

29th April 2019

BE SEMICONDUCTOR

| Technology
| Semiconductors

NEUTRAL

Fair Value EUR23(-16%)
Share price EUR27
EPS 3Y Cagr -3.4%

Still a challenging environment for Besi with no short-term catalysts

The market has stabilized but remains challenging for Besi

In Q1 2019, Besi saw a stabilisation in customer demand and orders were flat sequentially (+0.4%) after a decrease of 21% in Q4 2018 as the company experienced a modest uptick in bookings by Asian subcontractors and orders for certain multi-chip die bonding applications. However, the company did not see the usual ramp-up in orders after the Chinese New Year, and during the conference call, Besi said that recent discussions with its customers indicate the market will remain weak. In addition, market researchers have revised down their forecast for 2019. For example, VLSI now expects the assembly equipment market to decrease by 18.3% in 2019 to USD4.0bn compared with -12.4% back in December. VLSI's 2020 forecasts have also been trimmed from USD4.4bn to USD4.1, but indicate 8.6% and 18.3% growth in 2020 and 2021, respectively.

A month away from having clearer visibility for smartphones

The weak sequential growth in revenue expected in Q2 2019 of around 5% should mainly come from incremental features in mobile and some small capacity adjustments, while the environment in automotive will remain dim and automotive revenue should be lower in Q2 compared with Q1 for Besi. Richard Blickman, CEO, said the current market gives a shorter visibility than usual but the company is a month away from having clearer visibility for potential new orders in smartphones.

Future opportunities from Intel and 5G not before 2020/2021

As we said previously, Besi should take advantage of the development of innovations in smartphones, 5G and the step-up in advanced packaging from Intel. However, we do not expect this catalyst to come in a meaningful way before 2020 and 2021. Given the investment cycle of 3-4 years in new smartphone technologies, Besi's CEO expects 2020/2021 to mark an upward movement after that in 2017.

We are making no change to our rating and FV

We still believe this is not a good time for investors to buy or strengthen their position on Besi today as we do not see any major catalysts in the near term. We keep our rating and FV unchanged. Based on our estimates, Besi's share price is trading at forward EBITDA and earnings multiples of 14.9x and 28.6x, respectively.

Market Data

Bloomberg / Reuters	BESI NA/BESI.AS
Market Cap.	EUR2,162m
E.V.	EUR1,962m
Free Float	100%
Avg. Daily volume (6m)	699.8
12m high / low	EUR31.7 / EUR15.8
Ytd Perf.	46.1%

EURM	12/18	12/19e	12/20e	12/21e
Sales	525.3	344.0	430.1	473.1
% Change		-34.5%	25.0%	10.0%
EBITDA	187.7	92.3	138.6	161.8
% Change		-50.8%	50.1%	16.7%
EBIT	172.7	75.3	120.8	143.3
% Change		-56.4%	60.4%	18.6%
Net Income	136.3	52.2	97.9	117.5
% Change		-61.7%	87.4%	20.0%
ROE	0.37	0.20	0.36	0.44

	12/18	12/19e	12/20e	12/21e
EV/Sales	3.7x	6.0x	4.9x	4.5x
EV/EBITDA	10.5x	22.5x	15.1x	13.1x
EV/EBIT	11.4x	27.5x	17.3x	14.8x
EPS	1.68	0.68	1.25	1.51
% change		-59.8%	84.5%	21.4%
P/E	16.1x	39.9x	21.6x	17.8x
Div Yield	6.2%	2.7%	4.7%	5.7%

NEXT CATALYSTS:

6th June 2019: Besi analyst meeting

25th July 2019: Q2 2019 results

LAST RATING CHANGE:

2019-2-21, Besi seems fairly valued in the current environment

LAST FV CHANGE:

2019-2-21, Besi seems fairly valued in the current environment

LAST REPORTS:

