micro-controller division.

Our assumption of cost of sales remains constant throughout our model. The cost, 55.21% of sales, is derived from the three-year cost of sales historical average. The three-year average is taken versus a longer-term average because of Atmel's acquisition and restructuring in 2008.

The research and development assumption is derived from the three-year research and development historical average. The average was 16.12%. Our SG&A assumption is also based on the three-year historical average. The SG&A average is 17.23%.

WACC

Our model yields a weighted average cost of capital of 9.806%. Our sensitivity analysis displays our model's sensitivity to WACC.

Cost of equity

We calculated ATML's cost of equity using the Capital Asset Pricing Model (CAPM). The risk-free rate used in the CAPM formula is the 30-year United States Treasury bond. The bond yield as of April 18, 2011 is 4.75%. Our Beta, .953, was calculated using the three-year monthly average on Bloomberg. For the risk premium portion of our calculation we used the implied risk premium calculated by Aswath Damodaran on April 1, 2011. Our resulting cost of equity is 9.81% based on our assumptions of risk free rate, market risk premium and beta.

Cost of debt

The cost of debt used in our cost of debt WACC calculation is from the cost of debt used in the Bloomberg WACC calculation because Atmel bond information could not be found. Although Atmel's cost of debt is hard to determine, Atmel's weight of debt is 0.067% and the WACC calculation is not sensitive to this assumption.

DCF and EP Models

In order to value Atmel we used both discounted free cash flows and economic profit models. First, we calculated free cash flow. Free cash flows are calculated by subtracting capital expenditures from NOPLAT.

We calculated free cash flows for every forecasted year and used the WACC to obtain the present

value. Our discounted free cash flow model yielded \$6,870,149.74. We then added the present value of non-operating assets and subtracted debt obligations, ESOP's, and present value of operating leases. After these calculations, our model valued Atmel's Equity at \$7,156,753.95. To obtain the intrinsic value we divided the present value of equity by the number of shares outstanding (456,788). Our intrinsic stock price is \$15.67. The adjusted price for today is \$16.11.

P/E Analysis

We also evaluated Atmel through P/E Analysis. The relative P/E was calculated using stock prices and EPS' of industry competitors. The resulting implied value was \$9.40 for FY 2011 and \$11.10 for FY 2012. Both are below our DCF intrinsic value. Our forward-looking PEG ratio results were \$14.96 and \$17.58 for 2011 and 2012 respectively. The relative P/E ratios signal ATML is overvalued and the forward PEG ratios signal Atmel is undervalued. We believe the truth lies in the middle. Atmel has cemented itself in the niche touch screen market. The P/E ratios of Intel and Texas Instruments do not perfectly match Atmel's business model and do lower the average P/E. A closer comparison is Cypress Semiconductor.

Relative P/E

We compared Atmel to eight of the company's competitors; all of them are leaders in the semiconductor industries. We determined Intel, Xilinx, Microchip Technology, Texas Instruments, STMicroelectronics, Applied Materials, Cypress, and Integrated Device that were closest to Atmel for relative P/E analysis. For Relative P/E, our analysis yielded a price of \$9.46 using 2010 earnings and \$11.10 using 2011 earnings. We averaged these two forward looking Relative P/E multiples, and came up with a value of \$10.28. This share value is lower than the target price that we obtained through the DCF and economic profit models, which is \$15.79.

Dividend Discount Model

Our DDM calculation for stock price was \$7.03. We believe there are a few reasons for such low number.

Atmel does not give out dividends on yearly bases. It keeps its EPS lower than its most competitors. Our model may not reflect the complete cost of the

EPS and dividends since it may not go far enough into future.

Sensitivity analysis

In our sensitivity analysis we calculated the effect of stock price changes when certain variable values were changed. The results showed that our model is sensitive to these variables.

WACC and CV growth

	15.79	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%
3.00%	15.99	14.58	13.40	12.40	11.55	10.81	10.17	
3.50%	17.33	15.65	14.27	13.12	12.15	11.32	10.60	
4.00%	19.01	16.96	15.32	13.98	12.86	11.91	11.10	
4.50%	21.17	18.60	16.60	15.00	13.69	12.60	11.67	
5.00%	24.06	20.71	18.20	16.25	14.69	13.41	12.35	
5.50%	28.09	23.52	20.26	17.81	15.91	14.38	13.14	
6.00%	34.14	27.46	23.00	19.82	17.43	15.57	14.09	

BETA and Risk Premium

	15.79	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%
0.8	36.00	25.88	20.27	16.69	14.22	12.41	11.02	
0.85	33.53	24.20	18.99	15.67	13.36	11.67	10.38	
0.9	31.38	22.72	17.87	14.76	12.61	11.02	9.81	
0.95	29.50	21.42	16.88	13.96	11.94	10.44	9.30	
1	27.83	20.27	15.99	13.25	11.34	9.93	8.85	
1.05	26.34	19.23	15.20	12.61	10.80	9.46	8.44	
1.1	25.01	18.30	14.49	12.03	10.31	9.04	8.07	

