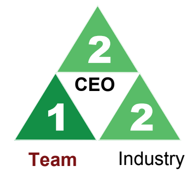
Management CV

Research Note:

Skyworks Solutions, Inc. (SWKS)

April 2, 2009

Strategy Shift By CEO Boosts the Skyworks Management Team



We like strong management teams in weak industry groups and think that CEO David Aldrich and his team at Skyworks (SWKS) may be an example of that in the specialty chip sector. SWKS makes many of the chips that enable so-called 3G "smart" phones and has nearly a 1,000 corporate clients using their products. Aldrich spearheaded a significant restructuring of the firm in late 2006 and early 2007, choosing to narrow its operations and focus on its growth line in power amplifiers and the Linear Products division. The strategy is working nicely. The Company finished 2008 with revenue of just over $860 million, up 16% on a TTM basis, indicating to us that the move to 3G phones is gaining momentum despite a tough economy and SWKS stands to be a big beneficiary. We think this team is in a position to meaningfully outperform its peer group and do so in relatively predictable fashion.

Dave Aldrich (52) has been SWKS President & CEO since April 2000. He joined Skyworks in 1995 as CFO and Treasurer and, in a series of fast paced promotions, served as the VP and General Manager of the semiconductor business unit from 1996-99 and President & CEO from 1999 to 2000. Aldrich is also an outside director of St. Louis based Belden, Inc. (BDC). Don Palette (51), CFO, joined Skyworks in August of 2007 from Axcelis Technologies where he had been the Controller since 1999. Bruce Freyman (48) has been the head of Worldwide Operations since 2005 and Stanley Swearingen is the GM of the Linear Products division which he has run since joining Skyworks in 2004.

We think the management team's alignment with outside shareholder interests is the most compelling part of the SWKS story. CEO Aldrich beneficially owns over 2.3 million shares, approximately 1.4%, and the fifteen directors and officers of SWKS own 3.5%. The CEO is paid a reasonable salary of $583k and received a cash bonus of just over $1 million in 2008. His total compensation, including stock and option awards, was $4.5 million in 2008. Aldrich's single largest option award, of 500k options, is at a strike price of $9.18. Don Palette, CFO, is paid a salary of $370k and received a bonus of $328k. His total 2008 compensation was $1 million. All the executives are eligible for semi-annual cash incentives based primarily on revenue, operating income, and gross margin metrics. We like the six month payouts as it keeps executives aligned with closely with sales objectives. In 2008 Aldrich received 182% of his salary in short term bonuses and the rest of the management team just about 100%. The Company's LTIP is directly tied to the split-adjusted price appreciation of SWKS stock so that restricted stock awarded under the LTIP will vest in 1/3 tranches for every 20% of stock price appreciation. A stock price increase of 60% would then fully vest all previous LTIP awards. We also like the fact that executives are treated the same as other employees in terms of benefit plans and none of them has an individual employment agreement, although the senior team does have provisions for severance under a change-in-control of 40% or more of Skyworks shares. The CEO's severance terms are generous in that if he leaves the firm, but remains on the Board for at least two years, after January 1, 2010 he will be entitled to 2x salary and benefits and will forfeit only options and RSU's vesting beyond two years from the date of his resignation as an officer of the Company.

A final point on the alignment of the Skyworks management team with investors is that as of February 27, 2009, Skyworks had a little over 25 million shares reserved for issuance under outstanding option grants with a weighted average price of $10.22 and a remaining average life of 5.3 years. The Company intends to increase the number of shares available for LTIP share and option grants, pending shareholder approval, by approximately 12 million. This means the Company has a somewhat high option overhang of roughly 7%. SWKS option grants vest ratably over four years and approximately 83% of currently issued SWKS options are currently underwater which we think significantly mitigates the potential option dilution. This team is unusually well aligned to deliver on superior stock price performance in the coming years. ***End***