

BE SEMICONDUCTOR

| Technology
| Semiconductors

NEUTRAL

Fair Value EUR23(-14%)
Share price EUR26.68
EPS 3Y Cagr -3.4%

End-market momentum still unattractive but the company delivers well on margins

Higher-than-expected sales and margins in Q2

The company has reported Q2 revenues of EUR93m, up 13.9% seq. (-42.5% yoy), above guidance for sequential growth of 5%, and 8% above the consensus and our estimates at EUR86m (+6.1% seq.). The better-than-expected results were driven by higher than anticipated shipments of die bonding systems to Chinese and Asian subcontractors. We believe Besi might have benefited from the US restrictions on Huawei considering that one of its competitors, namely K&S, is a US-based company. Gross margin came in line with the mid-range of the guidance and the consensus at 56.0% (BG ests. 56.2%). The Q2 EBIT stands well above expectations at EUR25m (cons. EUR19m/BG ests. EUR20m) successfully manage costs. EPS came in at EUR0.25, i.e. well above the consensus (cons. EUR0.18/BG ests. EUR0.17).

Nonetheless bookings remain at an unattracted level

Bookings stabilised at EUR82.7m (-0.8% seq.) after falling significantly throughout 2018 but the current level still reflects a very soft market especially in high-end mobile and automotive applications. These were partially offset by more stable demand for logic applications in cloud computing end-markets. By customer type, Besi witnessed poor demand from foreign IDMs with operations in China as they reconsider their Asian supply chain strategies and production footprint as part of the trade war. This was offset by increased business from Chinese and Taiwanese subcontractors to satisfy increased Chinese domestic production.

Sales guidance is disappointing but Besi continues to deliver on profitability

Given the soft traction of bookings, Besi expects Q3 2019 sales to decrease sequentially by 10%, representing revenue of EUR83m. This is 4.7% below the consensus forecast for revenue of EUR88m (BG ests. EUR85m). Nonetheless, the company continues to deliver on profitability as gross margin is expected to stay between 55% and 57% and operating expenses should further decrease resulting in an expected EBIT at EUR20.6m, 6% higher than the consensus at EUR20m.

Market Data

	BESI NA/BESI.AS
Bloomberg / Reuters	EUR2,136m
Market Cap.	EUR1,937m
E.V.	100%
Free Float	645.6
Avg. Daily volume (6m)	EUR28.2 / EUR15.8
12m high / low	44.4%
Ytd Perf.	

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	4.8x	4.4x
EV/EBITDA	10.3x	22.2x	14.9x	12.9x
EV/EBIT	11.2x	27.2x	17.1x	14.6x
EPS	1.68	0.68	1.25	1.51
% change		-59.8%	84.5%	21.4%
P/E	15.9x	39.5x	21.4x	17.6x
Div Yield	6.3%	2.7%	4.7%	5.8%

Next Catalyst:

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:

2019-6-7, Analyst meeting feedback: long-term environment favourable to Besi's best-in-class profile

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Q2 results vs consensus

[EURm]	BG ests. 2Q19e	Consensus 2Q19e	2Q19 Actual	Actual vs. Cons.	
Net revenue	86	86	93	7	8.2%
% change (seq)	6.1%	5.3%	13.9%		860bp
% change (yoy)	-46.4%	-46.8%	-42.5%		435bp
Gross profit	49	48	52	4	8.2%
Gross Margin	56.2%	56.0%	56.0%		0bp
EBIT	20	19	25	6	33.5%
% of revenue	22.6%	21.9%	27.1%		514bp
Adj. dil. EPS (in EUR)	0.17	0.18	0.25		36.6%

Sources: Company data; Boomborg.; Bryan Garnier & Co. ests.

Q3 guidance vs consensus

[EURm]	BG ests. 3Q19e	Consensus 3Q19e	3Q19e Guidance	Guid. vs. Cons.	
Net revenue	85	88	83	-4	-4.7%
% change (seq)	-2.0%	2.1%	-10.0%		1210bp
% change (yoy)	-27.5%	-25.0%	-28.5%		-349bp
Gross profit	47	49	47	-2	-3.8%
Gross Margin	56.1%	55.5%	56%		50bp
EBIT	19	20	20.6	1	5.6%
Implied net earnings (in EUR)	0.17	0.18	0.25		35.1%

Sources: Company data; Boomborg.; Bryan Garnier & Co. ests.

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NEUTRAL ratings 44.4%

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