THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

ISIL - Q4 2015 Intersil Corp Earnings Call

EVENT DATE/TIME: JANUARY 27, 2016 / 9:30PM GMT

OVERVIEW:

ISIL reported 2015 revenue of $521.6m, GAAP net income of $7.2m, and GAAP diluted EPS of $0.05. 4Q15 revenues were $126.6m, GAAP net income was $21.3m, and GAAP diluted EPS was $0.16. Expects 1Q16 revenue to be $125-131m and GAAP EPS to be $0.08-0.10.

CORPORATE PARTICIPANTS

Shannon Pleasant *Intersil Corporation - VP of Corporate Communications*

Necip Sayiner *Intersil Corporation - President & CEO*

Rick Crowley *Intersil Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

Tore Svanberg *Stifel Nicolaus - Analyst*

Ross Seymore *Deutsche Bank - Analyst*

Craig Ellis *B. Riley & Company - Analyst*

Charles Kazarian *Credit Suisse - Analyst*

Gus Richard *Northland Securities - Analyst*

Chris Caso *Susquehanna Financial Group - Analyst*

PRESENTATION

Operator

Hello everyone, and welcome to the fourth-quarter 2015 Intersil Corporation earnings conference call.

(Operator Instructions)

As a reminder, this call is being recorded for replay purposes. I would now like to turn the call over to Shannon Pleasant.

Shannon Pleasant - *Intersil Corporation - VP of Corporate Communications*

Thank you, and good afternoon. I'm here with the Necip Sayiner, Intersil's President and Chief Executive Officer; and Rick Crowley, Intersil's Chief Financial Officer. We'll discuss our financial performance and provide a summary of our outlook. After our prepared comments, we'll have a Q&A session. Our earnings press release and the accompanying financial tables are available on the Investor Relations section of our website at ir.intersil.com. This call is also being webcasted, and a replay will be available through February 10.

Please note that the comments made during this conference call may contain forward-looking statements subject to risks and uncertainties that could cause our actual results to vary. These risk factors are discussed in detail in our filings with the Securities and Exchange Commission. Also the non-GAAP financial measurements that are discussed today are not intended to replace the presentation of Intersil's GAAP financial results. We are providing this information because it may enable investors to perform meaningful comparisons of operating results, and more clearly highlight the results of core ongoing operations. Non-GAAP financial measures referenced during today's call can be found in the reconciliation of GAAP to non-GAAP results provided in today's earnings press release. I will now turn the call over to Intersil President and CEO Necip Sayiner.

Necip Sayiner - *Intersil Corporation - President & CEO*

Thanks, Shannon, and hello, everyone. 2015 wrapped up with Q4 revenue of $126.6 million and year-end revenue of $521.6 million. New program ramps helped us to offset some of the end-market weakness that persisted for most of the year. But the new product revenue wasn't enough to enable the annual growth we had anticipated. That said, it was a good year for Intersil in terms of improving the competitiveness and financial strength of the Company.

Regarding competitiveness, the higher quality of our R&D projects, measured by both revenue potential and differentiation, resulted in a number of very successful product launches in 2015, setting new records for leads generated. Design wins in our focus markets continue to increase as well, with Q4 representing a recent record in design-win dollars. Engagement with strategic customers increased dramatically, giving us valuable insight into their product plans and making our own developments for these customers stickier.

On the financial front, we made further gross margin improvement for the third consecutive year. Gross margin is a key area of focus for us, and we believe it is a leading indicator of our differentiation in the market. We again successfully controlled operating expenses throughout the year without compromising our R&D plans. This allows us to maintain some profitability, even at lower revenue levels. The Company generated significant cash and continued to return a majority of that cash to our shareholders. We have one of the highest-yielding dividends in the sector.

Looking ahead, we have targeted the most interesting segments of the electronics markets with our power technology. Our latest products are designed into next-generation data center infrastructure, new 2017 and 2018 vehicles, next-gen PC and tablet platforms, and connected devices making up the industrial Internet of Things. We're helping customers that use power consumption extend battery life, enable smaller form factors, enhance features and increase performance. Nearly three years into our transformation, I can say that we are at the center of the most complex power challenges in the industry. I will provide more detail on the business after Rick reviews the financial results. Rick?

