

Soitec

Price EUR0.63

We adopt a more cautious scenario.

Fair Value EUR0.5 vs. EUR0.65 (-21%)

NEUTRAL

Bloomberg	SOI.FP
Reuters	SOIT.PA
12-month High / Low (EUR)	0.9 / 0.5
Market Cap (EURm)	146
Ev (BG Estimates) (EURm)	304
Avg. 6m daily volume (000)	1,293
3y EPS CAGR	

Soitec has published an update of its 2014-2015 annual report in which it shares 2017 guidance for sales and EBITDA margin for the first time. This cautious guidance prompts us to adopt a more cautious scenario with 1/ FY16 top line growth unchanged at 6%, 2/ FY17/FY18 top line growth lowered to 5-7% vs. 15-10% previously and 3/ FY17 EBITDA margin similar to FY16 at 15% (vs. 20% previously). As a result, we have cut our FV from EUR0.65 to EUR0.50.

ANALYSIS

	1 M	3 M	6 M	31/12/15
Absolute perf.	26.0%	-8.7%	12.5%	-1.6%
Semiconductors	10.6%	-8.2%	-1.7%	-5.2%
DJ Stoxx 600	7.4%	-7.7%	-6.0%	-7.7%

YEnd Mar. (EURm)	03/15	03/16e	03/17e	03/18e
Sales	222.9	236.0	248.4	265.2
% change		5.9%	5.3%	6.7%
EBITDA	-67.9	40.5	38.1	41.9
EBIT	-125.9	8.1	10.6	13.1
% change		NS	29.9%	24.2%
Net income	-107.8	-23.2	4.1	6.3
% change		78.5%	NS	52.2%

	03/15	03/16e	03/17e	03/18e
Operating margin	NM	3.4	4.3	5.0
Net margin	NM	NM	1.4	2.4
ROE	-516.1	2,691	5.2	7.3
ROCE	-63.0	5.3	7.0	9.0
Gearing	300.4	NM	NM	73.5

(EUR)	03/15	03/16e	03/17e	03/18e
EPS	-0.51	-0.10	0.01	0.02
% change	-	81.1%	NS	24.3%
P/E	NS	NS	46.3x	37.3x
FCF yield (%)	NM	NM	5.6%	4.4%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	1.3x	1.3x	0.9x	0.8x
EV/EBITDA	NS	7.5x	5.7x	5.0x
EV/EBIT	NS	37.4x	20.5x	15.9x

• **Soitec has published an update of its 2014-2015 annual report in which the group shares FY17 guidance for sales and EBITDA margin for the first time.** In this updated report, the group says that it expects growth in RF and Power products (200mm wafers) to offset the decline in PD-SOI sales. The group adds that it expects 2016 sales of slightly above EUR230m, in line with the Q4 guidance shared during the Q3 publication (Q4 up 10% seq.), and EBITDA margin of 15% for FY16 and FY17 in the Electronic division.

• **As a result, we are adopting a more cautious scenario with a 5-7% growth for FY17/FY18.** The group's caution in FY17/FY18 sales guidance leads us to lower our estimates. We adopt a softer scenario with 1/ FY16 top line growth unchanged at 6%, 2/ FY17/FY18 top line growth lowered to 5-7% vs. 15-10% previously. In addition, we also adopt a FY17 current operating profit margin of 7.5% in Electronic, which is similar to our FY16 expectation. Overall, we now expect current operating margin of 3.4%/4.3%/5.0% for FY16/FY17/FY18 respectively vs. 2.7%/4.3%/7.5% previously (EBITDA margin of 14.9%/15.3%/15.8%). We estimate the gross cash position at the end of 2016 at close to EUR41m.

• **Note that Soitec announced in February that it is preparing two successive capital increases.** 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. The reserved capital increase is set to go ahead at a price of EUR0.55 per share (vs. the current share price of EUR0.50), triggering the issuance of about 139m shares, representing 55% of the current number of outstanding shares. 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. The proposed amount will depend on potential 2018 OCEANE buy-back opportunities. Proceeds from the operations will be used to pay down debt and accelerate investments to develop Soitec's FD-SOI production capacities. **Shareholders will vote on the capital increase on 11th April.**

VALUATION

• Note that 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. However, the second capital increase remains uncertain so far, as a result, we do not include any impact from this one. All other factors remaining equal, including the impact of the second capital increase (lower financial costs and higher production capacities / at current share price and for an amount of EUR103.5m) our FV would be EUR0.4.

• Soitec shares are trading on FY17e EV/Sales of 0.9x and FY17e EV/EBIT of 20.5x.

NEXT CATALYSTS

- 11th April: Shareholders to vote on capital increase
- During April: Q4 2016e sales.

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