

06 August 2015 | Sector update

Semiconductor Sector

Maintain POSITIVE

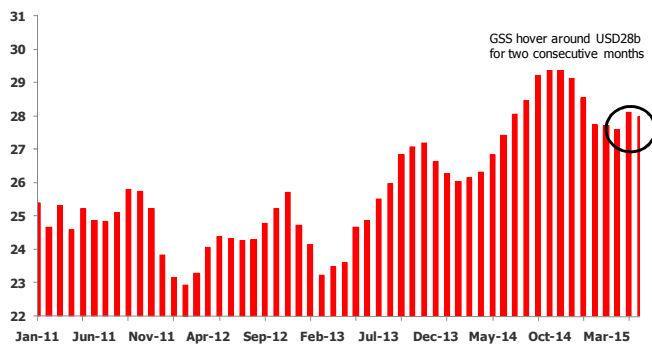
Sustained global growth

- **GSS still recorded a +2.0%yoy growth in June 2015, despite a high base. GSS grew double-digit in June 2014**
- **Americas and Asia-Pacific regions continue to be the sales growth driver**
- **Year-to-date, sales have kept pace with WSTS' full year FY15 sales forecasts**
- **Both bookings and billings remained healthy at above USD1,500m**
- **Reiterate POSITIVE outlook on the semiconductor sector**

REVIEW OF GLOBAL SEMICONDUCTOR SALES (GSS) – JUNE 2015

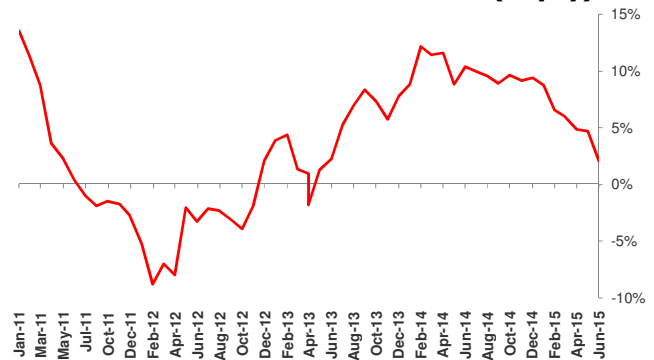
Growth sustained in June 2015 despite a high base in June 2014. GSS for June 2015 was recorded at USD28.0b. Despite experiencing a +10.3%yoy growth in June 2014, GSS for June 2015 still managed to expand by +2.0%yoy. We note however that there could be speedbumps in the coming months as the Semiconductor Industry Association (SIA) commented that *"macroeconomic headwinds and softening demand have slowed global semiconductor market"*. Nonetheless, it was still a record high for the month of June, in terms of sales value. Including the month of June 2015, sales have grown for the past 26 consecutive months since May 2013.

Chart 1: Global semiconductor sales (USDb)



Source: SIA, MIDFR

Chart 2: Global semiconductor sales (%yoy)

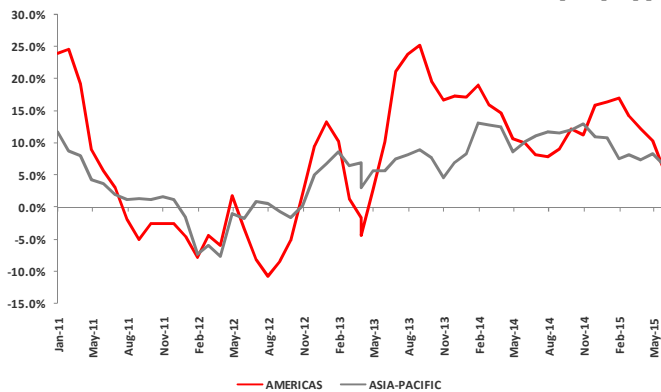


Source: SIA, MIDFR

The Americas and Asia Pacific regions continue to lead growth. The increase in sales for the month of June 2015 was mainly supported by the sales expansion in the Americas and Asia-Pacific regions. Monthly sales from the Americas region improved by +5.6%yoy to USD5.6b. In-tandem with the growth of GSS, sales from the Americas region have also increased for 26 consecutive months. On another note, sales growth from the Asia-Pacific region for the month of June 2015 remained robust at +6.4%yoy to USD17.1b. Both the Americas and Asia-Pacific regions are the two most important sales regions, making up 80.7% of June 2015 total sales.

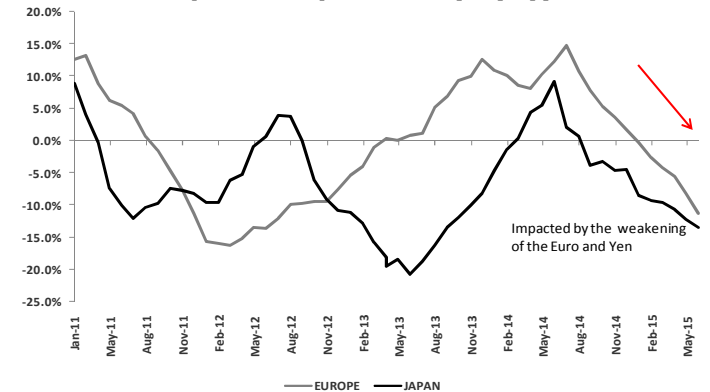
Sales contraction from the Europe and Japan regions was unabated. Sales from the European and Japan regions continue to disappoint. For the month of June 2015, sales from both regions contracted by -11.5%yoy and -13.6%yoy to USD2.8b and USD2.6b respectively. This marks the sixth and tenth consecutive month of decreased respectively. This is mainly attributable to the weakening of the Euro and Yen to the Dollar.