Rick Crowley - *Intersil Corporation - CFO*

Thank you, Necip. First, I'll summarize the GAAP results. Fourth-quarter GAAP gross margin was 57.6%, down sequentially as expected. Full-year GAAP gross margin was 59%, an increase of 90 basis points compared to 2014. Total fourth-quarter operating expenses declined on a sequential basis to $57 million. GAAP OpEx for the full year totaled $322 million, increasing year over year as a result of an adverse jury verdict from an intellectual property lawsuit that we are contesting. The GAAP operating loss for the year therefore was $14.2 million.

For the fourth quarter, operating income was $15.9 million or 12.5% of revenue. As a result of the reinstatement of the R&D tax credit and other year-end adjustments, the fourth-quarter tax provision was a credit of $5.7 million. Q4 net income was $21.3 million, and full-year net income was $7.2 million. GAAP Q4 diluted earnings per share was $0.16, bringing full-year GAAP diluted EPS to $0.05.

On a non-GAAP basis, fourth-quarter gross margin of 57.8% declined sequentially, in line with our expectations. The decline was driven primarily by higher manufacturing variances as we continue to reduce on-hand inventory levels. In addition, lower I&I revenue in the quarter resulted in a less favorable mix. For the full year, gross margin was 59.3%, a 100-basis point improvement compared to 2014. This is a great result that highlights the strength of the margins in the new C&C products relative to prior years. We expect to see modest gross margin improvement on a sequential basis during 2016, with the pace of improvement influenced by the recovery and demand for our industrial and infrastructure products. We continue to tightly manage expenses, controlling discretionary spending and hiring to reduce cost, without negatively impacting our R&D execution.

Q4 non-GAAP operating expenses came in lower than our initial forecast, decreasing to $47.9 million, with R&D investments of $27.6 million and SG&A expense of $20.3 million. R&D remained relatively flat year over year, as we continued to execute on our product development plans, while SG&A declined. Looking into 2016, we are expecting R&D investments for the year to grow generally in line with revenue, and we anticipate continued leverage on G&A.

Q4 non-GAAP operating income was $25.3 million or 20% of revenue. This was our tenth consecutive quarter of non-GAAP operating margin of 20% or better. Operating margin for the full year was 20.6%, demonstrating our ability to sustain the profitability gains we have made, even in a weak demand environment. The fourth-quarter non-GAAP effective tax rate was negative 12% due to the reinstatement of the R&D tax credit. For 2016, we estimate the non-GAAP tax rate will be in the range of 16% to 18%.

Non-GAAP net income was $27.9 million in Q4 and $93.7 million for the year, resulting in non-GAAP earnings per share of $0.20 and $0.68, respectively, of which $0.04 per share was related to the R&D tax credit. Non-GAAP diluted shares outstanding were $138.6 million as we exited the year, and are expected to rise modestly throughout 2016.

Turning to the balance sheet, cash and cash equivalents increased by $18 million to $247 million at quarter end. Accounts receivable balances decreased by over $8 million sequentially, resulting in record-low days sales outstanding, and contributing to the strong cash flow during the quarter. We were successful in further reducing on-hand inventory by over $4 million, exiting the quarter at $65 million. In Q1, we expect our on-hand inventory to be flat to down, on a dollar basis. Channel inventory also declined by about another week in Q4, reaching the lowest level in 2015 -- a good starting point for the new year.

We spent approximately $13 million in capital expenditures through all of 2015, and expect CapEx for all of 2016 to be about 3% of revenue. Q4 free cash flow was a strong $30 million, of which $16 million was returned to shareholders through our high-yielding dividend. For all of 2015, we generated total free cash flow of $104 million, up substantially from the $64 million generated in 2014. In 2015, we returned 62% of our free cash flow to shareholders, and believe that our current dividend continues to be the right vehicle to deliver meaningful capital returns to shareholders over the coming year.

