

## Soitec

Price EUR1.08

H1 results in line – FY17 EBITDA guidance raised to 16.5% vs. 15%

Fair Value EUR1.25 (+16%)

BUY

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low (EUR)	1.1 / 0.4
Market Cap (EURm)	655
Ev (BG Estimates) (EURm)	668
Avg. 6m daily volume (000)	1,791
3y EPS CAGR	

	1 M	3 M	6 M	31/12/15
Absolute perf.	18.7%	35.0%	111.8%	68.8%
Semiconductors	2.8%	5.2%	26.9%	26.6%
DJ Stoxx 600	4.2%	-0.8%	0.4%	-5.0%

YEnd Mar. (EURm)	03/16	03/17e	03/18e	03/19e
Sales	233.2	238.9	303.3	428.0
% change		2.4%	27.0%	41.1%
EBITDA	36.3	36.0	60.1	105
EBIT	22.4	21.7	35.8	62.5
% change		-3.0%	65.0%	74.6%
Net income	-3.9	13.2	23.6	43.2
% change		NS	78.5%	83.0%

	03/16	03/17e	03/18e	03/19e
Operating margin	9.6	9.1	11.8	14.6
Net margin	-1.7	5.5	7.8	10.1
ROE	54.5	8.4	13.0	19.2
ROCE	292.8	10.6	16.7	28.6
Gearing	-2,369	8.6	-1.1	-19.0

(EUR)	03/16	03/17e	03/18e	03/19e
EPS	-0.01	0.02	0.04	0.07
% change	-	NS	78.4%	83.0%
P/E	NS	49.5x	27.8x	15.2x
FCF yield (%)	NM	0.5%	2.4%	6.2%
Dividends (EUR)	0.00	0.00	0.00	0.00
Div yield (%)	NM	NM	NM	NM
EV/Sales	3.5x	2.8x	2.2x	1.4x
EV/EBITDA	22.7x	18.6x	10.9x	5.8x
EV/EBIT	36.8x	30.8x	18.2x	9.8x

Today, Soitec reports H1-17 results in line with our expectations. Thanks to a gross margin improvement triggered by higher activity on 200mm business, EBITDA of continued operation came out at EUR18.5m or 16.5% of sales, vs 13.8% a year before. Current operating results also improved to EUR9.4m or 8.4% of sales, to be compared to H1 2016 current operating margin at EUR7.9m (margin of 7.3%). As such, the net result moved into positive territory at EUR3.1m. Finally, the group reiterates its previous guidance for FY17e growth, i.e. low-single-digit growth, but raises its EBITDA margin expectations from 15% previously to 16.5%.

## ANALYSIS

- H1 results in line with our expectations.** Remember that H1 sales of EUR112.1m (+3% yoy) have already been published. Due to high utilisation rate at Bernin 1 fab and despite low utilisation at Bernin 2 fab, the group reported gross profit of EUR32.0m or a gross margin of 28.6%, i.e. a significant improvement compared to 24.9% achieved in H1-16. H1 17 EBITDA of continued operation came out at EUR18.5m or 16.5% of sales, above initial target of 15% and H1 16 EBITDA margin of 13.8%. H1 17 current operating results came in at EUR9.4m pointing to a current operating margin of 8.4%. Again, this is an improvement compared to adjusted H1 16 current operating result of EUR7.9m (margin of 7.3%). As such, the net result moved into positive territory at EUR3.1m. Don't forget that following the exit of Solar and Lighting activities, the group includes net profit from discontinued activities which stood at EUR1.1m (vs. -EUR42.8m in H1 16).
- The improvement of the balance sheet is clearly visible.** By the end of March 2016, the group had a gross cash position of EUR49.1m and a gross debt position of EUR218.9m, ie net debt of EUR170m. Again, we recall that during the first half of FY17e, the group raised a total of EUR151.9m through two successive capital increases. As such, including the net cash generation by operating activities of -EUR2.3m, the cash situation is now significantly improved and the net debt now stands at EUR35m by the end of H1-17e.
- Demand for RF-SOI remains solid and 300mm show signs of rebound.** Regarding 200mm sales, the group sees a continuous strong demand for mobile (RF-SOI) and Automotive (Power-SOI), but note that Bernin 1 is currently running at full capacity. The ramp up of Soitec's industrial partner has been qualified (October 2016) and will ramp up production to support strong demand. Regarding 300mm, the development of RF-300mm production lines at foundries and IDMs is moving forward as expected and volume ramp-up is now expected in calendar year 2017 (in line with our expectations). In the meantime, the FD-SOI momentum and ecosystem is said to strengthen as expected.
- For the second part of the FY17e, Soitec confirms its expectations of a moderate growth and raises its margin expectations.** Pending the growing demand for FD-SOI (that we expect to see in FY18e), Soitec sees moderate growth leading to a low-single-digit growth over FY17e. Regarding FY17e EBITDA margin, the group also raises its guidance from 15% to 16.5% (BG ests. 15.6%) on the back of solid demand for 200mm. Beyond FY17, Soitec sees a continuous and gradual improvement of its EBITDA margin.



## VALUATION

- Soitec shares are trading on FY17e EV/Sales of 2.8x and FY17e EV/EBIT of 30.8x.

## NEXT CATALYSTS

- Today at 3:00pm: H1 2017 Conference call (+33 1 76 77 22 75 / code: 2967964#)
- Late January 2017: Q3 sales (not confirmed yet)

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