BETA and Risk Free

	15.79	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%
0.8	25.46	21.75	19.00	16.88	15.20	13.84	12.71	
0.85	23.34	20.19	17.81	15.95	14.45	13.21	12.18	
0.9	21.56	18.85	16.77	15.11	13.76	12.64	11.70	
0.95	20.03	17.69	15.85	14.36	13.14	12.12	11.26	
1	18.71	16.66	15.02	13.69	12.58	11.65	10.85	
1.05	17.56	15.75	14.28	13.08	12.07	11.21	10.47	
1.1	16.55	14.93	13.62	12.52	11.60	10.80	10.12	

Investment Summary

An increased stock price is led by a strong expected growth over the next three years. A stronger economy will lead to an increase in discretionary spending which will increase Atmel's revenues. Their exposure to the growing touch screen demand will drive their revenue growth in the future.

Atmel has positioned itself well in Asia. Growth in Asia/Pacific markets will trigger higher investments and revenues from these demographics.

Valuation of Atmel has shown the stock appears undervalued and expected return should be around 21%.

Important Disclaimer

This report was created by students enrolled in the Security Analysis (6F:112) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the

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Figure 1:
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Figure 2:
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Figure 3:

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Figure 4:

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Figure 5:

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Figure 6:

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Figure 7:

Created by analyst with data from the Third Quarter 10-Q. The data represents the nine months ended September 30, 2010 and nine months ended September 30, 2009.

Figure 8:

Created by analyst with data from the Third Quarter 10-Q. The data represents the nine months ended September 30, 2010.

^{xxiii} <http://finance.yahoo.com/news/Acer-Selects-Atmel-maXTouch-prnews-1844925879.html?x=0&.v=1>

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<http://finance.yahoo.com/q/ae?s=ATML+Analyst+Estimates>

Atmel Corporation

Key Assumptions of Valuation Model

Growth	We used multiples to forecast growth in 2011 and 2012. The semiconductor industry grew 31.5% in 2010. That accounted for a 95% growth in Atmel revenue and we broke that down further.							
Revenue	2011	2012	2013	2014	2015	2016	<u>CV</u>	CV growth rate
Micro-controllers	27.12%	27.12%	27.12%	21.09%	18.08%	15.07%	2.66%	4.90%
Nonvolatile memories	-1.35%	-1.35%	-1.35%	-1.05%	-0.90%	-0.75%	0.83%	
RF automotive	7.77%	7.77%	7.77%	6.04%	5.18%	4.32%	0.56%	
ASIC	-3.05%	-3.05%	-3.05%	-2.37%	-2.03%	-1.70%	0.85%	
Costs and expenses								
Cost of sales	55.21% will stay constant. This is the 3-year average.							
Depreciation	The difference in accumulated depreciation from year to year.							
Research and development	16% The 3-year average (as a % of sales)							
Selling, general, and administrative	17% The 3-year average (as a % of sales)							
Other income (expense)								
Interest expense	5.59% * beginning period debt level							
Interest and other income	1.24% return on cash (interest income/cash: 3-year average)							
Benefit from (provision for) income taxes	19.50%	2009						
Assets								
Cash & cash equivalents								
Short-term investments	2.1% held constant as a percentage of sales (3-year average)							
Accounts receivable, net	13.9% held constant as a percentage of sales (3-year average)							
Inventories	18.7% held constant as a percentage of sales (3-year average)							
Deferred income tax assets	24% 2009 ratio to income taxes because that is the tax rate we are using							
Other current assets	4.65% held constant as a percentage of sales (3-year average)							
PPE	5% of sales. Atmel has recently moved to a fab-lite model. The current year is the most accurate reflection.							
Accumulated Depreciation	70% of PPE. This ratio has remained close over the last three years.							
Deferred income tax assets, net of current portion	2.73% 2009 ratio to income taxes because that is the tax rate we are using							
Goodwill	Constant							
Intangible assets	Maintain 2010 level							
Other assets	1.7% held constant as a percentage of sales (3-year average)							
Liabilities and equity								
Trade accounts payable	8.61% held constant as a percentage of sales (3-year average)							
Current portion of long-term debt & capital lease obligations	0.2 of last year's debt							
Income taxes payable	5% 2009 ratio to income taxes because that is the tax rate we are using							
Deferred income tax liability, current portion	11.5% 2009 ratio to income taxes because that is the tax rate we are using							
Current liabilities held for sale								
Deferred income on shipments to distributors	3.46% held constant as a percentage of sales (3-year average)							
Accrued & other current liabilities	12.0% held constant as a percentage of sales (3-year average)							
Long-term debt	0.23% held constant as a percentage of total assets (3-year average)							
Capital lease obligations less current portion	0.23% held constant as a percentage of total assets (3-year average)							
Long-term liabilities held for sale								
Income taxes payable	106% 2009 ratio to income taxes because that is the tax rate we are using							
Deferred income tax liability, non-current portion	11% 2009 ratio to income taxes because that is the tax rate we are using							
Other long-term liabilities	7.0% held constant as a percentage of sales (3-year average)							
Normal cash	16% average cash as % of sales of our five competitors							