Twelve months ago, we introduced our long-term success model. It is non-GAAP gross margin of 60% or better, R&D investment in the 20% to 21% range, SG&A expense in the 14% to 15% range, and non-GAAP operating margin of 25%. We continue to make investment decisions based on this model, and expect that as revenue levels rise, we will see further progress towards achieving these metrics in 2016. Necip?

Necip Sayiner - *Intersil Corporation - President & CEO*

Thank you, Rick. Let's start with our C&C business, which achieved a couple of important milestones in Q4. Revenue was up over 7% sequentially, to quarterly revenue levels we haven't seen since 2014. Q4 also marked the first quarter of year-over-year growth for the C&C business since 2011. Benefiting from new ramps, consumer revenue was up significantly quarter on quarter. Our first-of-its kind display power management technology is being deployed in new tablet platforms that ramped throughout Q4. This was augmented by power management IC wins across mobile platforms that continued to do well in the quarter. We anticipate this strength will persist into Q1, in spite of seasonal headwinds.

Computing revenue was slightly below the higher run rate established in Q3. As we noted, customers were well-positioned exiting Q3, and demand was therefore relatively stable throughout Q4. Entering Q1, new business resulting from the transition to Skylake is expected to partially offset what is typically a lower seasonal period. For the full year, C&C was down 12%, with the majority of that decline coming from computing. There was a notable sequential improvement in the C&C business over the course of 2015 as the new products we have developed began to ramp. This reversed the negative trends that persisted throughout 2014. So while C&C was obviously impacted by weak end-market demand and the related inventory draw-downs, we are seeing significant improvement and a path to growth in 2016. Collectively in Q1, we expect C&C to counter our normal seasonal decline of about 8%, and instead be flat, plus or minus 3%.

I&I represented 62.5% of revenue in Q4, declining about 6% sequentially. Persistent weakness in Infrastructure and Industrial end-market demand resulted in negative growth sequentially and year over year for I&I. Commensurately for the year, both the power and analog products registered declines. Aerospace delivered a modest growth year, and automotive remained a bright spot, with record quarterly and annual revenues as we ended 2015. While we're not anticipating macro conditions to improve significantly in the near term, based on order activity and strong traction in our automotive products, we do believe Q4 revenue levels represent a trough for I&I. Specifically, we are expecting Q1 to be flat to up 4% sequentially.

As we assess where we stand strategically, I'm confident we are applying our resources in the right product areas and markets. Power is essential design concern for customers, and Intersil is recognized as a technology leader. We are winning against larger competitors as a function of better performance under a wider range of conditions. We do this through specific know-how developed over decades of power design. In addition, there are a handful of important trends driving demand for semiconductors that we are well-positioned to benefit from. For example, the electrification of the automobile. The entire tide is rising for the semi industry as a result of the massive amount of new opportunities for semiconductors in the car. What investors might not realize is that Intersil has already established a beachhead in this market through leadership in rearview camera applications. We're adding power content in the infotainment console and display. And our opportunity is increasing as 48 volt batteries are being introduced, requiring products we've been investing in.

Big data and the cloud have also changed the semi landscape. Increasing storage needs and pervasive connectivity requires a lot of infrastructure. In many cases, the cost to power the equipment exceeds the cost of the equipment itself over its lifetime. Every maker of infrastructure gear is trying to increase system density and power efficiency. Intersil's latest generation of point-of-load and core power management products are providing customers with unprecedented power savings. Over the course of the past 18 months, we have been establishing our technology with several major cloud providers, and gaining share for next-gen deployment.

And finally, a lot has been said about the potential for the Internet of Things driving an explosion of connected portable devices. Further, the industrial Internet of Things, which connects factory floors, data centers, utilities and transportation of goods, for example, is also creating an opportunity for redesigns of long lifecycle industrial products. Added capability increases the power burden in these products, a design challenge right in Intersil's sweet spot.

