

04 June 2015 | Sector update

Semiconductor Sector

Maintain POSITIVE

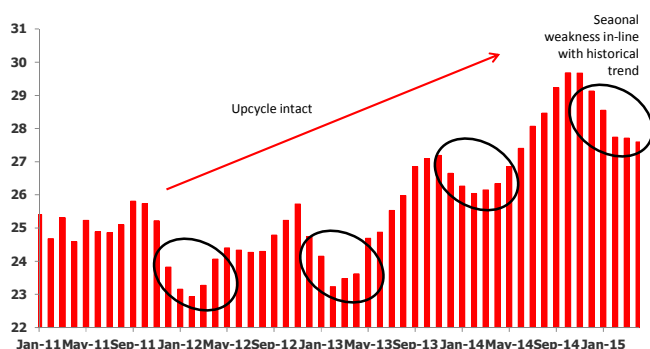
Still on a growth path amid seasonal influence

- **Global Sales of Semiconductor (GSS) continued to grow in April 2015, albeit at a slower pace.**
- **Growth decelerated to 4.8%yoy (from 11.5%yoy in March) in-line with seasonal trend, and due to the high base effect in 2014**
- **The Americas region grew in the double digits for the seventh consecutive month**
- **Cumulative year-to-April, GSS grew 6.1%yoy, outpacing WSTS' full year 2015 sales estimate of 3.4%yoy. Positive outlook for the rest of 2015 stays intact.**
- **BTB ratio remained above parity for the fourth consecutive month with both bookings and billings above USD1,500m**
- **Reiterate POSITIVE outlook on the semiconductor sector**

REVIEW OF GLOBAL SEMICONDUCTOR SALES (GSS) – APRIL 2015

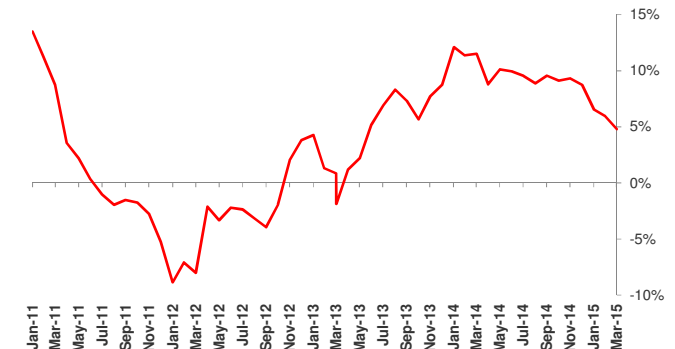
High base effect in 2014 dragged sales growth to below <5%. GSS for the month of April 2015 settled at USD27.6b. Growth decelerated to +4.8%yoy in April 2015, indicating a seasonal decline in sales growth momentum. The slowdown in sales growth momentum was partially attributable to the fact that 2014 was a record year for semiconductor, thus leading to a high base effect. Nonetheless, it was still a record high for the month of April in terms of sales value. Including the month of April, sales have now grown for 24 consecutive months since May 2013.

Chart 1: Global semiconductor sales (USDb)



Source: SIA, MIDFR

Chart 2: Global semiconductor sales (%yoy)



Source: SIA, MIDFR

The Americas region maintained double-digit sales growth in April 2015. The increase in sales for the month of April 2015 was mainly supported by the expansion in the Americas and Asia-Pacific regions. Monthly sales from the Americas region improved by +12.2%yoy to USD5.6b. The Americas region managed to maintain its double-digit growth in sales for the seventh consecutive month since October 2014. On another note, sales growth from the Asia-Pacific region for the month of April 2015 remained encouraging at +7.3%yoy. Both the Americas and Asia-Pacific regions are the two most important sales regions, making up 80.3% of April 2015 sales.

Slower sales from the Europe and Japan regions. Sales from the European and Japan regions continue to disappoint. For the month of April 2015, sales from both regions contracted by -5.6%yoy and -10.6%yoy to USD2.9b and USD2.5b respectively. This is mainly attributable to the weakening of the Euro and Yen to the Dollar.