Atmel Corporation (Nasdaq:ATML)

Revenue Decomposition

	2005	2006	2007	2008	2009	2010	Average (05-10)	2011E	2012E	2013E	2014E	2015E	2016E	CV
Revenue														
<i>Micro-controllers</i>	276,771	408,394	458,228	522,635	457,797	892,301		1,134,272	1,441,861	1,832,861	2,219,439	2,620,680	3,015,495	3,095,715
Percentage of Total Sale	17.73%	24.44%	27.95%	33.36%	37.61%	54.27%	32.56%	60.07%	65.56%	70.62%	74.30%	77.22%	79.48%	77.79%
y/y Growth		47.56%	12.20%	14.06%	-12.41%	94.91%	31.26%	27.12%	27.12%	27.12%	21.09%	18.08%	15.07%	2.66%
<i>Nonvolatile memories</i>	393,055	375,319	376,675	339,239	290,936	277,179		273,434	269,740	266,096	263,300	260,928	258,970	261,110
Percentage of Total Sale	25.18%	22.46%	22.98%	21.65%	23.90%	16.86%	22.17%	14.48%	12.26%	10.25%	8.81%	7.69%	6.83%	6.56%
y/y Growth		-4.51%	0.36%	-9.94%	-14.24%	-4.73%	-6.61%	-1.35%	-1.35%	-1.35%	-1.05%	-0.90%	-0.75%	0.83%
<i>RF automotive</i>	357,058	385,476	308,519	250,219	147,871	188,090		202,707	218,459	235,436	249,666	262,600	273,937	275,473
Percentage of Total Sale	22.87%	23.07%	18.82%	15.97%	12.15%	11.44%	17.39%	10.74%	9.93%	9.07%	8.36%	7.74%	7.22%	6.92%
y/y Growth		7.96%	-19.96%	-18.90%	-40.90%	27.20%	-8.92%	7.77%	7.77%	7.77%	6.04%	5.18%	4.32%	0.56%
<i>ASIC</i>	534,223	501,698	495,815	454,670	320,741	286,490		277,749	269,275	261,059	254,864	249,680	245,448	247,544
Percentage of Total Sale	34.22%	30.03%	30.25%	29.02%	26.35%	17.43%	27.88%	14.71%	12.24%	10.06%	8.53%	7.36%	6.47%	6.22%
y/y Growth		-6.09%	-1.17%	-8.30%	-29.46%	-10.68%	-11.14%	-3.05%	-3.05%	-3.05%	-2.37%	-2.03%	-1.70%	0.85%
Total Revenue	1,561,107	1,670,887	1,639,237	1,566,763	1,217,345	1,644,060		1,888,162	2,199,335	2,595,451	2,987,269	3,393,888	3,793,850	3,979,807
		7.03%	-1.89%	-4.42%	-22.30%	35.05%	2.69%	14.85%	16.48%	18.01%	15.10%	13.61%	11.78%	4.90%
Asia				754,123	607,300	908,700	55.27%							
Europe				568,671	380,979	439,686	26.74%							
United States				221,351	209,494	260,091	15.82%							
Other				22,618	19,572	35,583	2.16%							
				1,566,763	1,217,345	1,644,060	100.00%							

Atmel Corporation (Nasdaq:ATML)

Consolidated Statements of Operations

Period Ending 12/31

In thousands except per share data

	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E
Operating revenues									
Micro-controllers	\$ 522,635	457,797	892,301	1,134,272	1,441,861	1,832,861	2,219,439	2,620,680	3,015,495
Nonvolatile memories	339,239	290,936	277,179	273,434	269,740	266,096	263,300	260,928	258,970
RF automotive	250,219	147,871	188,090	202,707	218,459	235,436	249,666	262,600	273,937
ASIC	454,670	320,741	286,490	277,749	269,275	261,059	254,864	249,680	245,448
Net Revenue	1,566,763	1,217,345	1,644,060	1,888,162	2,199,335	2,595,451	2,987,269	3,393,888	3,793,850
Costs and expenses									
Cost of sales	841,423	733,718	849,376	1,042,516	1,214,325	1,433,034	1,649,369	1,873,877	2,094,709
Depreciation	134,800	70,620	66,500	75,843	55,744	58,532	61,458	64,531	67,758
Research and development	260,310	212,045	236,812	304,858	355,099	419,055	482,317	547,969	612,546
Selling, general, and administrative	273,196	221,334	264,296	325,359	378,978	447,235	514,751	584,818	653,737
EBIT	1,509,729	1,237,717	1,416,984	1,748,576	2,004,147	2,357,856	2,707,895	3,071,195	3,428,750
Loss (gain) on sale of assets	32,654	164	(99,767)	-	-	-	-	-	-
Asset impairment charges (recovery)	7,969	79,841	11,922	-	-	-	-	-	-
Restructuring charges	71,324	6,681	5,253	-	-	-	-	-	-
Charges for grant repayments	718	1,554	1,000	-	-	-	-	-	-
Acquisition related charges	23,614	16,349	1,600	-	-	-	-	-	-
Operating income	(13,937)	(124,633)	107,534	139,587	195,188	237,596	279,373	322,693	365,100
Other income (expense)									
Interest expense	(12,340)	(6,600)	(7,535)	-227	-464	-481	-545	-630	-725
Interest and other income	10,973	1,845	3,154	6,242	5,076	6,253	7,784	9,743	12,117
Foregin exchange transaction (losses)	(4,939)	(6,651)	13,199	-	-	-	-	-	-
Operating income before income taxes	(20,243)	(136,039)	116,352	145,601	199,800	243,368	286,612	331,806	376,493
Benefit from (provision for) income taxes	(6,966)	(109,498)	-306,723	-28,392	-38,961	-47,457	-55,889	-64,702	-73,416
Net Income	(27,209)	(245,537)	(190,371)	117,209	160,839	195,911	230,723	267,104	303,076
EPS (basic)	-0.061	-0.540	-0.417	0.246	0.324	0.380	0.431	0.481	0.527
Year end share outstanding	448,872	454,586	456,788	476,474	496,040	515,689	535,413	555,207	575,064

