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Peregrine Semiconductor Shares Surge In Post-Facebook IPO, Close Up 5%

By David Zielenziger

Peregrine Semiconductor (Nasdaq: PSMI) which has sold more than a billion high-frequency chips to the mobile industry in the past five years, started trading Wednesday after raising \$77 million its initial public offering Tuesday night. Shares rose as much as 10.2 percent to \$15.43 before easing back to close at \$14.71, up 71 cents or 5.1 percent, on Wednesday.

For the San Diego-based chip designer, the road to an IPO has taken since 1990. It filed to go public in November 2010 and then was stalled in the run-up to Facebook's (Nasdaq: FB) May 17 IPO, which effectively froze the IPO market for months. Facebook shares closed at \$20.72, unchanged, and are down 45 percent since the IPO.

Peregrine's market capitalization is now \$450 million. Shares were priced Tuesday night at \$14, the low range of the prior target between \$14 and \$16.

The chip designer's lead underwriters are Deutsche Bank Securities (NYSE: DB) and JPMorgan Chase (NYSE: JPM).

Both banks collected part of the \$176 million in fees from Facebook's mega-IPO, which raised \$16 billion. Facebook shares have plunged 47 percent since then, closing Tuesday at \$20.72, down \$1.20. Few technology companies have tested the IPO waters since although both Palo Alto Networks (Nasdaq: PANW) and Kayak Software (Nasdaq: KYAK) are trading above their IPO prices from mid-July.

But Peregrine, like several other technology IPOs that have been priced in the last month, is seeking to raise far less money, has been in business for decades with constant revenue growth and isn't seeing insiders bail out at the opening bell -- all marked contrasts to Facebook, the Menlo Park, Calif., social network website.

Like many semiconductor companies, Peregrine doesn't manufacture its own chips. As a "fabless" company its costs are generally lower because all custom designs are made at foundries. The chips use the complex Ultra CMOS, (or complementary metal-oxide-semiconductor) process, which is especially suitable for radio-frequency chips that don't consume much power.

For years, that meant Peregrine's products were mainly bought by defense contractors and satellite companies, but as the mobile boom flourished in telecommunications, chips became more desirable for mobile networks.

Customers such as Swedish mobile phone giant Ericsson (NYSE: ERIC), Motorola Solutions Inc. (Nasdaq: MSI) and Northrop Grumman Corp. (NYSE: NOC) value that for their consumer products as

well as for high-frequency antennas, amplifiers and oscillators. More than 60 percent of products goes to Asian customers.

As a semiconductor specialist, Peregrine's sector competitors include Analog Devices (Nasdaq: ADI), Sony Corp. (NYSE: SNE) and Texas Instruments Inc. (Nasdaq: TXN), which are far larger and might well acquire the company in the future.

The company's longtime principal investors aren't planning to unload their shares in the IPO. They include Morgenthaler Partners in Menlo Park, Calif., with a 14 percent holding; Advanced Equities of Chicago, with a 10.6 percent stake, and the U.S. Small Business Administration, with 10.3 percent.

For the first half of 2012, Peregrine said revenue jumped 43 percent to \$80.3 million as its loss widened to \$3.1 million, or \$1.10 a share, from \$2.3 million, or 85 cents, a year earlier. Even without the IPO, the company said it had nearly \$43 million in cash on June 30.