

Sector View

Semiconductors

New iPhone launch shows no major surprises still just as attractive

	1 M	3 M	6 M	31/12/15
Semiconductors	0.6%	20.6%	24.7%	20.4%
DJ Stoxx 600	2.7%	1.2%	2.8%	-4.2%

*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

Yesterday, Apple unveiled its new iPhone 7. Most of the new features were already known and the Apple event took place almost with no surprise. The new iPhone 7 is more an evolution in the iPhone 6/6S with a better “everything” (camera, processor, graphics, screen...) but a similar design. Nevertheless, the new Apple flagship maintained its attractiveness and a technological lead that appears to be enough to maintain momentum, especially with an ageing iPhone base becoming a factor like never before. In addition, Apple also unveiled the Apple Watch Series 2 which is also an improvement on the current Watch with a dedicated GPS. At first take, we do not see any major impact for European semiconductor players, especially ams (Neutral, FV CHF29) and Dialog (Buy, FV EUR37).

ANALYSIS

- **The new iPhone was launched with no major surprises, but is still just as attractive.** The new iPhone 7 keeps most of the current iPhone 6 features, but it is better in lots of little ways including the processor, graphics, the screen, the battery or the home button. However, in our view, the two major improvements are 1/ a new dual-camera allowing iPhone 7 Plus users to shoot images with depth of field (mimicking effects of an expensive optical lens for DSLR), optical stabilisation for both models (7 and 7 Plus), and improved image sensors, 2/ the waterproof feature with a IP67 grade meaning that the new iPhone is able to support a water immersion (up to 1 meter depth) during 30 minutes. Finally, because Apple removed the mini-jack port for earphones, the group unveiled AirPods, which are a wireless version of the earPods (sold separately). This new iPhone 7 (Plus) will be available from 16th September in stores (pre-orders start from 9 September).
- **A new Apple watch getting closer to a fully independent device.** In addition to the improvements Apple has made in the processor (twice as fast), the Apple Watch is now really water resistant (up to 50 meters depth) and now embeds a GPS chip, which means that the watch is now able to track users paths and running sessions on a standalone basis (no iPhone needed while running). This makes it more attractive especially for runners, cyclists and swimmers.
- **Implication for Semiconductor players.** Most of the improvements announced for the iPhone and the Apple Watch were expected and, at first take, we do not see any major changes that could impact **Dialog (Buy, FV EUR37) or ams (Neutral, CHF29)**, the two players the most tied to Apple (80% and 20% of sales are made by Apple at Dialog and ams respectively). Nevertheless, the new iPhone has been welcomed warmly by the press and adds to our view that, despite just being a development on the previous model, the iPhone 7 is still attractive enough to fuel Apple's momentum (and its suppliers) for one more year, especially with an ageing iPhone base becoming a factor like never before.

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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