

## u-blox

Price CHF234.00

Not to miss the eCall (report released today)

Fair Value CHF265 (+13%)

**BUY**

Coverage initiated

Bloomberg	UBXN SW
Reuters	UBXN.S
12-month High / Low (CHF)	234.0 / 164.0
Market Cap (CHFm)	1,592
Ev (BG Estimates) (CHFm)	1,522
Avg. 6m daily volume (000)	22.60
3y EPS CAGR	29.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	14.5%	17.8%	24.1%	9.1%
Semiconductors	20.8%	24.0%	31.8%	17.9%
DJ Stoxx 600	0.9%	-2.8%	5.7%	-6.8%

YEnd Dec. (CHFm)	2015	2016e	2017e	2018e
Sales	338.3	404.5	500.6	635.1
% change		19.6%	23.8%	26.9%
EBITDA	76.0	89.0	110	138
EBIT	51.3	59.9	73.1	98.4
% change		16.7%	22.1%	34.7%
Net income	37.1	46.7	58.6	80.5
% change		25.9%	25.4%	37.5%

	2015	2016e	2017e	2018e
Operating margin	15.2	14.8	14.6	15.5
Net margin	11.0	11.5	11.7	12.7
ROE	14.9	16.5	18.0	21.1
ROCE	21.8	21.8	23.0	25.3
Gearing	-26.1	-24.9	-23.2	-20.0

(CHF)	2015	2016e	2017e	2018e
EPS	5.45	6.86	8.60	11.82
% change	-	25.9%	25.4%	37.5%
P/E	43.0x	34.1x	27.2x	19.8x
FCF yield (%)	2.0%	1.1%	1.3%	1.3%
Dividends (CHF)	1.57	1.71	2.15	2.96
Div yield (%)	0.7%	0.7%	0.9%	1.3%
EV/Sales	4.5x	3.8x	3.0x	2.4x
EV/EBITDA	20.1x	17.1x	13.8x	11.0x
EV/EBIT	29.8x	25.4x	20.8x	15.4x

u-blox is a Swiss company specialised in signal receivers for global navigation satellite systems and wireless connectivity chips for the automotive and industrial sectors. This niche market positioning enables the group to maintain a technological edge, market share gains and a robust growth. In view of management's execution history and the group's buoyant positioning, we are forecasting average EPS growth of 30% over the next three years, pointing to a PEG of 1.1x. Our valuation of CHF265 per share yields an upside potential of 16% and therefore we adopted a Buy recommendation.

## ANALYSIS

- **A technological lead of more than one year over rivals.** The group has been specialised niche segment of positioning and communication chips for automotive for more than a decade and maintains a technological lead of more than a year relative to its rivals. This is reflected in both constant innovations within the product portfolio and advanced integration of the various chips within modules, as well as faultless execution in production, enabling the group to benefit from an excellent reputation in the automotive sector, which is one of the hardest to penetrate.
- **Robust growth on the cards and high quality accounts.** Thanks to its specialisation and the quality of its products, u-blox is continuing to win market share. As such, we expect sales growth of 23% on average over the next three years, in line with the group's historical growth (2012-15 CAGR of +23%). In addition, the fables model adopted by the group enables it to benefit from good control on operating expenses and optimise its cash generation profile with FCF equivalent to 9.4% of sales and 85.6% of net profit. In all, the balance sheet is also solid with a net cash position of EUR70m.

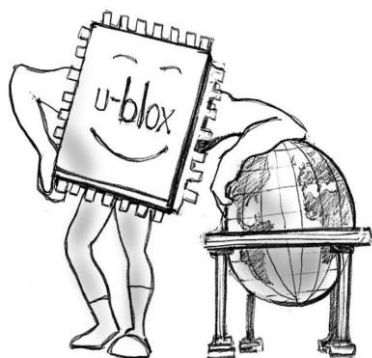
## VALUATION

- **Still attractively valued.** The share is currently trading at 33.3x prospective 2016e earnings, which should be seen in the light of average EPS growth of 30% over the next three years, or PEG of 1.1x. In addition, our DCF-derived FV of CHF265 points to upside potential of 16%. In this context, we have adopted a Buy recommendation on u-blox.

## NEXT CATALYSTS

- 26th July 2016: H1 2016 results

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