

7th March 2016

TMT

# STMicroelectronics

Price EUR5.43

Multiple design wins for the Galaxy S7 Edge

Fair Value EUR7 (+29%)

NEUTRAL

Bloomberg	STM.FP
Reuters	STM.FR
12-month High / Low (EUR)	9.3 / 4.7
Market Cap (EURm)	4,947
Avg. 6m daily volume (000)	2,328

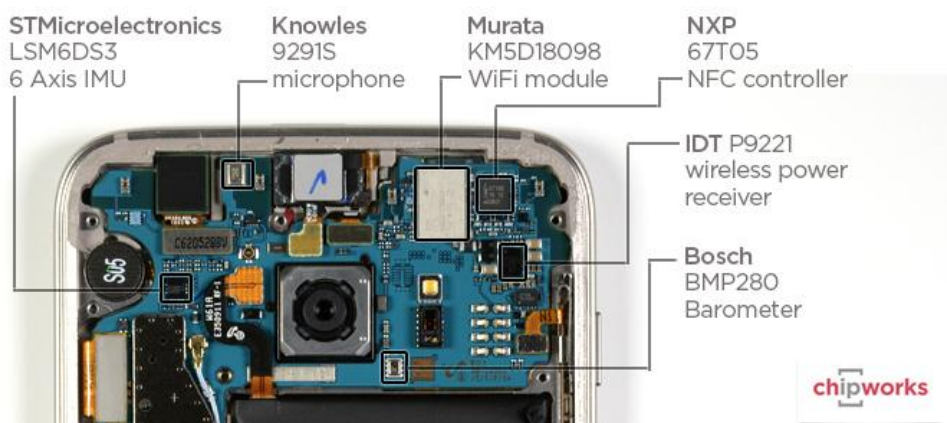
	1 M	3 M	6 M	31/12/15
Absolute perf.	2.1%	-19.6%	-18.0%	-12.2%
Semiconductors	4.3%	-8.3%	0.8%	-3.4%
DJ Stoxx 600	3.0%	-8.8%	-6.3%	-7.2%

	2015	2016e	2017e	2018e
P/E	43.5x	20.8x	12.4x	11.9x
Div yield (%)	7.3%	7.4%	7.4%	7.4%

## ANALYSIS

- **Chipworks' teardown for the Samsung Galaxy S7 Edge was released during the week-end revealing that STMicroelectronics has won positions in smartphones.** According to Chipworks, the Galaxy S7 features an STMicroelectronics LSM6DS3 6-axis IMU and a K2G2IS gyroscope used for image stabilisation. We estimate that these two devices represents about USD2 combined.

### Samsung Galaxy S7 Edge teardown



Source: Chipworks

- Galaxy S6 shipments were close to 40m units in 2015, but the new Galaxy S7 is expected to surpass the S6 performance. This means that the design wins would represent about USD80m/USD100m of sales for STMicroelectronics if the Galaxy S7 also uses similar components. However, we believe that the positive impact is already included in the group's guidance and as a result, in consensus expectations. Note that STMicroelectronics expects Q1 2016 sales to decrease sequentially by 3% (+/-350bp) to about USD1,620m. The devices embedded in the new Samsung Galaxy S7 should strengthen momentum in the Analog, MEMS and Sensors division, decreasing since 2012.

## VALUATION

- The group's shares are trading at 2016e EV/Sales and EV/EBIT ratios of 0.7x and 15.7x respectively.

## NEXT CATALYSTS

- Q1 2016 Results to be announced in late April.

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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