Atmel Corporation (Nasdaq:ATML)

Consolidated Balance sheets

Period Ending 12/31

In thousands

	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E
Assets									
Cash & cash equivalents	\$ 408,926	437,509	501,455	407,819	502,397	625,364	782,761	973,506	1,199,819
Short-term investments	31,707	38,631	19,574	40,203	46,829	55,263	63,606	72,264	80,780
Accounts receivable, net	184,698	194,099	231,876	263,316	306,711	361,951	416,593	473,298	529,075
Inventories	324,016	226,296	276,650	353,068	411,255	485,325	558,591	634,625	709,414
Current assets held for sale	-	16,139	-	-	-	-	-	-	-
Deferred income tax assets	12,658	26,430	39,295	(6,853)	(9,404)	(11,455)	(13,490)	(15,617)	(17,721)
Other current assets	64,884	57,004	84,325	87,818	102,291	120,714	138,938	157,850	176,452
Total current assets	1,026,889	996,108	1,153,175	1,145,372	1,360,079	1,637,163	1,946,998	2,295,926	2,677,820
Property and equipment	2,164,704	1,482,884	1,516,856	1,592,699	1,672,334	1,755,950	1,843,748	1,935,935	2,032,732
Less: accumulated depreciation	1,781,597	1,279,665	1,256,732	1,114,889	1,170,634	1,229,165	1,290,624	1,355,155	1,422,912
Property and equipment, net	383,107	203,219	260,124	477,810	501,700	526,785	553,124	580,781	609,820
Deferred income tax assets, net of current portion	3,921	2,988	140,562	(775)	(1,063)	(1,295)	(1,525)	(1,766)	(2,003)
Non-current assets held for sale	-	83,260	-	-	-	-	-	-	-
Goodwill	51,010	56,408	54,676	54,676	54,676	54,676	54,676	54,676	54,676
Intangible assets	34,121	29,841	17,603	17,603	17,603	17,603	17,603	17,603	17,603
Other assets	31,606	21,018	23,902	32,713	38,105	44,968	51,756	58,801	65,731
Total assets	1,530,654	1,392,842	1,650,042	1,727,400	1,971,099	2,279,900	2,622,632	3,006,021	3,423,645
Liabilities and equity									
Trade accounts payable	116,392	105,692	160,011	162,657	189,463	223,587	257,340	292,368	326,823
Current portion of long-term debt & capital lease obligations	131,132	85,462	81	793	743	778	888	1,027	1,182
Income taxes payable	4,689	5,441	25,020	(1,411)	(1,936)	(2,358)	(2,777)	(3,215)	(3,648)
Deferred income tax liability, current portion	2,731	4,158	3,968	(3,258)	(4,471)	(5,446)	(6,414)	(7,425)	(8,425)
Current liabilities held for sale	-	11,284	-	-	-	-	-	-	-
Deferred income on shipments to distributors	41,512	44,691	66,708	65,319	76,084	89,787	103,342	117,409	131,245
Accrued & other current liabilities	199,597	142,973	188,916	226,422	263,736	311,237	358,223	406,983	454,945
Total current liabilities	496,053	399,701	444,704	450,522	523,620	617,585	710,601	807,147	902,121
Long-term debt	2,835	3,484	3,967	3,717	3,891	4,440	5,136	5,908	6,771
Capital lease obligations less current portion	11,074	5,980	9	3,795	3,973	4,534	5,244	6,032	6,914
Long-term liabilities held for sale	-	4,014	-	-	-	-	-	-	-
Income taxes payable	104,996	116,404	25,625	(30,183)	(41,418)	(50,450)	(59,414)	(68,783)	(78,046)
Deferred income tax liability, non-current portion	11,630	12,566	57	(3,258)	(4,471)	(5,446)	(6,414)	(7,425)	(8,425)
Other long-term liabilities	101,982	86,286	122,624	132,522	154,362	182,164	209,664	238,203	266,274
Total liabilities	728,570	628,435	596,986	557,115	639,957	752,827	864,817	981,081	1,095,609
Common stock	449	455	457	476	496	516	535	555	575
Additional paid in capital	1,238,796	1,284,140	1,273,853	1,273,853	1,273,853	1,273,853	1,273,853	1,273,853	1,273,853
Foreign currency translation adjustments	110,108	135,839	14,588	14,588	14,588	14,588	14,588	14,588	14,588
Actuarial gains (losses) related to defined benefit pension plans	2,284	2,697	1,909	1,909	1,909	1,909	1,909	1,909	1,909
Net unrealized gains (losses) on investments	1,607	1,934	(168)	(168)	(168)	(168)	(168)	(168)	(168)
Accumulated other comprehensive income (loss)	113,999	140,470	16,329	16,329	16,329	16,329	16,329	16,329	16,329
Retained earnings (accumulated deficit)	(551,160)	(660,658)	(237,583)	(120,374)	40,465	236,376	467,098	734,202	1,037,279
Total stockholders' equity (deficit)	802,084	764,407	1,053,056	1,170,284	1,331,143	1,527,073	1,757,816	2,024,940	2,328,036
Total liabilities and equity	1,530,654	1,392,842	1,650,042	1,727,400	1,971,099	2,279,900	2,622,632	3,006,021	3,423,645

