Zacks Small-Cap Research

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Lisa Thompson
312-265-9154 / lthompson@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Suite 1600, Chicago, IL 60606

O2Micro International Ltd (NASDAQ: OIIM)

O2Micro Completes Merger Transaction and Stops Trading

The company has closed its purchase by a private entity and shareholders will receive $5.00 per ADS in cash, net of fees.

Current Price (3/3/2023)	$4.90
Valuation	**$5.00**

OUTLOOK

O_2Micro International is a fabless semiconductor firm that designs, develops, and markets high-performance integrated circuits primarily for power management and battery management for TV backlighting, LED lighting, portable tools, appliances, e-bikes, and energy storage. The company has completed a take-out transaction for $5.00 a share in cash. Shareholders will receive a letter of transmittal and instructions on how to tender their shares.

SUMMARY DATA

52-Week High	**4.90**
52-Week Low	**2.92**
One-Year Return (%)	**21.0**
Beta	**0.6**
Average Daily Volume (sh)	**461,715**
Shares Outstanding (mil)	**29.2**
Market Capitalization ($mil)	**$143**
Short Interest Ratio (days)	**0.2**
Institutional Ownership (%)	**30.0**
Insider Ownership (%)	**30.6**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**13.6**
Earnings Per Share (%)	**30.0**
Dividend (%)	**N/A**
P/E using TTM EPS	**19.6**
P/E using 2023 Estimate	**35.0**
P/E using 2024 Estimate	**N/A**

Risk Level	**Below Average**
Type of Stock	**Small Value**
Industry	**Elec Comp-Semis**

ZACKS ESTIMATES

Revenue
(In millions of US$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	$23.2 A	$26.2 A	$27.3 A	$24.4 A	$101 A
2022	$21.6 A	$22.1 A	$18.2 A	$17.5 E	$79.3 E
2023					$85.0 E
2023					

Earnings per Share
(Non-GAAP EPS before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	$0.09 A	$0.12 A	$0.13 A	$0.11 A	$0.45 A
2022	$0.06 A	$0.06 A	$0.02 A	-$0.02 E	$0.14 E
2022					$0.14 E
2023					

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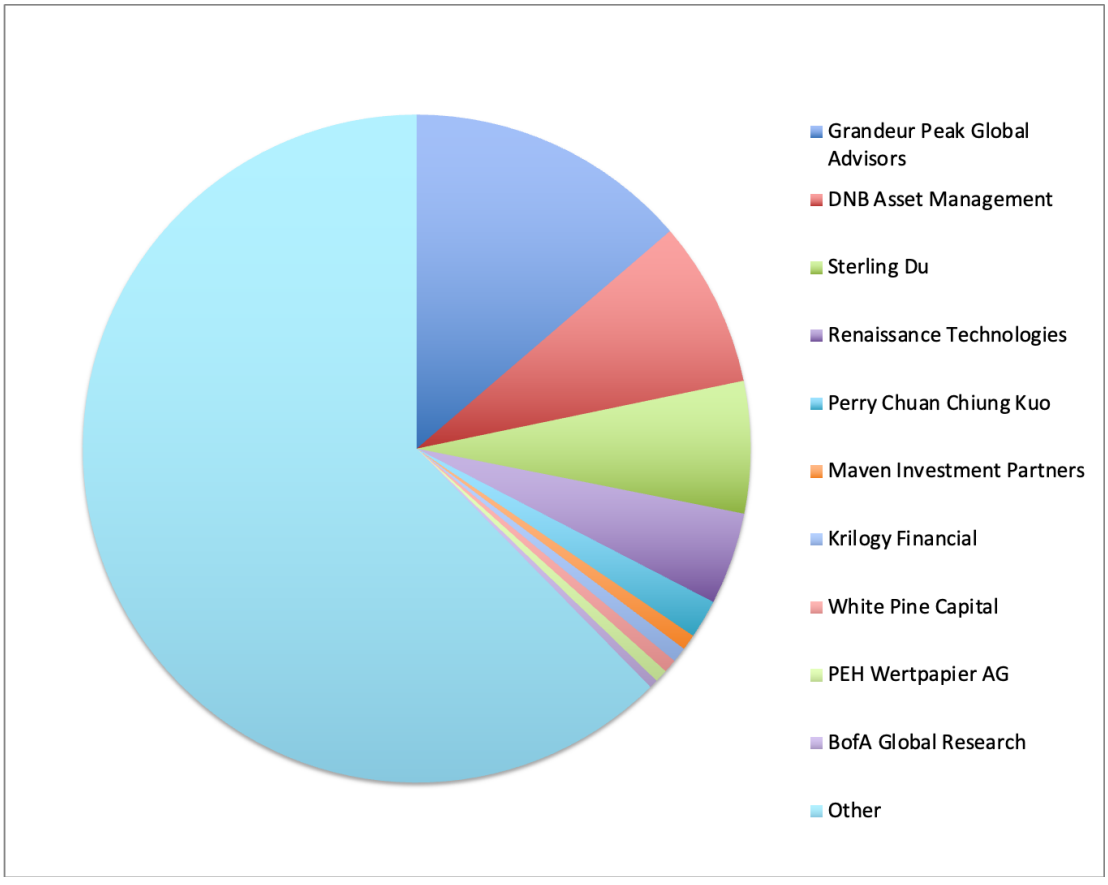
WHAT'S NEW