With increasing content per system and customer engagements expanding our market share, the growth aspirations we've been working towards are becoming more tangible. We are expecting 2016 to start off better than is typical of the seasonally weak period, with C&C flat and I&I flat to up, resulting in revenue in the range of $125 million to $131 million. Based on a more favorable product mix and higher manufacturing activity, we believe gross margin will be up by 50 to 100 basis points sequentially. Operating expenses are expected to be up seasonally to approximately $50 million. We anticipate GAAP earnings of $0.08 to $0.10 per share. Earnings per share on a non-GAAP basis, excluding amortization and stock compensation, are expected to be $0.14 to $0.16. With that, we'll take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Tore Svanberg, Stifel.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Yes, thank you. Nice quarter. First question -- can you talk a little bit about your visibility so far this quarter? You know, we've heard from other companies that bookings started picking up towards the end of December, and that had sort of continued nicely here in January. If you could just talk a little bit about your visibility, especially in relation to your guidance, please?

Necip Sayiner - *Intersil Corporation - President & CEO*

We've had a rather stable bookings pattern throughout fourth quarter. Actually, it was very similar in terms of weekly order dollars compared to Q3. And Q1 also started in a similar solid footing. We have exited Q4 with a book-to-bill slightly over 1. And from a historical perspective, I think our backlog coverage to date, compared to other first quarters, is looking pretty good for the guidance we've provided.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Thank you, Necip. And you mentioned automotive hit a record for you for the year and the quarter. Would you care to tell us how much that is a percentage of revenue right now? And do you eventually intend to break that out of the I&I Group?

Necip Sayiner - *Intersil Corporation - President & CEO*

In the near term, we're not going to break it up, per se, but I'm more than happy to tell you the percent of revenues coming from automotive. I believe it was 12%, both for the quarter and the year. Of course, that represents an increase of shares over the past couple of years. I think every year we seem to increase that percentage by about a percentage point.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Okay. Then last question. You mentioned Skylake is sort of bucking that seasonal trend for you in Q1, on the computing side. How should we think about the Skylake cycle for you, and when does it peak? Does it peak this year, or is it going to go on for a little longer?

Necip Sayiner - *Intersil Corporation - President & CEO*

Compared to prior transitions of processor generations I looked at with Intersil, the transition to Skylake appears to be similar to prior transitions. In Q4, we shipped a similar number of units as we did in Q3. I think Q1 will represent a step-up in terms of Skylake units we project to ship, even though overall units we're projecting to ship are coming down in aggregate. So Skylake certainly is going to be a higher fraction of our shipments. Whether the peak will be reached in 2016 or not, I don't have a very clear view. But if you judge by prior transitions, I think in a few quarters, we should be there.

Tore Svanberg - *Stifel Nicolaus - Analyst*

Very good. Nice quarter. Thanks again.

Necip Sayiner - *Intersil Corporation - President & CEO*

Thank you.

Operator

Ross Seymore, Deutsche Bank.

Ross Seymore - *Deutsche Bank - Analyst*

Hi, guys. Thanks for letting me ask a question. Just wanted to dive into the consumer portion of C&C. Necip, can you give us a little bit of color on what was driving what seemed to be almost 15% to 20% sequential growth? And probably more important than that, how should we think about 2016 as a whole, just given your knowledge of what you have for design wins? I know end demand is always tricky to call. But you've talked about the annual growth rate in the past for that, and I was hoping we could get some color this time as well.

Necip Sayiner - *Intersil Corporation - President & CEO*

Well, I'm going to refrain from giving annual growth targets this time around. But clearly we're at an inflection point in the C&C business. As I alluded to in my prepared remarks, that was a long time coming. We hadn't seen year-over-year growth numbers, even on a quarterly basis, since 2011. And this is really the combination of the design wins we've been talking about for almost a year now. Of course, we expected this inflection point to come a little earlier in 2015 than it did, but for a variety of reasons outside of our control, it came at the very end. And I think that design win pipeline and [follow] is going to carry us well-into 2016. We have been successful proliferating our products with some of the smartphone makers that are seeing success in their markets. They are a growing share, and we are growing our share with them, so that's helpful. I talked about some tablet wins in the fourth quarter, and there is more of it to come in the early part of 2016. So I think that year-over-year growth is going to be very evident as we progress through 2016, for the C&C business as a whole.