2019-4-26, Guidance is far below expectations pointing to

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Bryan Garnier new estimates

[in EURm] / FYE 31/12	2018	1Q19	2Q19e	3Q19e	4Q19e	2019e	2020e	2021e	CAGR 18/21e
Sales	525	81	86	85	92	344	430	473	-3.4%
Seq. growth	-11%	-12%	6%	-2%	8%	-35%	25%	10%	
Gross profit	298	45.5	48.5	47.5	51.5	193	243	269	
Gross margin	57%	56%	56%	56%	56%	56%	57%	57%	
R&D	-35	-9	-9	-8	-9	-35	-34	-35	
% of sales	-7%	-11%	-10%	-10%	-10%	-10%	-8%	-8%	
G&A	-90	-22	-20	-20	-20	-82	-88	-90	
% of sales	-17%	-27%	-24%	-24%	-22%	-24%	-21%	-19%	
EBIT	173	15	20	19	22	75	121	143	-6.0%
Operating margin	33%	18%	23%	23%	24%	22%	28%	30%	
EBITDA	188	20	24	24	25	92	139	162	-4.8%
Operating margin	36%	24%	28%	28%	27%	27%	32%	34%	
Financial result	-18	-4	-4	-4	-3	-15	-8	-8	
% of sales	-3%	-5%	-5%	-5%	-3%	-4%	-2%	-2%	
Income Tax	-19	-1	-2	-2	-2	-8	-15	-18	
Income tax rate	-12%	-13%	-13%	-13%	-13%	-13%	-13%	-13%	
Net Profit	136	9	13	13	16	52	98	117	-4.8%
Net margin	26%	12%	15%	15%	18%	15%	23%	25%	
Dil. EPS	1.68	0.13	0.17	0.17	0.20	0.68	1.25	1.51	-3.4%
EPS seq. growth	-23%	-53%	33%	-2%	19%	-60%	85%	21%	

Source: Company data; Bryan, Garnier & Co ests

BE SEMICONDUCTOR

NEUTRAL

Fair Value	EUR23 (-15%)
Share price	EUR27
Market Cap.	EUR2,162m
EPS 3Y CAGR	-3.4%

Simplified Profit & Loss Account (EURm)	2017	2018	2019e	2020e	2021e
Revenues	593	525	344	430	473
<i>Change (%)</i>	58%	-11%	-35%	25%	10%
Adjusted EBITDA	223	188	92	139	162
Adjusted EBIT	209	173	75	121	143
EBIT	209	173	75	121	143
<i>Change (%)</i>	179%	-18%	-56%	60%	19%
Financial results	-10	-18	-15	-8	-8
Pre-Tax profits	199	155	60	113	135
Tax	-26	-19	-8	-15	-18
Net profit	173	136	52	98	117
Adjusted net profit	173	136	52	98	117
<i>Change (%)</i>	165%	-21%	-62%	87%	20%
Cash Flow Statement (EURm)					
Depreciation & amortisation	13	15	17	18	19
Change in working capital	-56	11	12	-30	-15
Operating cash flows	167	184	81	85	121
Capex, net	-12	-18	-14	-15	-15
Free Cash flow	155	166	67	71	105
Acquisition, net	0	0	0	0	0
Financial investments, net	80	-180	0	0	0
Dividends	-65	-174	-122	-52	-88
Issuance (repurchase) of own shares	-24	-35	-40	-40	-40
Issuance (repayment) of debt	160	-9	0	0	0
Other	-227	184	-16	0	0
Net debt	-248	-199	-88	-67	-44
Balance Sheet (EURm)					
Tangible fixed assets	27	29	19	7	-6
Intangible assets & goodwill	79	83	92	101	111
Investments	0	0	0	0	0
Deferred tax assets	5	5	6	6	6
Other non-current assets	3	2	2	2	2
Cash & equivalents	528	426	316	295	272
Inventories	71	60	69	86	94
Current assets	164	118	103	127	138
Total assets	875	723	607	623	617
Shareholders' equity	434	372	257	271	269
Provisions	0	0	0	0	0
Deferred tax liabilities	10	10	-1	-9	-18
Current liabilities	151	114	127	137	142
L & ST Debt	280	276	278	278	278
Total Liabilities	875	773	660	676	670
Capital employed	187	223	219	254	275
Ratios					
Gross margin	57%	57%	56%	57%	57%
Adjusted operating margin	35%	33%	22%	28%	30%
Tax rate	13%	12%	13%	13%	13%
Adjusted Net margin	29%	26%	15%	23%	25%
ROE (after tax)	39.9%	36.6%	20.3%	36.1%	43.7%
ROCE (after tax)	97.6%	68.2%	30.0%	41.3%	45.4%
Gearing	-57%	-54%	-34%	-25%	-16%
Pay out ratio	106.9%	99.4%	108.1%	100.9%	101.9%
Number of shares, diluted	81.624	84.754	83.194	81.713	80.231
Data per Share (EUR)					
EPS	2.17	1.68	0.68	1.25	1.51
Restated EPS	2.17	1.68	0.68	1.25	1.51
<i>% change</i>	156%	-23%	-60%	85%	21%
BVPS	5.32	4.39	3.09	3.32	3.35
Operating cash flows	2.05	2.17	0.98	1.04	1.51
FCF	1.90	1.96	0.80	0.86	1.31
Net dividend	2.32	1.67	0.73	1.26	1.54

Source: Company Data; Bryan, Garnier & Co ests.

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