O2Micro Completes its Merger for $5.00 per ADS in Cash

Today O2Micro announced it has completed its merger with FNOF Precious Honour Limited, Sterling Du, CEO, and Chairman of the Board, and Perry Kuo, CFO, and director, and is now owned by a private entity. As a result, the company has requested that its shares stop trading on NASDAQ and eligible registered shareholders are asked to wait for a letter of transmittal and instructions on how to surrender their shares in exchange for consideration of $5.00 for each existing OIIM American Depositary Share. Note that the $5.00 per ADS consideration needs to be adjusted for the $0.05 per ADS cancellation and a $0.02 per ADS distribution fee. Thus, the adjusted offer price is thus $4.93/ADS.

We wish the management and the company's new owners the best of luck.

OWNERSHIP



INCOME STATEMENT

	March Q1 21	June Q2 21	Sept Q3 21	Dec Q4 21	March Q1 22	June Q2 22	Sept Q3 22	Dec Q4 22E	2020	2021	2022E	2023E
REVENUE												
Net Revenue	23.2	26.2	27.3	24.4	21.6	22.1	18.2	17.5	78.3	101.1	79.3	85.0
Yr-to-yr Gr.	49%	52%	23%	5%	-7%	-16%	-33%	-28%	29%	29%	-22%	7%
OPERATING EXPENSES												
Cost of goods sold	11.2	12.7	13.1	11.1	10.3	10.4	8.7	8.6	38.0	48.2	37.9	40.0
Gross Margin	12.0	13.5	14.2	13.2	11.4	11.6	9.5	8.9	40.4	52.9	41.4	45.1
% of Sales	51.6%	51.5%	52.0%	54.3%	52.6%	52.6%	52.3%	51.0%	51.6%	52.3%	52.2%	53.0%
R&D	4.6	4.7	5.1	5.0	5.0	4.9	4.8	5.0	16.2	19.4	20.0	21.4
SG&A	5.1	5.5	5.4	5.7	5.4	5.4	5.0	5.2	17.5	21.6	22.7	23.0
One-time expenses & Adj.	0.0	0.0	0.0	0.0	0.1	0.8	1.3	0.3	0.0	0.0	0.0	0.0
Tot Operating Exp.	9.6	10.2	10.6	10.6	10.4	11.1	11.1	10.4	33.7	41.0	42.7	44.4
Operating Income	2.4	3.3	3.6	2.6	1.0	0.5	(1.6)	(1.5)	6.7	11.9	(1.3)	0.7
Operating margin	10%	13%	13%	11%	4%	2%	-9%	-8%	9%	12%	-2%	1%
Interest income	0.1	0.1	0.0	0.1	0.1	0.1	0.2	0.2	0.5	0.2	0.5	1.0
Net gain recognized on LT investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0
Foreign exchange loss	0.0	(0.1)	0.1	0.1	0.1	0.0	0.3	0.0	(0.2)	0.1	0.5	0.0
Gain on sale of real estate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government grants	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.1	0.8	0.4	0.2	0.2
Other (rent) - net	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.5	0.4	0.5
One-time charge	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.2)	0.0	0.0	0.0
Total other Income	0.4	0.1	0.3	0.4	0.3	0.3	0.6	0.4	0.4	1.2	1.6	1.7
Pretax Income	2.7	3.4	4.0	3.0	1.3	0.8	(1.0)	(1.0)	7.1	13.1	0.3	2.4
Pretax margin	11.7%	13.0%	14.5%	12.3%	5.8%	3.6%	-5.6%	-6.0%	9.0%	12.9%	0.4%	2.8%
Taxes	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.3	0.9	1.0	0.9	0.7
Tax Rate	9.0%	7.4%	7.1%	6.6%	16.2%	29.5%	-23.4%	-24.0%	13.3%	7.4%	NM	29.3%
GAAP Net Income	2.5	3.2	3.7	2.8	1.1	0.6	(1.3)	(1.3)	6.1	12.1	(0.6)	1.7
Non-GAAP Net Income	2.9	3.6	4.1	3.4	1.9	2.0	0.6	(0.5)	8.2	14.0	4.0	4.1
GAAP ADSPS-Basic	$0.09	$0.11	$0.13	$0.10	$0.04	$0.02	($0.04)	($0.04)	$0.23	$0.43	($0.02)	$0.06
GAAP ADSPS-Fully dil.	$0.08	$0.10	$0.12	$0.09	$0.03	$0.02	($0.04)	($0.04)	$0.21	$0.39	($0.02)	$0.06
Non-GAAP	**$0.09**	**$0.12**	**$0.13**	**$0.11**	**$0.06**	**$0.06**	**$0.02**	**($0.02)**	**$0.29**	**$0.45**	**$0.14**	**$0.14**
Yr-to-yr Gr.	-5813%	299%	12%	-16%	-33%	-44%	-84%	-114%	-255%	58%	-70%	3%
ADS Out	28.0	28.4	28.5	28.5	29.0	29.2	29.2	29.2	27.0	28.4	29.1	29.2
Fully diluted ADS	31.4	31.1	31.0	30.8	30.6	30.4	29.2	29.2	28.7	31.1	29.8	29.2
Yr-to-yr Gr.	18%	12%	7%	1%	-3%	-2%	-6%	-5%	9%	8%	-4%	-2%
Net cash generated	1.10	3.60	4.30	$1.30	(1.20)	1.50	1.80	1.50	(1.42)	10.30	3.60	
EBITDA	$3.87	$4.76	$5.26	$4.49	$3.09	$3.00	$1.32	$0.48	$12.01	18.38	$6.69	$7.95
Margin	16.7%	18.2%	19.3%	18.4%	14.3%	13.6%	7.3%	2.7%	15.3%	18.2%	8.4%	9.4%
Cap Ex	2.4	3.5	1.0	1.9	0.7	0.6	0.6	0.6	2.45	8.80	4.0	4.0
Free cash	1.5	0.1	3.3	(0.6)	(1.9)	0.9	1.2	0.9				