Ross Seymore - *Deutsche Bank - Analyst*

Okay, that's very helpful. As my one follow-up, switching over to the I&I side, it seems like you guys have great traction in automotive; you're benefiting there. But if I take the remaining portion of I&I, it looked like it was kind of down mid-single digits for the year, somewhere in that range. Can you talk a little bit about the outlook for that business? In the past, you've said you would grow in line with market, and we know it takes a long time for design wins to turn to revenue in there. But walk us through some of the puts and takes as to why that under-grew the market in 2015, and what the expectation should be in 2016?

Necip Sayiner - *Intersil Corporation - President & CEO*

Okay. The product cycles in the I&I side of the house is going to be at least a year longer than what we have experienced on C&C. I think I've been consistent on that front, just owing to the product design cycles with our customers in those end-markets. So if we are looking for an inflection point similar to C&C, I think we have to look out a few quarters from where we are. If I look at 2015 in I&I, we've seen sequential declines essentially every quarter, that, in spite of a good showing with automotive and aerospace, I think that trend is looking to reverse itself. I would say that was primarily driven by weakness in infrastructure, and then in the second half, industrial. So I do think the Q4 that was for I&I is going to be a trough. We are seeing stability in older patterns. If anything, we are dealing with slightly more expedites this time around than usual. So there are some signs of tangible recovery in that business. What the pace of that recovery will be throughout 2016, that's hard to pin down. Until our product cycles kick in, we're really at the mercy of the recovery of those end-market [troughs].

Ross Seymore - *Deutsche Bank - Analyst*

Great. Thank you very much.

Necip Sayiner - *Intersil Corporation - President & CEO*

You're welcome.

Operator

Craig Ellis, B. Riley.

Craig Ellis - *B. Riley & Company - Analyst*

Thanks for taking the question. I'll switch it over to Rick. Rick, you mentioned that channel inventory was at its leanest level exiting the fourth quarter. How does that level compare to where you would like it to be exiting the first quarter? And what are the implications between channel and on-hand inventory for your internal manufacturing utilization in the quarter?

Rick Crowley - *Intersil Corporation - CFO*

I would say -- characterize the ending channel inventory, Craig, to be in line with where we would want to be. If you recall, we took some significant proactive steps to bring down the channel inventory in Q3. I think what we saw in Q4 was somewhat seasonal and just the caution out there in the channel. Overall, we're comfortable with the channel. It's in line with historical turns rates for us right now, so that's good. On-hand -- as we've pointed out, we've been bringing that inventory down actively as well over the last couple of quarters. We still want to get the inventory down to days, down to less than 100 days. But we would see that, most likely, that as we talk about the troughs, we brought that inventory down pretty hard in Q4, but think that the internal manufacturing decrease between the shutdown and inventory control probably bottomed out in Q4. And we would look to probably provide a little help to the gross margin that we got it up in Q1, although it's primarily mixed driving the gross margin guide. After that, really the gross margin depends on -- and the utilization is tied reasonably closely to the I&I end-market and how that performs as we go through the rest of the year.

Craig Ellis - *B. Riley & Company - Analyst*

And can you quantify what the weeks of inventory are out by channel?

Rick Crowley - *Intersil Corporation - CFO*

No, we don't give that, and it varies all over the place, depending on what end-market and country it is, and who we're serving there.

Craig Ellis - *B. Riley & Company - Analyst*

Okay. Necip, I want to go back to some of the references you made about what record design wins in the quarter. It sounds like certainly some of that is helping drive an inflection in the consumer growth. Are you seeing record design wins across all of the segments within the Industrial and Infrastructure Group, or is it more selective? Just pinpoint where that activity is particularly strong or where it may not be at your expectations at this point?