Atmel Corporation (Nasdaq:ATML)

Consolidated Statements of Cash Flows

Period Ending 12/31

In thousands

	2011E	2012E	2013E	2014E	2015E	2016E
Cash Flow from Operating Activities						
Net Income	117,209	160,839	195,911	230,723	267,104	303,076
Add: Depreciation & Amortization	(141,843)	55,744	58,532	61,458	64,531	67,758
Change in Deferred income taxes	176,943	414	333	330	345	341
Change in Accounts receivable, net	(31,440)	(43,395)	(55,241)	(54,641)	(56,706)	(55,777)
Change in Inventory	(76,418)	(58,186)	(74,070)	(73,266)	(76,034)	(74,789)
Change in Trade accounts payable	2,646	26,806	34,124	33,753	35,028	34,455
Change in Accrued and other liabilities	47,404	59,155	75,303	74,485	77,299	76,034
Change in Income Taxes Payable	(82,239)	(11,760)	(9,454)	(9,383)	(9,807)	(9,696)
Change in Defferred income	(1,389)	10,765	13,703	13,555	14,067	13,836
Net Cash Provided by Operating Activities	10,874	200,381	239,140	277,013	315,828	355,238
Cash Flows from Investing Activities						
Change in short-term investments	(20,629)	(6,626)	(8,434)	(8,343)	(8,658)	(8,516)
Change in Capital expenditures	(75,843)	(79,635)	(83,617)	(87,798)	(92,187)	(96,797)
Change in other assets	(12,305)	(19,864)	(25,286)	(25,012)	(25,957)	(25,532)
Net Cash Used for Investing Activities	(108,777)	(106,124)	(117,337)	(121,152)	(126,802)	(130,845)
Cash Flows from Financing Activities						
Change in long-term debt and capital leases	4,248	302	1,144	1,516	1,699	1,900
Proceeds from issuance of common stock	19	20	20	20	20	20
Change in additional paid-in-capital	-	-	-	-	-	-
Net Cash Provided by Financing Activities	4,268	322	1,164	1,535	1,719	1,920
Net increase (Decrease) in cash	(93,636)	94,578	122,967	157,396	190,746	226,313
Cash, Beginning of year	501,455	407,819	502,397	625,364	782,761	973,506
Cash, End of year	407,819	502,397	625,364	782,761	973,506	1,199,819

Atmel Corporation (Nasdaq:ATML)

Income Statement

Period Ending 12/31

	2010	2011E	2012E	2013E	2014E	2015E	2016E
Operating revenues							
Micro-controllers	54.27%	60.07%	65.56%	70.62%	74.30%	77.22%	79.48%
Nonvolatile memories	16.86%	14.48%	12.26%	10.25%	8.81%	7.69%	6.83%
RF automotive	11.44%	10.74%	9.93%	9.07%	8.36%	7.74%	7.22%
ASIC	17.43%	14.71%	12.24%	10.06%	8.53%	7.36%	6.47%
Costs and expenses							
Cost of sales	51.66%	55.21%	55.21%	55.21%	55.21%	55.21%	55.21%
Depreciation	4.04%	4.02%	2.53%	2.26%	2.06%	1.90%	1.79%
Research and development	14.40%	16.15%	16.15%	16.15%	16.15%	16.15%	16.15%
Selling, general, and administrative	16.08%	17.23%	17.23%	17.23%	17.23%	17.23%	17.23%
EBIT	86.19%	92.61%	91.13%	90.85%	90.65%	90.49%	90.38%
Loss (gain) on sale of assets	-6.07%	-	-	-	-	-	-
Asset impairment charges (recovery)	0.73%	-	-	-	-	-	-
Restructuring charges	0.32%	-	-	-	-	-	-
Charges for grant repayments	0.06%	-	-	-	-	-	-
Acquisition related charges	0.10%	-	-	-	-	-	-
Operating income	6.54%	7.39%	8.87%	9.15%	9.35%	9.51%	9.62%
Other income (expense)							
Interest expense	-0.46%	-0.01%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%
Interest and other income	0.19%	0.33%	0.23%	0.24%	0.26%	0.29%	0.32%
Foreign exchange transaction (losses)	0.80%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating income before income taxes	7.08%	7.71%	9.08%	9.38%	9.59%	9.78%	9.92%
Benefit from (provision for) income taxes	-18.66%	-1.50%	-1.77%	-1.83%	-1.87%	-1.91%	-1.94%
Net Income	-11.58%	6.21%	7.31%	7.55%	7.72%	7.87%	7.99%

