

29th July 2016

TMT

STMicroelectronics

Price EUR6.44

ST acquires ams' NFC and RFID division in a USD78m deal

Fair Value EUR6.5 (+1%)

NEUTRAL

Bloomberg	STM FP
Reuters	STM.FR
12-month High / Low (EUR)	7.1 / 4.6
Market Cap (EURm)	5,869
Avg. 6m daily volume (000)	2,583

	1 M	3 M	6 M	31/12/15
Absolute perf.	26.2%	14.4%	5.7%	4.2%
Semiconductors	26.9%	23.1%	29.4%	20.2%
DJ Stoxx 600	7.2%	-2.7%	1.4%	-7.2%

	2015	2016e	2017e	2018e
P/E	35.9x	35.1x	20.8x	15.2x
Div yield (%)	5.6%	3.4%	4.2%	5.5%

ANALYSIS

- **Today, ST announced that it is acquiring ams' IP, technologies and assets related to NFC and RFID business in a deal worth USD77.8m.** From ST's perspective, this deal is expected to strengthen its secure microcontroller solutions dedicated for consumer devices, banking, industrial and automotive applications. We believe it is mainly part of ST's strategy to extend its offering as the group's strategy is to be a one-stop shop for IoT designer. According to ST, the first NFC controller leveraging expertise of both companies is already sampling to lead customers. While we are not always positive when it comes to M&A in the semiconductor industry (see our [latest sector report](#)), nevertheless, given the small size of this one and the fit with ST's current portfolio (vs. ams one), it appears to be a smart move from both groups' perspective. Note that this business allowed ams to gain important design wins in the past, especially the NFC-booster embedded in the iPhone 6 (but not the iPhone 6S) and the Apple Watch.
- **According to ams, this division accounts for about 50 people, which have been transferred to ST** compared with >30,000 employees currently working at ST.
- **The acquisition will be paid cash.** Note that, at the end of H1 2016, STMicroelectronics had a net cash position of USD426m.

VALUATION

- Based on our estimates, STMicroelectronics' shares are trading on 2016e P/E and PEG ratios of 30.8x and 0.9x respectively.

NEXT CATALYSTS

- Late in October 2016: Q3 results

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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