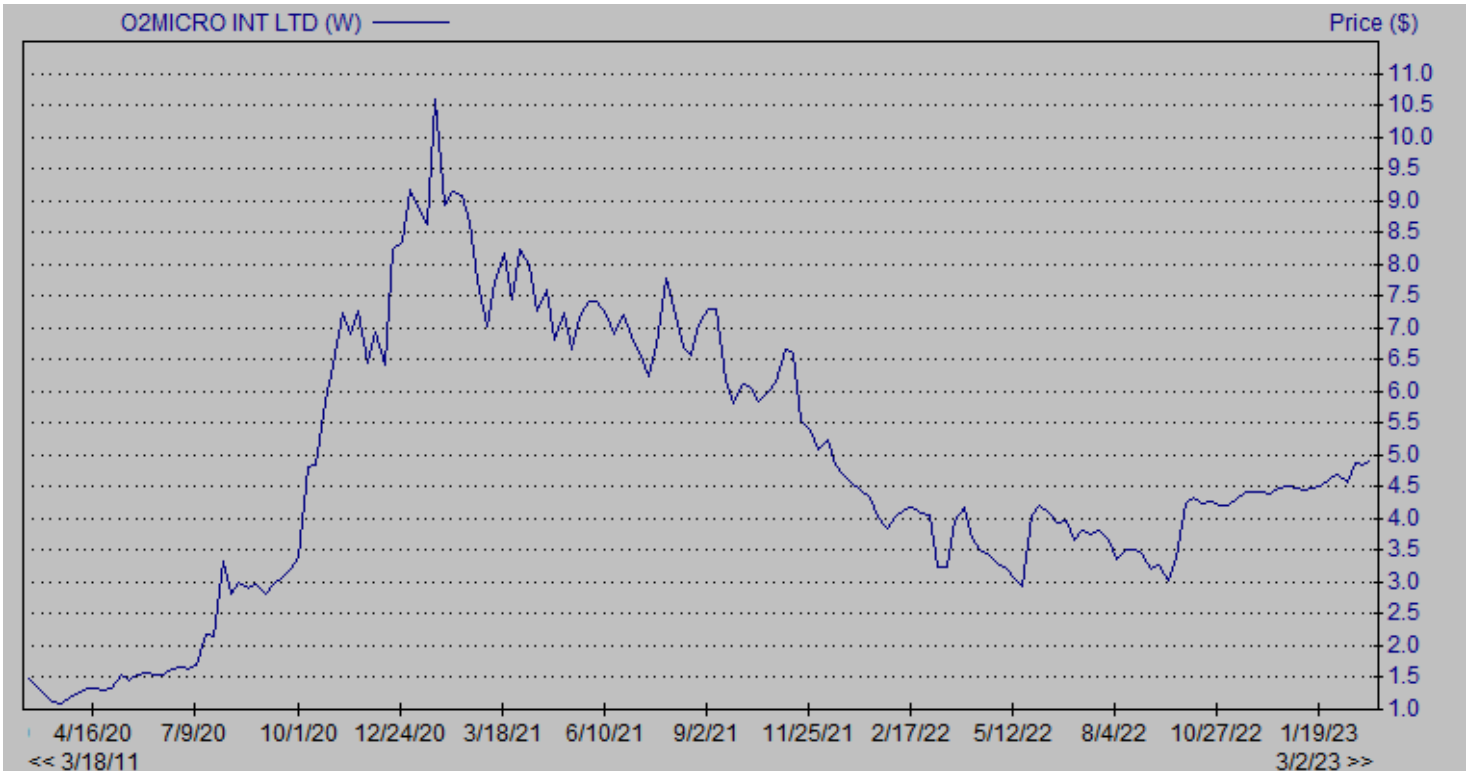
BALANCE SHEET

	Sept 30, 2022	June 30, 2022	Qtr-to-Qtr % Change	Sept 30, 2021	Yr-to-Yr % Change
CURRENT ASSETS					
Cash and cash equivalents	**$46,250**	**$27,526**	68.0%	**$22,073**	109.5%
Restricted cash	34	36	-5.6%	38	-10.5%
Short-term investments	**4,033**	**21,935**	-81.6%	28,661	-85.9%
Accounts receivable, net	13,002	17,187	-24.3%	16,693	-22.1%
Inventories	22,476	21,559	4.3%	18,001	24.9%
Prepaid expenses and other current assets	1,546	1,728	-10.5%	3,423	-54.8%
Total current assets	87,341	89,971	-2.9%	88,889	-1.7%
LONG-TERM INVESTMENTS	992	992	0.0%	992	0.0%
PROPERTY AND EQUIPMENT, NET	21,761	22,968	-5.3%	22,407	-2.9%
OTHER ASSETS	3,966	4,237	-6.4%	3,858	2.8%
Total other assets	26,719	28,197	-5.2%	27,257	-2.0%
TOTAL ASSETS	114,060	118,168	-3.5%	116,146	-1.8%
CURRENT LIABILITIES					
Accounts payable	5,450	6,860	-20.6%	10,295	-47.1%
Income tax payable	354	183	93.4%	376	-5.9%
Lease liabilities	992	1,128	-12.1%	977	1.5%
Accrued expenses and other current liabilities	5,393	6,331	-14.8%	5,355	0.7%
Total current liabilities	12,189	14,502	-15.9%	17,003	-28.3%