Atmel Corporation (Nasdaq:ATML)

Balance Sheet

Period Ending 12/31

	2010	2011E	2012E	2013E	2014E	2015E	2016E
Assets							
Cash & cash equivalents	30.50%	21.60%	22.84%	24.09%	26.20%	28.68%	31.63%
Short-term investments	1.19%	2.13%	2.13%	2.13%	2.13%	2.13%	2.13%
Accounts receivable, net	14.10%	13.95%	13.95%	13.95%	13.95%	13.95%	13.95%
Inventories	16.83%	18.70%	18.70%	18.70%	18.70%	18.70%	18.70%
Current assets held for sale	-	-	-	-	-	-	-
Deferred income tax assets	2.39%	-0.36%	-0.43%	-0.44%	-0.45%	-0.46%	-0.47%
Other current assets	5.13%	4.65%	4.65%	4.65%	4.65%	4.65%	4.65%
Total current assets	70.14%	60.66%	61.84%	63.08%	65.18%	67.65%	70.58%
Property and equipment	92.26%	84.35%	76.04%	67.65%	61.72%	57.04%	53.58%
Less: accumulated depreciation	76.44%	59.05%	53.23%	47.36%	43.20%	39.93%	37.51%
Property and equipment, net	15.82%	25.31%	22.81%	20.30%	18.52%	17.11%	16.07%
Deferred income tax assets, net of current portion	8.55%	-0.04%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%
Non-current assets held for sale	-	-	-	-	-	-	-
Goodwill	3.33%	2.90%	2.49%	2.11%	1.83%	1.61%	1.44%
Intangible assets	1.07%	0.93%	0.80%	0.68%	0.59%	0.52%	0.46%
Other assets	1.45%	1.73%	1.73%	1.73%	1.73%	1.73%	1.73%
Total assets	100.36%	91.49%	89.62%	87.84%	87.79%	88.57%	90.24%
Liabilities and equity							
Trade accounts payable	9.73%	8.61%	8.61%	8.61%	8.61%	8.61%	8.61%
Current portion of long-term debt & capital lease obligations	0.00%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%
Income taxes payable	1.52%	-0.07%	-0.09%	-0.09%	-0.09%	-0.09%	-0.10%
Deferred income tax liability, current portion	0.24%	-0.17%	-0.20%	-0.21%	-0.21%	-0.22%	-0.22%
Current liabilities held for sale	-	-	-	-	-	-	-
Deferred income on shipments to distributors	4.06%	3.46%	3.46%	3.46%	3.46%	3.46%	3.46%
Accrued & other current liabilities	11.49%	11.99%	11.99%	11.99%	11.99%	11.99%	11.99%
Total current liabilities	27.05%	23.86%	23.81%	23.79%	23.79%	23.78%	23.78%
Long-term debt	0.24%	0.20%	0.18%	0.17%	0.17%	0.17%	0.18%
Capital lease obligations less current portion	0.00%	0.20%	0.18%	0.17%	0.18%	0.18%	0.18%
Long-term liabilities held for sale	-	-	-	-	-	-	-
Income taxes payable	1.56%	-1.60%	-1.88%	-1.94%	-1.99%	-2.03%	-2.06%
Deferred income tax liability, non-current portion	0.00%	-0.17%	-0.20%	-0.21%	-0.21%	-0.22%	-0.22%
Other long-term liabilities	7.46%	7.02%	7.02%	7.02%	7.02%	7.02%	7.02%
Total liabilities	36.31%	29.51%	29.10%	29.01%	28.95%	28.91%	28.88%
Common stock	0.03%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%
Additional paid in capital	77.48%	67.47%	57.92%	49.08%	42.64%	37.53%	33.58%
Foreign currency translation adjustments	0.89%	0.77%	0.66%	0.56%	0.49%	0.43%	0.38%
Actuarial gains (losses) related to defined benefit pension plans	0.12%	0.10%	0.09%	0.07%	0.06%	0.06%	0.05%
Net unrealized gains (losses) on investments	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	0.00%	0.00%
Accumulated other comprehensive income (loss)	0.99%	0.86%	0.74%	0.63%	0.55%	0.48%	0.43%
Retained earnings (accumulated deficit)	-14.45%	-6.38%	1.84%	9.11%	15.64%	21.63%	27.34%
Total stockholders' equity (deficit)	64.05%	61.98%	60.52%	58.84%	58.84%	59.66%	61.36%
Total liabilities and equity	100.36%	91.49%	89.62%	87.84%	87.79%	88.57%	90.24%

