

25th April 2016

TMT

Soitec

Price EURO.58

Q3 results reported exceptionally

Fair Value EURO.5 (-14%)

NEUTRAL

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low (EUR)	0.9 / 0.5
Market Cap (EURm)	134
Avg. 6m daily volume (000)	720.4

ANALYSIS

- **In the context of the previously announced capital increases, the group has reported Q3 2016 results.** Note that the group already published Q3 sales of EUR60.8m, up 36% yoy, on 20th January 2016. On 13th April, the group also published Q4 sales of EUR65.7m, up 8% yoy. Today, the group has exceptionally published its Q3 results, announcing that gross profit for the first nine-months amounted to EUR42.4, implying that gross margin for Q3 improved from 24% in H1 to 26%. Current operating income for the first nine months came out at EUR8.4m (and a FQ3-16 current operating result of EUR5.4m or a 9% current operating margin vs. 3% in FH1-16). However, we note that nine-month operating income was negative at -EUR19.7m (vs. -EUR36.4m in the first nine months of FY15) mainly due to EUR20.1m in depreciation recorded in Q3 with respect to the cleanroom in Singapore and other impairments. The consolidated net loss for the first nine months was EUR69.1m and 9m EPS from continuing operations at -EUR0.18, compared with -EUR0.20 a year ago (non adj. 9m EPS -EUR0.30 vs. -EUR0.50 a year ago).
- **Note that the end-Q3 gross cash position stood at EUR51.8m whereas during the Q4 sales conference call, the group said it would be at a similar level by the end of Q4.**
- **The group has confirmed its FY16, Q1 2017 and FY17 guidance.** For the 2016, the group is guiding for an EBITDA margin of 15% in Electronics business. For Q1 2017, the group foresees flat growth on an annual basis.

VALUATION

- Soitec shares are trading on FY17e EV/Sales of 0.8x and FY17e EV/EBIT of 19.5x.

NEXT CATALYSTS

- **29th April 2016: Extraordinary General Meeting** to vote for or against the **capital increases**.
- Given the current capital increase project, the date of publication of the FY 2015-16 results has not yet been decided.

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Distribution of stock ratings

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NEUTRAL ratings 0%

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