Chart 3: Americas and Asia Pacific sales (%yoy)

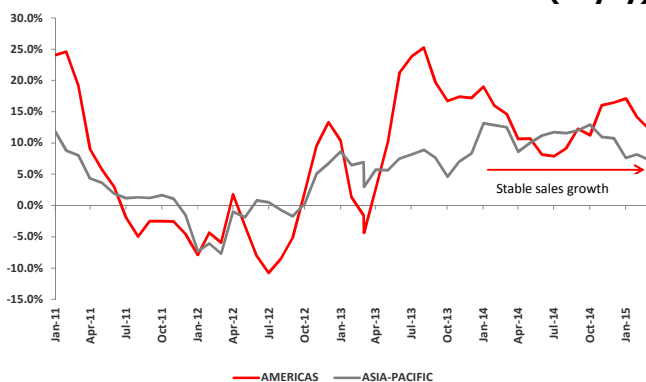
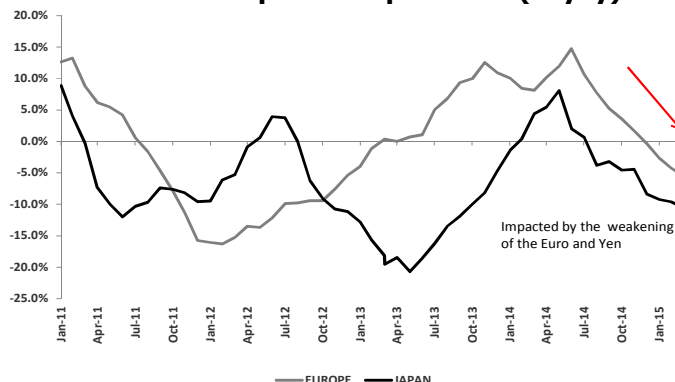


Chart 4: Europe and Japan sales (%yoy)



Source: SIA, MIDFR

Source: SIA, MIDFR

To a larger extent, the growth in semiconductor sales reflects the underlying growth in economic activity. This can be seen in Chart 3 and Chart 4 that the divergence in terms of growth performance of the Americas and Asia Pacific regions versus the Europe and Japan markets.

WSTS revealed Spring 2015 sales forecast. The World semiconductor Trade Statistics (WSTS), which forecast semiconductor sales, has revised 2015 and 2016 sales estimates slightly lower by -1.4% and -1.2% to USD347.2b and USD358.9b respectively. Following its revision, all major products categories are still forecasted to be growing. In terms of product, the highest growth rate is expected to stem from *Optoelectronics* (+8.3%yoy) and *Analog* (+5.6%yoy). On a regional basis, sales from the Europe and Japan regions is expected to disappoint throughout 2015, dropping by -3.6%yoy and -9.5%yoy respectively. According to WSTS, growth in the semiconductor industry in 2015 will be largely driven by the smartphones and automotive segments.

Table 1: WSTS forecast summary

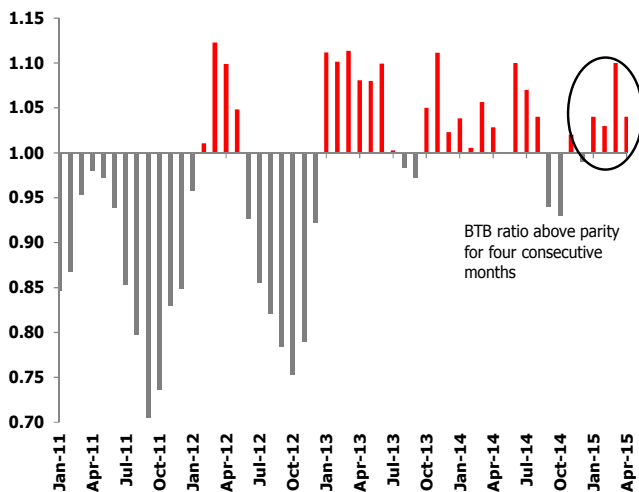
Spring 2015	Amounts (USD'm)				Year on year growth (%)			
	2014	2015F	2016F	2017F	2014	2015F	2016F	2017F
By Region								
Americas	69,234	71,884	73,332	74,637	12.7	3.7	2.0	1.8
Europe	37,459	36,113	36,998	37,778	7.4	-3.6	2.5	2.1
Japan	34,830	31,508	32,148	32,620	0.1	-9.5	2.0	1.5
Asia Pacific	194,230	207,743	216,445	224,552	11.4	7.0	4.2	3.7
Total World	335,843	347,248	358,924	369,587	9.9	3.4	3.4	3.0
By Products								
Discrete Semiconductors	20,170	20,402	20,998	21,567	10.8	1.1	2.9	2.7
Optoelectronics	29,868	32,360	33,526	34,655	8.3	8.3	3.6	3.4
Sensors	8,502	8,686	9,112	9,459	5.8	2.2	4.9	3.8
Integrated Circuits	277,302	285,800	295,288	303,906	101.0	3.1	3.3	2.9
<i>Analog</i>	44,365	46,846	49,323	51,600	10.6	5.6	5.3	4.6
<i>Micro</i>	62,072	62,539	34,277	65,830	5.8	0.8	2.8	2.4
<i>Logic</i>	91,633	94,943	99,476	102,962	6.6	3.6	4.8	3.5
<i>Memory</i>	79,232	81,472	82,212	83,514	18.2	2.8	0.9	1.6
Total Products	335,843	347,248	358,924	369,587	9.9	3.4	3.4	3.0

