

Soitec

Price EURO.50

Finally, there will be two successive capital increases

Fair Value EURO.65 vs. EURO.8 (+30%)

NEUTRAL

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low (EUR)	0.9 / 0.5
Market Cap (EURm)	116
Ev (BG Estimates) (EURm)	205
Avg. 6m daily volume (000)	1,264
3y EPS CAGR	

Yesterday, Soitec announced that it is preparing two successive capital increases for a total amount in the range of EUR130-180m. First, the group is proposing a reserved capital increase of EUR76.5m for BPI France, CEA and a Chinese investment fund, National Silicon Industry Group. This reserved capital increase will go ahead at EUR0.55 per share (vs. current share price of EURO.50), which is relative regarding the current share price but dilutive for our FV. Then, a second capital increase with preferential subscription rights is to be proposed for a total amount to be determined in the range of EUR53.5-103.5m. The amount will depend on potential 2018 OCEANE buy-back opportunities. Proceeds from the operations will be used to repay the 2018 OCEANE and accelerate investments to develop Soitec's FD-SOI production capacities. We update our model to include the impact of the reserved capital increase only (see below). Our new FV is EURO.65

	1 M	3 M	6 M	31/12/15
Absolute perf.	-21.9%	-34.2%	-26.5%	-21.9%
Semiconductors	-5.2%	-17.6%	-16.4%	-15.8%
DJ Stoxx 600	-7.7%	-16.2%	-21.2%	-13.8%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	222.9	235.9	271.4	298.6
% change		5.9%	15.1%	10.0%
EBITDA	-67.9	43.3	56.8	71.3
EBIT	-125.9	6.3	11.6	22.4
% change		NS	82.3%	93.2%
Net income	-107.8	-25.1	4.4	14.5
% change		76.7%	NS	NM

	03/15	03/16e	03/17e	03/18e
Operating margin	NM	2.7	4.3	7.5
Net margin	NM	NM	1.4	4.9
ROE	-516.1	-102.9	6.5	17.6
ROCE	-63.0	4.2	8.8	19.7
Gearing	300.4	NM	NM	34.1

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	-0.51	-0.08	0.01	0.04
% change	-	84.5%	NS	NM
P/E	NS	NS	44.2x	13.3x
FCF yield (%)	NM	NM	13.3%	18.4%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.2x	0.9x	0.7x	0.5x
EV/EBITDA	NS	4.7x	3.2x	2.0x
EV/EBIT	NS	32.3x	15.5x	6.4x

ANALYSIS

- Yesterday, Soitec announced that it is preparing two successive capital increases.** In a press release published yesterday, the group announced that it intends to carry out two capital increases for a total amount in the range of EUR130m to EUR180m. First, a reserved capital increase of EUR76.5m for BPI France, CEA and a Chinese investment fund National Silicon Industry Group. At the closing of this operation, all of these investors will hold about 14.5% of Soitec shares. This reserved capital increase will be at a price of EUR0.55 per share (vs. current share price of EURO.50), triggering the issuance of about 139m shares, representing 55% of the current number of outstanding shares and having an impact of 40% on our FV (taking into account the 20% impact we already included in our previous FV). We believe the timing of this operation will be late March, early April 2016. In addition to that, the group is preparing a second capital increase with preferential subscription rights for a total amount to be determined in the range of EUR53.5m to EUR103.5m. At the top end of the range and at the current share price of EURO.50, the group would issue about 200m shares, or 52% of outstanding shares after the reserved capital increase. We also note that the proposed amount will depend on potential 2018 OCEANE buy-back opportunities. This second capital increase should take place between March and June 2016 in our view.
- Proceeds from the operations will be used to pay down debt and accelerate investments to develop Soitec's FD-SOI production capacities.** At the end of 2015, the group had a gross debt position of EUR220m of which about EUR42m in bridging loans issued in May 2015 to be reimbursed before May 2016. In addition, we recall that the gross cash position was EUR51m at this time. The 2018 OCEANE represents debt of about EUR100m to be repaid before September 2018. Finally, a second part of the proceeds will be used for investments in production tools and especially FD-SOI production. We believe the group aims to develop capacities of over 400K wafers per years, which would require investments of about EUR40m for strengthening current production tools (new cleaning tools, new metrology tools...).

VALUATION

- We have updated our model. Given the advanced talks with quoted investors CEAI, BPI France and the Chinese investment fund National Silicon Industry Group, we have included all the impacts of the reserved capital increase in our FV. We remind that our previous FV of EURO.8 included a dilution of 20% due to the capital increase already expected. However, the second capital increase remains uncertain so far, as a result, we do not include any impact for this one. Our new FV is EURO.65. Other things being equal, including the impact of the second capital increase (at current share price and for an amount of EUR103.5m) our FV would be EURO.5.
- Soitec shares trade at a 2016e EV/Sales ratio of 0.9x and 2016e EV/EBIT ratio of 16.3x.

NEXT CATALYSTS

- During April: Q4 2016e sales.



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BUY ratings 61.9%

NEUTRAL ratings 29.1%

SELL ratings 9%

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