

6 January 2014
MALAYSIA EQUITY



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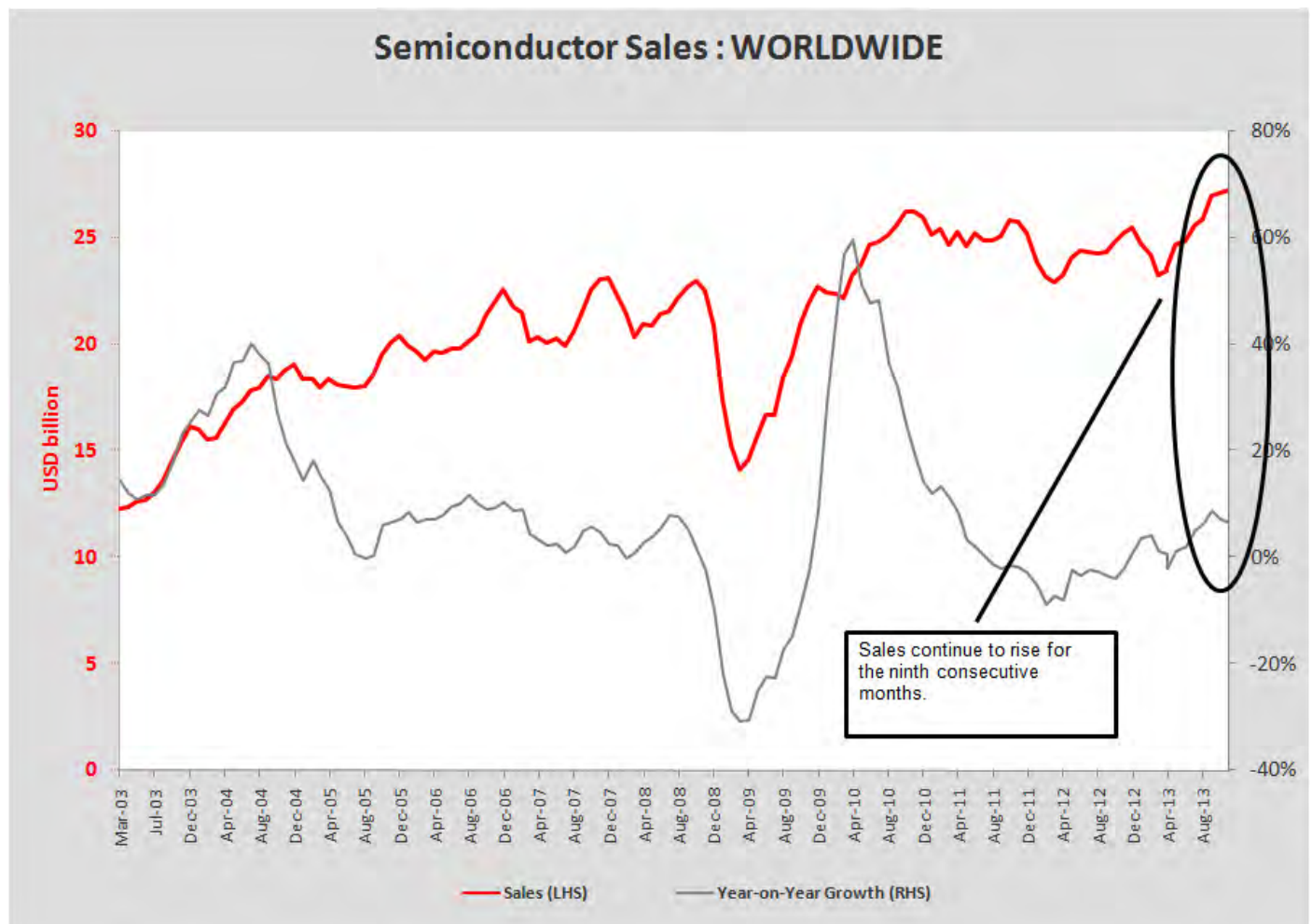
**Monthly Review and Outlook of the
Semiconductor and Technology Industry**

