

Catching the ball when it bounces - all a question of timing (full report released today)

Fair Value CHF29 (-15%)

NEUTRAL

Coverage initiated

Bloomberg	AMS SW
Reuters	AMS.S
12-month High / Low (CHF)	41.9 / 23.0
Market Cap (CHFm)	2,511
Ev (BG Estimates) (CHFm)	2,711
Avg. 6m daily volume (000)	427.3
3y EPS CAGR	9.4%

For ams, 2016 is likely to see a positive upswing in growth momentum. After a difficult H1 (sales down 17.5% yoy), the group is set to restore growth as of H2 while innovation should lead to high growth potential (>15-20%) as of 2017. However, this improvement in momentum already looks fully valued. We advise waiting for a more attractive entry point and are adopting a Neutral recommendation on the share.

ANALYSIS

- **Return to growth as of H2 2016.** For Q3, the group is forecasting sales of between EUR146 and 153m, or sequential growth of 10-16%, which looks feasible to us (we are forecasting Q3 2016e sales of EUR153m). In addition, we remain confident in the group's ability to generate growth in H2 2016 sales relative to H1 and the previous year (our forecast is for +5.4% yoy). Indeed, ams should benefit from both advantageous comparison with the year-earlier period and positive seasonal factors with the usual recovery in momentum at the end of the year.
- **Environmental, colour and optical sensors to drive growth as of 2017.** In the product portfolio, three components should restore healthy momentum at ams as of 2017: 1/ True Tone sensors (improvement in autonomy and reading comfort for smartphone screens, 2/ optical sensors (enabling connected bracelets/watches to read heart-beats, blood pressure, cholesterol levels and alcohol levels) and 3/ environmental sensors (temperature, humidity, pressure and quality of air, for the automotive, industry and consumer sectors). In all, we believe that these three components should represent additional sales of almost EUR131m by 2018, bringing the group closer to its target for EUR1bn in sales by 2019e.

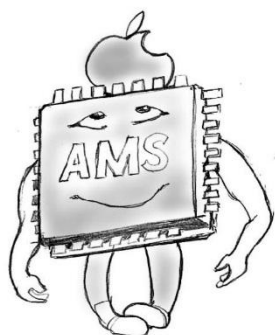
VALUATION

- **Fully valued.** The share is currently trading on a 2016e P/E multiple of 27.5x (vs peers of 23.5x), and PEG of 2.9x. As such, despite we anticipate a positive change in the group's momentum, we do not consider the current share price a particularly attractive entry point. In view of the share's high volatility, we advise waiting for a better opportunity.
- **We adopt a Neutral recommendation on the share.**

NEXT CATALYSTS

- 24th October 2016: Q3 2016 results

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