OTHER LONG-TERM LIABILITIES					
Accrued pension liabilities	108	123	-12.2%	144	-25.0%
Deferred tax liabilities	631	672	-6.1%	690	-8.6%
Lease liabilities	1,528	1,637	-6.7%	1,965	-22.2%
Other liabilities	63	66	-4.5%	69	-8.7%
Total long-term liabilities	2,330	2,498	-6.7%	2,868	-18.8%
Total liabilities	14,519	17,000	-14.6%	19,871	-26.9%
SHAREHOLDERS EQUITY					
Ordinary shares	33	33	0.0%	33	0.0%
Additional paid-in capital	143,944	143,377	0.4%	142,974	0.7%
Accumulated deficits	(35,185)	(33,924)	3.7%	(37,951)	-7.3%
Accumulated other comprehensive income	3,585	4,596	-22.0%	5,777	-37.9%
Treasury stock	(12,816)	(12,914)	-0.8%	(14,558)	-12.0%
Total shareholders equity	99,561	101,168	-1.6%	96,275	3.4%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	114,060	118,168	-3.5%	116,146	-1.8%
		$822			
Cash and equivalents	$50,283	$49,461	1.7%	$50,734	-0.9%
Current Ratio	7.2	6.2	15.5%	5.2	37.1%
Quick Ratio	5.3	4.7	12.8%	4.2	27.6%
Change in cash and equivalents	822	1,284	-36.0%	3,381	-75.7%
DSO	75	68	10.3%	55	36.4%
Inventory Days	229	187	22.5%	117	95.7%