Necip Sayiner - *Intersil Corporation - President & CEO*

I think it's fair to say we've seen growth in design wins across all business units in 2016. To quantify the improvement across the Company, we've seen approximately a 20% increase in design wins. So it was a good year and ended on a high note, with participation from essentially all product lines. I would point out, though, that I think we've seen significant improvement in automotive, a pretty rich pipeline of design wins in I&I power, on the I&I side of things. Some of them we may see turn into revenue sometime in 2016. A majority will probably be 2017. But it has been relatively broad, the improvement in design wins we've seen in the second half of 2015 in particular.

Craig Ellis - *B. Riley & Company - Analyst*

Thank you.

Necip Sayiner - *Intersil Corporation - President & CEO*

Thank you.

Operator

John Pitzer, Credit Suisse.

Charles Kazarian - *Credit Suisse - Analyst*

Hi, this is Charles Kazarian on behalf of John. Excuse me if this question has already been asked, but relative to your Q4 consumer guidance, I think there was some comments on there around the favorable China handset product cycles. If you could just maybe talk about how that played out during the quarter? And then how you view your China handset exposure relative to the smartphone market in general, and China in specific, please?

Necip Sayiner - *Intersil Corporation - President & CEO*

Sure. I think C&C in general came pretty much in line with what we expected. There are puts and takes when you get to the customer level. I think some of the smartphone vendors who have been successful in improving their market share and units shipped in 2015 in China are among our key customers, and we've benefited from their favorable trends. But it is not a uniform story, as you well-know. Some of those customers predicted a much better 2015 for their business. And collectively, I would say the overall unit demand that was realized in 2015 versus our expectations were a tad lower. But I am pleased to report that those who have been successful and are gaining share have opted to use our products on more of their models. So this should have some legs well-into 2016 for us.

Charles Kazarian - *Credit Suisse - Analyst*

Thank you.

Operator

Gus Richard, Northland.

Gus Richard - *Northland Securities - Analyst*

Yes, thanks for taking my question. Necip, you talked a little bit about your design win momentum at the cloud players. I was wondering, was that primarily servers, or is it other equipment used in the data centers?

Necip Sayiner - *Intersil Corporation - President & CEO*

Some of the notable design wins we have so far for next-generation processors known as the VR13 generation has been with some hyper-scale data center providers. And we do have design wins with our multi-phase solutions, not only in the server domain, but also with higher-end desktop, as well as telecom infrastructure. But I would see that the big [needle-] mover forward, that product line, will be linked to the next-gen data center deployment.

Gus Richard - *Northland Securities - Analyst*

Okay. As a follow-up, do you expect these designs to ramp probably in the first quarter of next year -- or start to ramp in first quarter, or at the end of this year? Any timing on the ramp?

Necip Sayiner - *Intersil Corporation - President & CEO*

That's about right, and that's really predicated to the availability of the next-gen processors. But that is what we know, as of today, in terms of timeline. End of this year or very early next year.

Gus Richard - *Northland Securities - Analyst*

Perfect. Okay, thank you so much.

Necip Sayiner - *Intersil Corporation - President & CEO*

You're welcome.

Operator

(Operator Instructions)

Chris Caso, Susquehanna Financial Group.

Chris Caso - *Susquehanna Financial Group - Analyst*

Thank you. For a first question, if you could just comment on broader business conditions. Obviously, the commentary that you provided, particularly with respect to I&I, was somewhat consistent with what we heard from others, such as LTC, when they reported. The investor questions that we've received and you'll probably receive just have to do with some of the other macro data that's out there, and obviously the reaction of the stock market seems to be sending a different message. I wonder what you can share with regard to what your customers are telling you regarding the order patterns, that might provide you with a little more confidence that what you're seeing is indeed real? And I guess just in context of what happened in the back half of last year, could it be that the customers that reduced orders the back half of last year reduced them enough, such that we can see a little bit of improvement from just those levels, despite a continuing macro difficult condition?

