

Semiconductors & IT Hardware
Company Update
Netlist Inc. | NLST - \$2.55 - NASDAQ | Buy
Stock Data

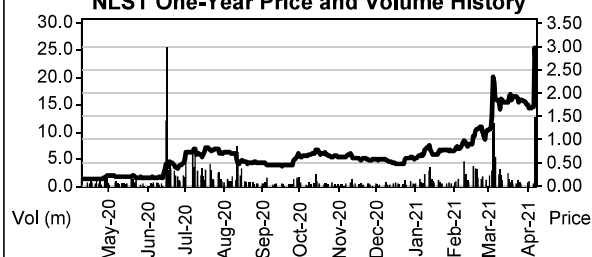
52-Week Low - High	\$0.10 - \$3.05
Shares Out. (mil)	215.01
Mkt. Cap.(mil)	\$548.28
3-Mo. Avg. Vol.	1,977,837
12-Mo.Price Target	\$4.00
Cash (mil)	\$17.0
Tot. Debt (mil)	\$21.0
Est. 3Yr. EPS Growth	15%

Revenue (\$ millions)

Yr Dec	—2020—	—2021E—	—2022E—
		Curr	Curr
1Q	14.6A	12.0E	13.3E
2Q	10.9A	12.5E	14.0E
3Q	10.2A	13.3E	14.7E
4Q	11.5A	14.8E	16.0E
YEAR	47.2A	52.6E	58.0E

EPS \$

Yr Dec	—2020—	—2021E—	—2022E—
		Curr	Curr
1Q	(0.01)A	(0.01)E	(0.01)E
2Q	(0.01)A	(0.01)E	(0.01)E
3Q	(0.01)A	(0.01)E	(0.01)E
4Q	(0.01)A	(0.01)E	(0.01)E
YEAR	(0.04)A	(0.04)E	(0.04)E

EPS, Non-GAAP
NLST One-Year Price and Volume History


NLST: Clarifying Terms of Hynix Agreement – Maintaining Buy

We believe NLST represents a differentiated investment opportunity in emerging specialty memory technology and solutions. NLST clarified details of its strategic agreement with SK Hynix (005930.KS-NC), which includes an up-front payment and access to favorable product supply over the five-year term. We maintain our Buy rating.

■ **Hynix Strategic Agreement Includes Up-Front Payment and Favorable Supply – Maintain Buy.** In a filing and hosted investor call, NLST clarified detailed terms of its Hynix settlement and strategic go forward agreement. Over the five-year term of the new strategic agreement, NLST agreed to a patent cross-license in exchange for an up-front one-time payment of \$40m before fees and taxes which will be recorded as revenue in 2Q20. We estimate that NLST cash balance will grow to north of \$50m with this consideration and fund the company well to execute on its operating plan. We will update our model accordingly at the next earnings announcement. Additionally, NLST will have access to up to \$600m of Hynix memory and storage product supply over the terms of the agreement (\$~30m/quarter). We expect these re-sales revenues to ramp up over the next few quarters and boost existing re-sale revenue as NLST establishes supply-chain logistics with Hynix to fulfill these customers sales requests. We note that give the ongoing semiconductor and memory industry tightness, we expect NLST to gain share with its favorable supply agreements. Lastly, we expect NLST to collaborate with SK Hynix for development of its Intel (INTC-Neutral) server CXL interface based products such as HybriDIMM which is expected to intersect the Cascade Lake server platform ramping starting in late CY-22. We note that Hynix recent acquisition of INTC's NAND memory business has increased its focus on enterprise storage and memory, making NLST an ideally suited partner here. We maintain our Buy rating.

NLST Intraday Price: \$2.55 at 9:30am ET

Netlist EX2116
 Samsung v. Netlist
 IPR2025-01431

VALUATION

Our price target of \$4.00 represents a CY22 EV/Sales of ~14.0x, a premium relative to the peer trading group reflecting benefit from steady fundamental improvement coupled with increased litigation revenue opportunity.

Factors that could impede shares from reaching our price target include litigation outcomes, potentially slower or faster than expected adoption of advanced server memory products and competitive intensity.

RISKS

Several considerations could cause NLST's fundamental and stock price performance to deviate from the total return expectations implied by our price target, including:

- Uncertainty in the final economic outcome of pending litigation
- Pace of adoption of newer NLST memory architectures
- Competition from larger and more established memory module vendors
- Supply disruptions in NAND Flash and DRAM memory markets, which can in turn potentially disrupt NLST's ability to deliver modules to its customers

COMPANY DESCRIPTION

Netlist (NLST) is a leading provider of high-performance memory products and technology. NLST specializes in hybrid memory – the merging of DRAM and NAND flash raw materials to create higher performance, high capacity memory solutions. NLST serves diverse cloud enterprise-grade requirements for high-performance memory and storage in support of big data analytics and in-memory compute applications. The company invests in new memory products such as load-reduced DIMM (LRDIMM) and non-volatile DIMM (NVDIMM) featuring NAND flash access to the memory channel. HybriDIMM, NLST newest product line, is a storage class memory (SCM) product built on commodity DRAM and Flash. HybriDIMM is the first SCM product to operate in current high-performance cloud servers without BIOS and hardware changes, and the first unified DRAM-NAND solution that scales memory to terabyte storage capacities and accelerates storage to nanosecond memory speeds. Founded in 2000, Netlist, Inc. corporate headquarters are in Irvine, California and employs ~75 people.

Regulation Analyst Certification ("Reg AC"): The research analyst primarily responsible for the content of this report certifies the following under Reg AC: I hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Disclosures:

Shares of Netlist Inc. may be subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities.

ROTH makes a market in shares of Intel Corporation and as such, buys and sells from customers on a principal basis.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

IB Serv./Past 12 Mos.

Rating	Count	Percent	as of 04/08/21	
			Count	Percent
Buy [B]	299	76.67	188	62.88
Neutral [N]	51	13.08	23	45.10
Sell [S]	1	0.26	1	100.00
Under Review [UR]	39	10.00	26	66.67

Ratings System Definitions - ROTH employs a rating system based on the following:

Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH does not publish research or have an opinion about this security.

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