ANNUAL CASH FLOW

	2021	2020	2019	2018	2017
OPERATING ACTIVITIES					
Net loss	$ 12,113	$ 6,127	$ (5,039)	$ 2,088	$ (6,145)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization	4,349	3,225	1,780	1,641	1,667
Stock-based compensation	1,878	1,414	1,462	1,421	1,589
Other income - government grants	(391)	(817)			
Loss on asset write-off			0	0	0
Inventory write-downs	800	405	1,359	1,328	642
Net gain recognized on LT investments	0	79	(788)	(9,916)	0
Gain on sale of long-term investments	0	0	(500)	0	(20)
Impairment loss on long-term investments	0	0	0	0	0
Gain on disposal of property & eqt, net	22	(189)	2	(6)	(137)
Deferred income taxes	(6)	(5)	(133)	(155)	40
Other, net	0	0	0	0	0
Changes in operating assets and liabilities:					
Accounts receivable, net	(2,354)	(6,095)	1,053	(2,204)	(1,979)
Inventories	(7,735)	(4,197)	133	(2,286)	(697)
Prepaid expenses and other current assets	461	(1,276)	981	(1,031)	(139)
Deferred charges	(393)	(3,836)	(571)	(983)	(553)
Operating lease right of use assets	98	(169)	(1,477)	0	0
Notes and accounts payable	1,180	3,128	285	2,122	(1,869)
Income tax payable	35	(339)	198	72	161
Government grants	391	817			
Accrued expenses and other current liabilities	117	808	661	(105)	186
Operating lease liabilities	(105)	197	1,494	0	0
Accrued pension liabilities	(46)	(33)	(42)	(20)	13
Other liabilities	0	3	3	(1)	3
Net cash used in operating activities	10,414	(753)	861	(8,035)	(7,238)
Acquisition of:					
Short-term investments	(10,404)	(4,491)	(34,649)	(11,197)	(8,505)
Long-term investments	0	0	0	0	0
Property and equipment	(8,806)	(2,476)	(1,672)	(1,272)	(704)
Decrease (increase) in:					
Restricted assets	0	0	0	0	0
Restricted cash	0	0	0	0	0
Other assets	(816)	(47)	6	(12)	22
Proceeds from:					
Sale of short-term investments	10,453	11,418	4,953	22,540	12,635
Sale of long-term investments	0	3,124	7,061	2,582	0
Return of capital from LT investment	0	0	0	0	1,163
Sale of real estate	0	0	2,169	0	
Disposal of property and equipment	137	331	1	16	145
Net cash provided by investing activities	(9,436)	7,859	(22,131)	12,657	4,756
FINANCING ACTIVITIES					
Acquisition of treasury stock	(482)	(146)	(510)	(451)	(708)
Proceeds from:					
Exercise of stock options	1,627	476	7	10	29
Issuance of ordinary shares under the ESP Plan	126	77	109	86	84
Net cash used in financing activities	1,271	407	(394)	(355)	(595)
EFFECTS OF CHANGES IN FOREIGN EX RATE	(219)	545	(53)	(374)	268
NET CHANGE IN CASH AND CASH EQUIV.	2,030	8,058	(21,717)	3,893	(2,809)
CASH & CASH EQUIV. AT BEGINNING OF YR	18,789	10,731	32,448	28,555	31,364
CASH & CASH EQUIVALENTS AT END OF YR	20,819	18,789	10,731	32,448	28,555
Cash paid for tax	$ 942	$ 1,223	$ 1,171	$ 1,218	$ 818
Cash Flow	18,765	10,239	(1,857)	(3,599)	(2,364)
Free cash flow	10,096	8,094	(3,528)	(4,855)	(3,068)

HISTORICAL STOCK PRICE



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