Atmel Drivers

	2010	2011E	2012E	2013E	2014E	2015E	2016E
NOPLAT							
EBITA							
Revenue	1,644,060	1,888,162	2,199,335	2,595,451	2,987,269	3,393,888	3,793,850
Cost of sales	849,376	1,042,516	1,214,325	1,433,034	1,649,369	1,873,877	2,094,709
Research & development	260,310	212,045	236,812	304,858	355,099	419,055	482,317
Selling, general & administrative expenses	264,296	325,359	378,978	447,235	514,751	584,818	653,737
EBITA	270,078	308,242	369,220	410,324	468,049	516,138	563,087
Less Adjusted Taxes							
Total Income Tax	-306,723	-28,392	-38,961	-47,457	-55,889	-64,702	-73,416
Marginal tax rate	35%	35%	35%	35%	35%	35%	35%
Tax shield on interest expense	(2,637)	(79)	(163)	(168)	(191)	(220)	(254)
Tax on interest and other income	1,104	2,185	1,777	2,189	2,724	3,410	4,241
Tax on Foreign Exchange	4,620	-	1	2	3	4	5
Total Adjusted Taxes	(315,084)	(30,656)	(40,901)	(49,816)	(58,807)	(68,337)	(77,916)
Plus Change in Deferred Tax							
Deferred Tax Liability	4,025	(6,517)	(8,942)	(10,892)	(12,828)	(14,850)	(16,850)
Deferred Tax Asset	179,857	(7,628)	(10,467)	(12,750)	(15,015)	(17,383)	(19,724)
Total Change in Deferred Tax	(163,138)	176,943	414	333	330	345	341
NOPLAT	422,024	515,842	410,534	460,473	527,187	584,820	641,344
Invested Capital							
Operating Current Assets							
Normal Cash	(30,459)	18,753	25,734	31,346	36,916	42,737	48,492
Accounts Receivable	231,876	263,316	306,711	361,951	416,593	473,298	529,075
Inventory	276,650	353,068	411,255	485,325	558,591	634,625	709,414
Other current assets	84,325	87,818	102,291	120,714	138,938	157,850	176,452
Total	562,392	722,956	845,991	999,336	1,151,037	1,308,510	1,463,434
Minus: Non Interest-Bearing Current Liabilities							
Trade accounts payable	160,011	162,657	189,463	223,587	257,340	292,368	326,823
Income taxes payable	25,020	(1,411)	(1,936)	(2,358)	(2,777)	(3,215)	(3,648)
Deferred income on shipments to distributors	66,708	65,319	76,084	89,787	103,342	117,409	131,245
Accrued & other current liabilities	188,916	226,422	263,736	311,237	358,223	406,983	454,945
Total	440,655	452,987	527,347	622,253	716,127	813,545	909,365
Net Operating Capital	121,737	269,969	318,643	377,083	434,910	494,965	554,068
Plus: Property and equipment, net	260,124	477,810	501,700	526,785	553,124	580,781	609,820
Plus: Present Value of Operating Leases	32,181	-	-	-	-	-	-
Plus: Intangible Assets	23,902	32,713	38,105	44,968	51,756	58,801	65,731
Minus: Other long-term liabilities	122,624	132,522	154,362	182,164	209,664	238,203	266,274
Invested Capital	315,319	647,970	704,086	766,672	830,126	896,343	963,344
ROIC							
NOPLAT (t=0)	422,024	515,842	410,534	460,473	527,187	584,820	641,344
Divided By: Invested Capital	315,319	647,970	704,086	766,672	830,126	896,343	963,344
ROIC	41.88%	163.59%	63.36%	65.40%	68.76%	70.45%	71.55%
FCF							
NOPLAT	422,024	515,842	410,534	460,473	527,187	584,820	641,344
Minus: CAPEX	(196,414)	332,650	56,116	62,586	63,454	66,217	67,001
FCF	618,438	183,191	354,418	397,886	463,733	518,603	574,343
EP							
Invested Capital	315,319	647,970	704,086	766,672	830,126	896,343	963,344
ROIC	41.88%	163.59%	63.36%	65.40%	68.76%	70.45%	71.55%
WACC	10%	10%	10%	10%	10%	10%	10%
EP	325,715	485,708	348,611	393,187	453,920	505,489	555,685

Atmel Corporation

Discounted Cash Flow (DCF) and Economic Profit (EP) Model Valuation
Fiscal Years Ending Dec.31

