

Bloomberg	AMS SW
Reuters	AMS.S
12-month High / Low (CHF)	34.4 / 23.0
Market Cap (CHFm)	2,122
Avg. 6m daily volume (000)	449.2

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.1%	-6.8%	16.3%	-13.9%
Semiconductors	8.3%	14.4%	42.5%	33.2%
DJ Stoxx 600	6.4%	6.6%	12.1%	-1.6%

	2015	2016e	2017e	2018e
P/E	13.0x	25.7x	14.5x	9.9x
Div yield (%)	1.2%	1.8%	1.2%	1.5%

ANALYSIS

- Following delays in building the NY-based fab, ams has decided to withdraw from the wafer fab facility project in the State of New York.** The NY-based fab construction was part of the multi-billion dollar upstate economic development plans named "Buffalo Billion" to be implemented by New York Governor Andrew Cuomo. However, in mid-2016, political corruption suspicions caused delays in vital contracting decisions and basic bill-paying for work already under-way according to the New York Post. As such, ams has decided to withdraw from the project.
- Initially, a 20-year lease.** This fab was to be built under ams's specification. The Austrian group agreed to operate the fab under a 20-year lease. This fab was initially scheduled to have capacity of 150,000 200mm wafer equivalent per year at 130nm node with a possible expansion of more than 450,000 wafer per year. The fab was expected to deliver the first batches of wafers by the first half of 2018.
- No impact on margins according to the group but we see a more limited patch when it comes to manufacturing process development.** According to the group, the decision to withdraw from this project will have no impact on ams' target for 30% CAGR revenue growth for the next three-years and 30% operating margin from 2019. Indeed, the group said it has access to sufficient cost-attractive external capacity at its current manufacturing partners (foundries). The fabless/foundry model has the advantage of being more flexible and less volume-dependant than the IDM model (operating its own fabs). Nevertheless, we believe that the group will have more limited choices regarding manufacturing process evolution.
- In addition, the group also announced this morning the acquisition of Incus Laboratories for an undisclosed consideration.** The Austrian group has signed a definitive agreement to acquire Incus Laboratories, a UK-based privately held provider of IP for digital active noise cancellation (ANC) in headphones and earphones, in order to strengthen its ANC portfolio.

VALUATION

- Based on our estimates, ams' shares are trading on 2017e P/E and PEG ratios of 14.5x and 1.5x respectively.

NEXT CATALYSTS

- Early February 2017: FY16 and Q4 results (not confirmed yet)

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Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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