NOVEMBER 2013

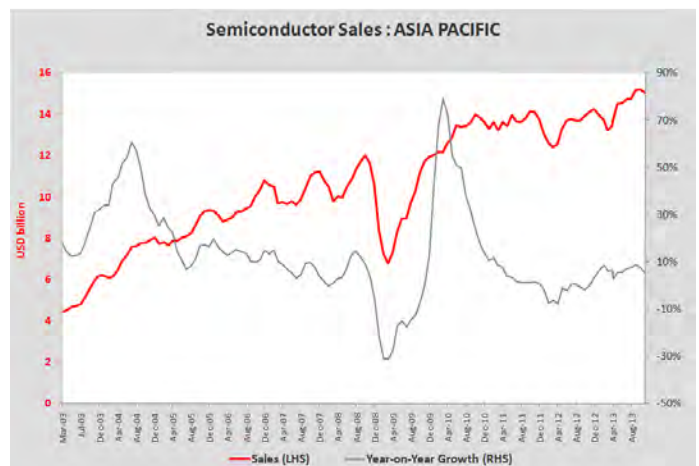
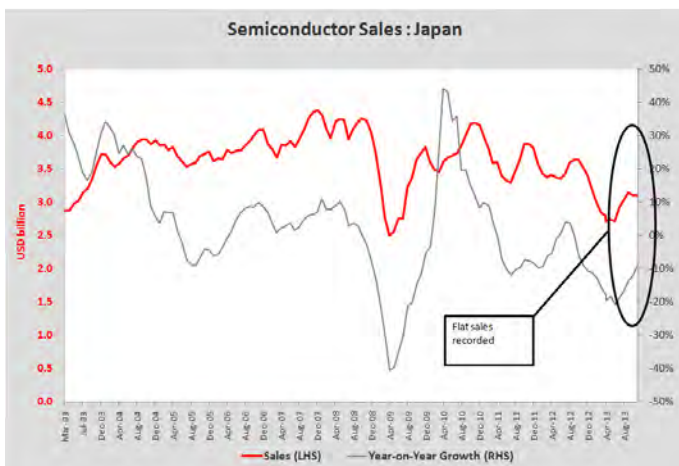
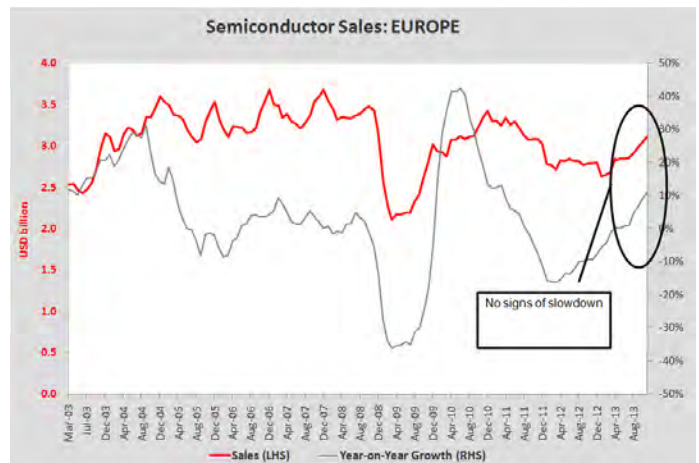
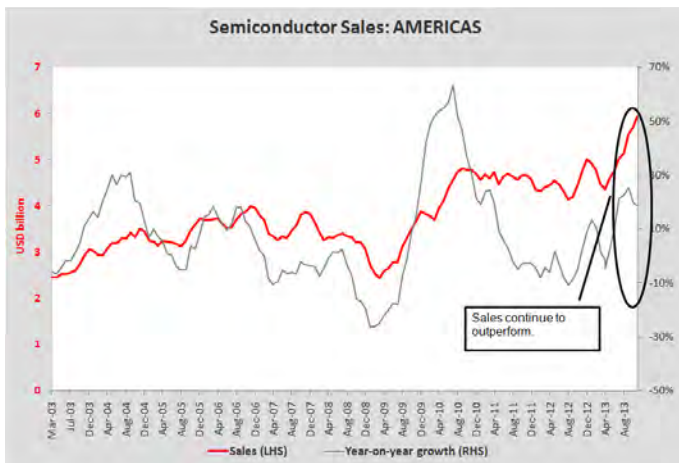
On track for a record year

REVIEW OF WORLDWIDE SEMICONDUCTOR SALES – NOVEMBER 2013

- Global Semiconductor Sales (GSS) retained its upward trend, settling at USD27.2b (+6.8%yoy) for the month of November. This is the ninth straight months of growth driven by the Americas which continued to lead growth.
- Sales from the Americas grew by an impressive +18.6%yoy to USD5.9b in November as compared to USD5.0b in earlier year corresponding period. Across the ocean, Europe also continued to show optimism. Sales from the region hit USD3.1b, a double-digit 10.9%yoy growth. Sales from the Asia Pacific region also improved by 5.5%yoy to USD15.1b. On the other hand, sales from Japan slipped down to USD3.1b (-8.8%yoy) from USD3.4b in November 2012. This was owing to the devaluation of the Japanese Yen. However, on a positive note, the Asian region is slowly regaining last year's growth pace in recent months.
- GSS is on track to hit a new record in 2013. Cumulatively, sales for 11M2013 advanced by 4.5%yoy to USD278.0b. This accounted for 91.4% of WSTS sales target of USD304.3b. Hence we do not discount the possibility that 2013 sales to marginally surpass WSTS target.
- This reaffirms our conviction that the semiconductor industry has already in an up-cycle phase. Due to rapid technological advancements, tablets and smartphones have shorter life cycles. Coupled with the growing sales of mid-segment devices, global demand of smartphone and tablet is expected to remain robust in the foreseeable future. This bodes well for technology companies who hinge onto the supply chain of the above products category.