Assumptions:	CV growth	4.9%
	CV ROIC	48.88%
	WACC	9.556%
	Cost of Equity	9.560%

		2011E	2012E	2013E	2014E	2015E	2016E	CV
DCF Model	FCF	183191	354418	397886	463733	518603	574343	9101198
	Present Value	167211.8	295284.1	302583.2	321895.9	328582.6	332156.7	5263446
	PV FCF	\$ 7,011,160.23						
	(+)PV Non oper	\$ 551,488.36						
	(-)PV Debt	\$ 4,057.00						
	(-)PV ESOP	\$ 130,035.68						
	(-) Operating Lease	\$ 32,180.79						
	PV Equity	\$ 7,396,375.12						
	Share Outstanding	476,474						
	Target Price as of FYE	\$ 15.52						
	Target Price as of 4/19/2011	\$ 16.01						
EP Model	ROIC	163.59%	63.36%	65.40%	68.76%	70.45%	71.55%	48.88%
	EP	485708	348611	393187	453920	505489	555685	8137853
	PV(EP)	443340.6	290445.9	299009.3	315084.5	320273.9	321366.2	4706320
	TOTAL PV	\$ 6,695,840.80						
	Invested Capital	\$ 315,319.43						
	PV(Operation)	\$ 7,011,160.23						
	(+)PV Non oper	\$ 551,488.36						
	(-)PV Debt	\$ 4,057.00						
	(-)PV ESOP	\$ 130,035.68						
	(-) Operating Lease	\$ 32,180.79						
	PV Equity	\$ 7,396,375.12						
	Share Outstanding	476,474						
	Target Price as of FYE	\$ 15.52						
	Target Price as of 4/19/2011	\$ 16.01						

For Discounting:								
Number of Periods		1	2	3	4	5	6	6

Today	2011/5/4
Next FYE	2011/12/31
Last FYE	2010/12/31
Days in FY	365
Days to FYE	124
Elapsed Fraction	0.340

Relative P/E Analysis

Ticker	Company	Price	EPS 2011E	EPS 2012E	P/E 2011	P/E 2012	Est. 5yr Gr.	PEG 11	PEG 12
INTC	Intel Corporation	\$ 19.72	\$2.04	\$2.20	9.7	9.0	11.8	0.82	0.76
XLNX	Xilinx Inc.	\$ 32.15	\$2.32	\$2.09	13.9	15.4	13.38	1.04	1.15
MCHP	Microchip Technology Ir	\$ 37.87	\$2.34	\$2.44	16.2	15.5	12.9	1.25	1.20
TXN	Texas Instruments Inc.	\$ 34.23	\$2.62	\$2.82	13.1	12.1	10	1.31	1.21
STM	STMicroelectronics NV	\$ 12.42	\$0.99	\$1.07	12.5	11.6	21.8	0.58	0.53
AMAT	Applied Materials Inc.	\$ 15.53	\$1.52	\$1.53	10.2	10.2	10.43	0.98	0.97
CY	Cypress Semiconductor	\$ 19.13	\$1.12	\$1.39	17.1	13.8	13.1	1.30	1.05
IDTI	Integrated Device Tech	\$ 7.34	\$0.59	\$0.55	12.4	13.3	12.0	1.04	1.11
			Average		13.1	12.6		1.0	1.0
ATML	Atmel Corporation	\$ 13.15	\$0.72	\$0.88	18.3	14.9	20	0.9	0.7

Implied Value:

Relative P/E (EPS11)	\$	9.46	
Relative P/E (EPS12)	\$	11.10	
PEG Ratio (EPS11)	\$	14.96	(average PEG ratio * growth * EPS)
PEG Ratio (EPS12)	\$	17.58	
Average price	\$	10.28	

Atmel Corporation*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model**Fiscal Years Ending Dec.31*

	2011E	2012E	2013E	2014E	2015E	2016E	CV
EPS	\$ 0.25	\$ 0.32	\$ 0.38	\$ 0.43	\$ 0.48	\$ 0.53	\$ 0.80

Key Assumptions

CV growth	4.90%
CV ROE	16.93%
Cost of Equity	9.56%

Future Cash Flows

Dividend	
CV	12.16067
PV	7.031291

Intrinsic Value \$ 7.03

Atmel Corporation (Nasdaq:ATML)

Ratio

	2010	2011E	2012E	2013E	2014E	2015E	2016E
<i>Current Ratio</i>	2.76	3.10	3.08	3.03	3.03	3.06	3.12
<i>Debt to Equity</i>	0.57	0.48	0.48	0.49	0.49	0.48	0.47
<i>Profit margin</i>	-11.58%	6.21%	7.31%	7.55%	7.72%	7.87%	7.99%
<i>Return on Assets</i>	0.86	1.01	1.02	1.03	1.03	1.02	1.00
<i>Return on Equity</i>	1.35	1.49	1.51	1.54	1.54	1.52	1.47
<i>Accounts Receivable Turnover</i>	7.09	7.17	7.17	7.17	7.17	7.17	7.17
<i>Accounts Payable Turnover</i>	5.31	6.41	6.41	6.41	6.41	6.41	6.41