

20th October 2016

TMT

**Soitec**

Price EURO.96

**FQ2 sales slightly lower and cautious FY17e guidance**

**Fair Value EURO.5 (-48%)**

**NEUTRAL**

Bloomberg	SOI.FP
Reuters	SOIT.PA
12-month High / Low (EUR)	1.0 / 0.4
Market Cap (EURm)	582
Avg. 6m daily volume (000)	1,548

#### ANALYSIS

- **Yesterday, Soitec published Q2 sales slightly below our estimates.** The group posted FQ2-17 sales of EUR56.7m, up 4% (at constant exchange rate) from EUR54.7m in FQ2-16 but slightly below our estimates of EUR58.5m. As such, FH1-17 sales came out at EUR112.1m, also up 4% (at constant exchange rate) compared to FH1-16.
- **300mm business is said to be at the bottom.** During the conference call, management said that the PD-SOI wind-down was faster than expected during the first half of the fiscal year, resulting in lower second quarter sales than we forecast. However, the 300mm is said to have reached a bottom as management now expects to see the ramp up of new digital applications to offset the declining momentum of PD-SOI. Regarding new applications, we remind that Sony's FD-SOI based GPS chip will be used for a Huami (Xiaomi) smartwatch. To our knowledge, this is the first time an FD-SOI based chip will be used in a consumer product. We do not expect significant FD-SOI volume increase for Soitec due to this product but it highlights the advantage of such a technology for higher volume products. Indeed, Sony's chip allows the smartwatch to double battery life while using GPS on the watch. Note that power saving is one of the key advantages of FD-SOI.
- **Full year revenue guidance also refined to a level lower than our estimates.** During the conference call, management also provided a refined guidance for FY17e, which changed from "single digit growth" to "low single digit growth". This was below our own estimates and the street's expectations for FY17e sales growth of +9% leading to FY17e sales of EUR254m. FY17e EBITDA margin guidance remains around 15%.

#### VALUATION

- Based on our current estimates, Soitec's shares trade at a 2017e P/E ratio of 20.0x.

#### NEXT CATALYSTS

- 8th December 2016: FH1-2017e results

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## Distribution of stock ratings

BUY ratings 56.7%

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