Source: SIA, WSTS



Source: SIA, WSTS

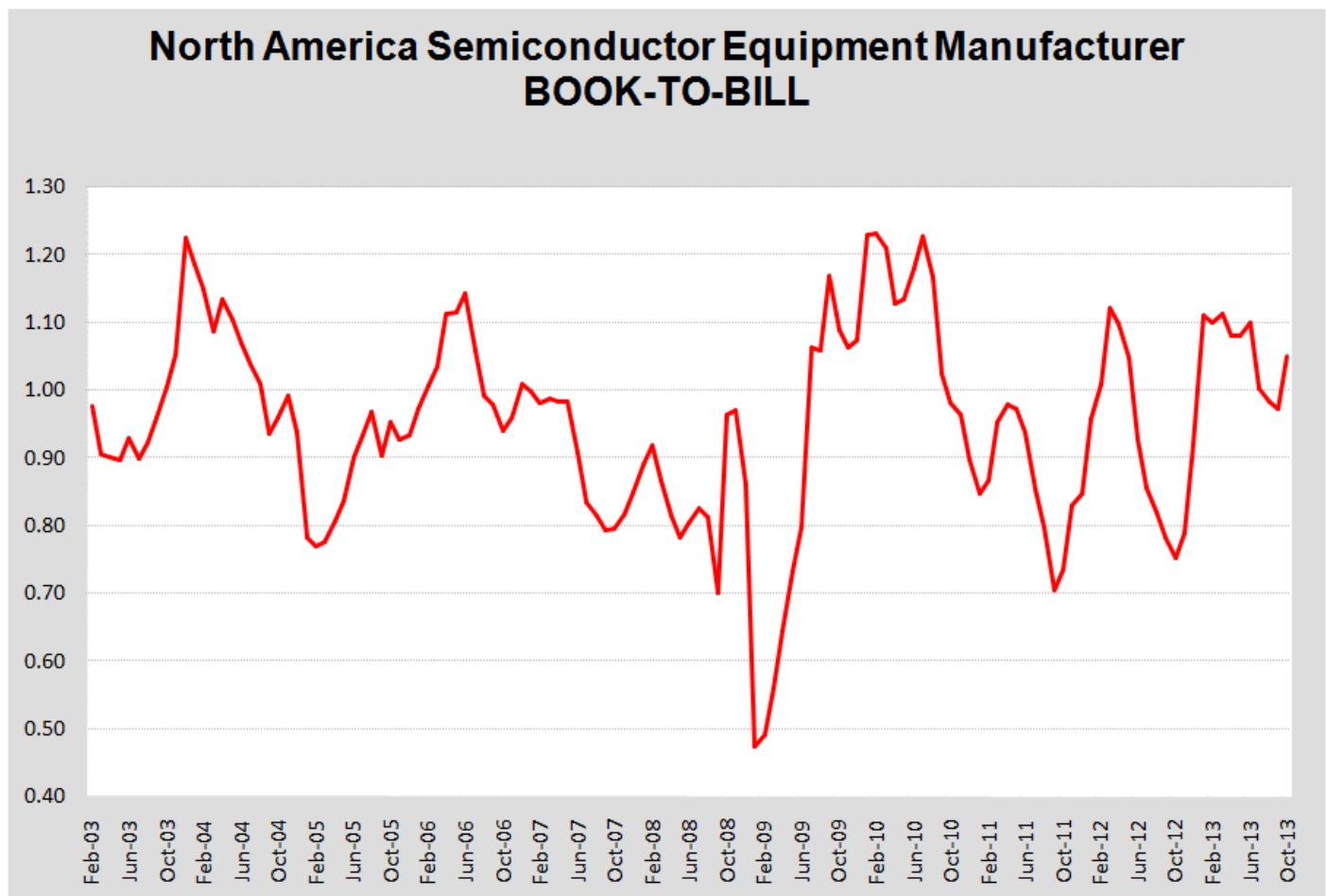
WSTS 2013-2015 SEMICONDUCTOR SALES FORECAST

