

Sector View

Semiconductors

iPhone 7 pre-orders at T-Mobile and Sprint set new record high

	1 M	3 M	6 M	31/12/15
Semiconductors	-4.5%	21.9%	19.4%	15.2%
DJ Stoxx 600	-2.1%	3.6%	-1.0%	-7.4%

*Stoxx Sector Indices

Companies covered

ams	NEUTRAL	CHF29
ASML	SELL	EUR81
DIALOG	BUY	EUR37
INFINEON	BUY	EUR16
MELEXIS	SELL	EUR48
SOITEC	NEUTRAL	EUR0.5
STMICROELECTRONICS	NEUTRAL	EUR6.5
u-blox	BUY	CHF255

According to both, T-Mobile and Sprint, iPhone 7 pre-orders are almost 4x higher than previous iPhone models (including the most successful iPhone 6). Other US carriers have not communicated any figures yet, meaning that we still have no data regarding about two-thirds of the US market so far. Nevertheless, there appears to be positive signs concerning the new iPhone 7 traction. In our coverage, Dialog (Buy, FV EUR37) and ams (Neutral, FV CHF29) are the most exposed to Apple, which generates c. 80% and 20% of respective revenues.

ANALYSIS

- **According to Sprint and T-Mobile, pre-orders of iPhone 7 and iPhone 7 Plus are nearly 4 times higher than previous models.** In two distinct press releases, Sprint (~14% of U.S. Wireless market) and T-Mobile (~17% of US Wireless market) announce a similar figure of pre-orders for the new iPhone 7 (including iPhone 7 Plus): +375% over the first three days compared to iPhone 6S at Sprint and 4x greater than iPhone 6 (the most successful iPhone model so far) at T-Mobile over the first four days. Note that in the first week-end iPhone 6 (not 6S) sold 10 million units in September 2014.
- **At first take, this is positive for Dialog which realizes about 80% of its revenue with Apple.** During Q2 results in July, Dialog management was pessimistic regarding the success of the new model of iPhone. As such, we understood that the group is expecting lower volume of iPhone 7 in Q4 2016 than iPhone 6S in Q4 2015. Also, this might be seen as positive for ams, which realize about 20% of its business with Apple (about 10% with Samsung). We note that the warm welcome of the iPhone 7 might also be boosted by Samsung troubles with its latest Galaxy Note 7.
- **Just a word of caution.** While we are impressed by Sprint and T-Mobile figures, we note that other US carriers have not communicated any figures, meaning that we still have no data regarding about two thirds of the US market so far. Furthermore, we would not use this 4x figure as a long-term data since the strong pre-orders momentum is probably driven by early-adopters and upcoming sales might not enjoy a similar momentum. Finally, we recall that demand and supply might be different due to complex manufacturing process, slowing down production.

VALUATION

- Based on our estimates, Dialog and ams's shares trade at 2016e P/E ratios of 16.3x and 24.3x respectively and 2016e PEG ratios of 1.6x and 2.6x respectively.

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Distribution of stock ratings

BUY ratings 72%

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