Necip Sayiner - *Intersil Corporation - President & CEO*

Sure. I'll try to provide some concrete data with the hope of this being helpful in assessing the situation we see out there. In addition to talking to some of the larger customers, we also very closely look at the sell-through data from our distribution channel. And what we've observed is that it reached a point of stability with, I think, on through a classic inventory correction late Q2/Q3 for us, and to some degree in Q4, where the distribution channel adjusted significantly their level of inventory. You know, this is always amplified compared to any small change in the overall demand that they see. You know, the negative trends that persisted pretty much through the second half certainly reached the point of stability, and now we are seeing some signs of recovery. Whether that comes through some expedite requests or what we get in terms of forecasts from our distribution channel or anecdotal evidence from talking to some of the larger customers, they all seem to indicate a level of stability. Things certainly are not, from what we observe, deteriorating any further.

Chris Caso - *Susquehanna Financial Group - Analyst*

Okay, great. That's helpful. And then with respect to just your business, in 2015, I believe that you were still engaging in exit of some lower-margin products, as you went through 2015. I guess firstly, are we to assume that, that exit and that headwind is now done? And there's a way that you can quantify, perhaps, how much that headwind was in 2015, kind of strip it out of your results? Looking at it, is it baseline to grow from 2016?

Necip Sayiner - *Intersil Corporation - President & CEO*

Yes, I think the answer to the first part of your question is relatively straightforward. In our current run rate exiting 2015, there is essentially none left that we want to disengage from, or very little, if any. So I would say we have gone through that process of pruning the portfolio. This has affected, of course, the year-on-year comparisons, when you look at 2015 as a whole and compare it to 2014. In the early part of 2015, I think there was still some in the C&C business that is almost completely gone now. I don't have good numbers off the top of my head that I can share with you, Chris. We have some, it's in some of the previous IR presentations, but I don't have a good dollar or percent figure to give you for all of 2015 right now.

THOMSON REUTERS

Chris Caso - *Susquehanna Financial Group - Analyst*

Okay, that's fine. Thank you.

Operator

Ross Seymore, Deutsche Bank.

Ross Seymore - *Deutsche Bank - Analyst*

Hi, guys. Thanks for letting me ask a follow-up. Two quick ones. First, how should we think about the computing TAM, since you have a competitor leaving, and then the content going up in Skylake? Just from kind of an annual basis, how do you think that increases the opportunity for Intersil?

Necip Sayiner - *Intersil Corporation - President & CEO*

Well, I think for the V-core portion of the computing TAM, that is going to increase with next-generation Skylake processors. Any unit reductions that we may forecast for 2016 and 2017 are measurably less than the content increase for us and other players. There are other parts of the computing platform that are not affected by the processor change, such as a battery chargers, or other peripherals that represent a portion of our business. So net-net, there will probably be some modest increase in the ratable market for the computing business, and I think this is going to become a little more visible as 2016 progresses and introductions of Skylake processors increase.

Ross Seymore - *Deutsche Bank - Analyst*

That's perfect color. And then my last follow-on, Necip, either you or Rick. If we were to say that revenues are just going to be flat this year, 2016 versus 2015, what would you expect your gross margin to do? Or if you don't want to say an absolute number, what would be the puts and takes within that, that would drive the gross margin?

Rick Crowley - *Intersil Corporation - CFO*

I think that it really depends on the mix. I think that's a major put or take. As we alluded to in the comments and the Q&A so far, we expect gross margin to improve modestly throughout the year from where we put up in Q4. And partly it's because we bottomed out on, we think, in both I&I revenue, as well as capacity utilization, as we were bringing inventory down pretty hard. So we're seeing -- expect improvement in Q1. You know, beyond that, it really depends on the mix between C&C and I&I, and how I&I might improve it to move us up closer to our target.

Ross Seymore - *Deutsche Bank - Analyst*

Great, thank you.

Operator

I would now like to turn the call back over to Shannon Pleasant for closing remarks.

Shannon Pleasant - *Intersil Corporation - VP of Corporate Communications*

Thank you very much for joining us today. This now concludes today's call.