Autumn 2013	Amounts (USD'm)				Year on year growth (%)			
	2012	2013E	2014F	2015F	2012	2013	2014	2015
By Region								
Americas	54,359	59,977	63,863	65,926	-1.5	10.3	6.5	3.2
Europe	33,163	34,586	35,195	36,215	-11.3	4.3	1.8	2.9
Japan	41,056	35,100	36,451	37,261	-4.3	-14.5	3.8	2.2
Asia Pacific	162,985	174,645	181,128	187,884	-0.6	7.2	3.7	3.7
Total World	291,562	304,309	316,636	327,286	-2.7	4.4	4.1	3.4
By Product								
Discrete Semiconductors	19,138	18,219	19,256	19,935	-10.5	-4.8	5.7	3.5
Optoelectronics	26,175	27,459	29,498	31,064	13.4	4.9	7.4	5.3
Sensors	8,009	7,957	8,324	8,682	0.5	-0.7	4.6	4.3
Integrated Circuits	238,240	250,674	259,558	267,605	-3.6	5.2	3.5	3.1
Analog	39,303	3,889	41,773	43,693	-7.2	1.5	4.7	4.6
Micro	60,238	58,671	59,557	59,608	-7.6	-2.6	1.5	0.1
Logic	81,703	84,803	90,559	94,140	3.7	3.8	6.8	4.0
Memory	56,995	67,311	67,669	70,164	-6.2	18.1	0.5	3.7
Total Products	291,562	304,309	316,636	327,286	-2.7	4.4	4.1	3.4

Source: WSTS

THE BOOK-TO-BILL (BTB) RATIO

- In-line with brighter GSS outlook, BTB ratio improved to 1.11x for the second consecutive months. According to SEMI, “the continuing rise in equipment booking clearly points to year-end order activity that is substantially stronger compared to one year ago”. Based on the trend, a rebound in equipment spending is expected for 2014.
- November bookings showed strong growth of +72.3%yoy to USD1,237.9m as compared to November 2012 (USD718.6m). Meanwhile, billings for the same month improved by 22.4%yoy to USD1,113.6m.
- We do not see any let down in equipment spending supported by strong demand for electronic devices. Capex spending is expected to remain robust in view of planned capacity expansions.



Source: SEMI

SECTOR REVIEW & COMMENTS

2014 turning point for wearable devices

- Over 1 million smart wearable bands will be shipped worldwide by the end of 2013, with more smart wearable devices expected to hit the market in 2014.
- According to Canalys, more than 200,000 smart wearable bands were shipped in the first half of 2013, and this number was estimated to have climbed by over 500 percent in the second half with the launch of Samsung's Galaxy Gear.
- The market will see improved technologies in coming years, with significant developments in areas including systems-on-a-chip (SoC), health and fitness sensors, low-power displays, mobile operating systems (OSes) and materials and design. That said, there are some technological as well as market gaps that need to be addressed.

Hewlet – Packard to axe 34,000 staff by end of 2014

- HP is struggling with falling PC sales and fierce competition. Hence its restructuring efforts will take a more aggressive form than earlier planned. As a result, HP will eliminate 34,000 positions by the end of the firm's fiscal year, which is up from an earlier prediction of 29,000.
- This reaffirms our view that PC sales shall continue to lose steam as its existence can be substituted by more versatile tablet and/or smartphones. Technology companies who are part of the PC value chain may equally feel the pinch.

CONCLUSIONS

- GSS continued to surpass previous records, coming in at USD27.2b during the month of November 2013. This was mainly led by bullish sales especially from the Americas region. Furthermore, sales from the European and Asia Pacific regions also showed optimism. Sales from Japan, however, was impacted by the devaluation of the Japanese Yen.
- We do not see any major headwinds that will impact GSS growth moving forward. While sales from the Japan region may continue to weaken further, we believe this would be overshadowed by continued bullish sales from the other regions.
- In tandem, BTB ratio also improved for the second consecutive months to 1.11x. This shows that equipment bookings activities have picked-up pace. We expect capex spending to remain intact in view of strong demand of electronic devices.
- On the back of bullish sales data coupled with rosy outlook, we reiterate our POSITIVE stance on the sector. Globetronic (Buy, TP:RM4.19) is our top pick for the sector due to its exposure to the tablet and smartphone market.

Selected Semiconductor Stock

Stocks	Recomd'n	Price (@ 6 January 2014)	Target Price	EPS (sen)		EPS (% change)		PER		DPS		Yield (%)	
				12	13F	12	13E	12	13E	12	13F	12	13F
UNISEM	SELL	1.02	0.62	-4.8	1.3	<-100	47.0	n.m.	n.m.	2.0	2.5	2.0	2.5
GLOBETRONICS	BUY	3.15	4.19	15.3	19.5	52.8	27.5	20.6	16.2	17.0	17.0	5.4	5.4

* = Based on consensus average, NR = not rated,

Source: Bloomberg and MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.