Source: WSTS, MIDFR

Year-to-date sales in-line with estimates. Year-to-date, cumulative sales for the month of January 2015 to April 2015 amounted to USD111.6b. This is an increase of +6.5%yoy as compared to the previous year corresponding period. This made up 32.1%yoy of WSTS' 2015 full year estimates. The growth remains encouraging as it outpaced WSTS forecasted annual sales growth of 3.4% for 2015.

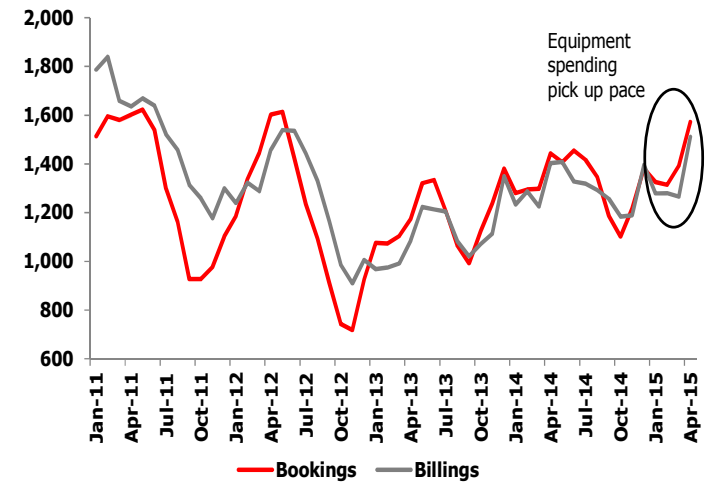
BOOK-TO-BILL (BTB) RATIO

Chart 5: BTB ratio



Source: SEMI, MIDFR

Chart 6: Bookings & billings (USDm)



Source: SEMI, MIDFR

BTB ratio remains above parity in April 2015. The North America-based manufacturers of semiconductor equipment posted a BTB ratio of 1.04x for the month of April 2015. This marks the fourth consecutive month whereby bookings exceeded billing and the ratio remains above parity.

Highest booking recorded in April 2015 since June 2012. Semiconductor equipment bookings for the month of April 2015 came in at USD1,572.2m. This translates into a growth of +9.0yoy. This is the first time bookings came in above USD1,500m level for the past three years.

Billings accelerated to above USD1,500m. Billings for the month of April 2015 improved by +7.6%yoy to USD1,510.3m as compared to USD1,403.2m recorded in April 2014. The improvement in billings is in tandem with the higher bookings recorded in the same month.

Maintain POSITIVE. Demand for communication devices will continue to be supported by the middle-class consumers seeking to stay connected and to be at the forefront of the latest cutting edge technological product offering. This will be in favour of electronic companies who are able to offer the end-product at a competitive price, thus advocating a high volume business strategy. Semiconductor companies that positioned themselves in the right production value chain will in turn benefit from the high volume orders. On another note, given the high correlation, we expect uninterrupted growth in the semiconductor industry for as long as the global economy continues to grow. All in, we reiterate our **Positive** stance on the Semiconductor sector.



Selected Semiconductor Stock

Stocks	Recomd'n	Price @3 June (RM)	Target Price (RM)	EPS (sen)		EPS (% change)		PER		DPS (sen)		Yield (%)	
				15E	16F	15E	16F	15E	16F	15E	16F	15E	16F
UNISEM	BUY	2.53	2.74	13.9	16.1	62.1	152.0	18.2	15.7	8.0	9.5	3.2	3.8
GLOBE' TRONICS	BUY	6.53	7.05	28.7	32.0	25.1	11.5	22.4	20.1	25.0	27.0	3.0	4.2

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.