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



Source: SIA, MIDFR

Chart 4: Europe and Japan sales (%yoy)

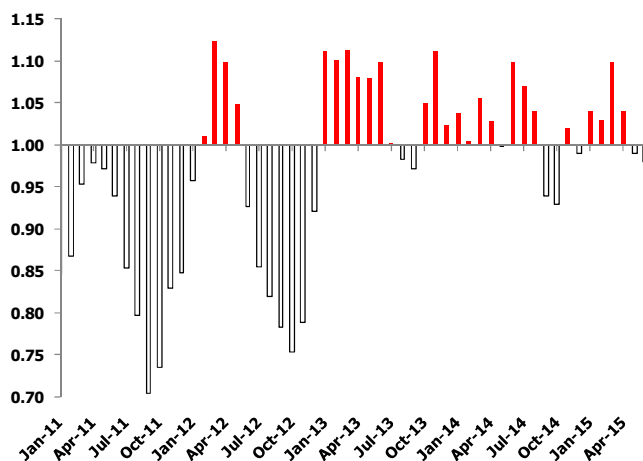


Source: SIA, MIDFR

Year-to-date sales in-line with estimates. Year-to-date, the cumulative sales for the month of January to June 2015 amounted to USD167.7b. This is an increase of +3.9%yoy as compared to the previous year corresponding period. This accounts for 48.3% of WSTS' 2015 full year estimates of USD347.2b. The growth remains encouraging as it is in-tandem with WSTS forecasted annual sales growth of +3.4% for 2015.

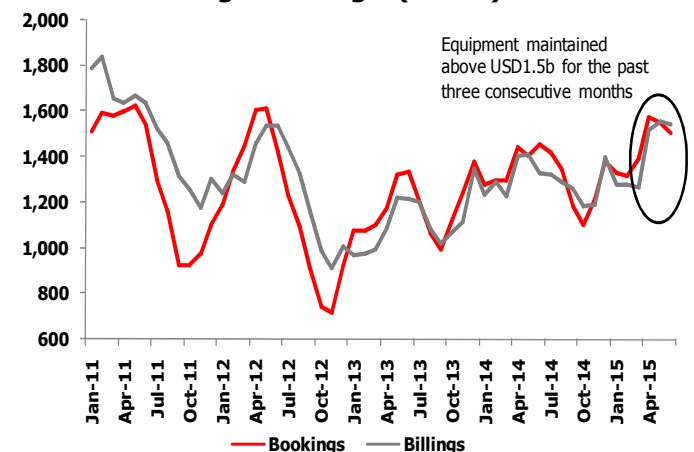
BOOK-TO-BILL (BTB) RATIO

Chart 5: BTB ratio



Source: SEMI, MIDFR

Chart 6: Bookings & billings (USDm)




Source: SEMI, MIDFR

Slightly below parity in June 2015. The North America-based manufacturers of semiconductor equipment posted a BTB ratio of 0.98x for the month of June 2015. This indicates that USD98 worth of orders were received for every USD100 of product billed for the month. Despite BTB ratio coming in below parity, both bookings and billings are still higher as compared to the previous year corresponding month.

Bookings maintained above USD1,500m. Semiconductor equipment bookings for the month of June 2015 came in at USD1,506.1m. This translates into a growth of +3.5yoy. This is the third consecutive month bookings came in above USD1,500m level since April 2015.

Billings picked up pace in June 2015. Billings for the month of June 2015 accelerated by +16.2%yoy to USD1,542.1m as compared to USD1,327.5m recorded in June 2014. This is the second month billings grew by double digit. Higher billings registered are in light of higher bookings recorded for the past few months.

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 which 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. In the near term, new smartphones line-up in 2H15 is going to further excite the industry. For instance Samsung will be unveiling the Galaxy Note 5 and S6 Edge Plus on the 13th of August 2015. On another note, given the high correlation between the semiconductor industry and global economy, we are expecting 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. 

Semiconductor stocks under coverage

Stocks	Recomd'n	Price @5 Aug (RM)	Target Price (RM)	EPS (sen)		EPS (% change)		PER		DPS (sen)		Yield (%)	
				15E	16F	15E	16F	15E	16F	15E	16F	15E	16F
UNISEM	BUY	2.16	2.74	13.9	16.1	62.1	152.0	15.5	13.4	10.0	11.0	4.6	5.1
GLOBE' TRONICS	BUY	6.04	7.05	28.7	32.0	25.1	11.5	21.0	18.9	25.0	27.0	3.1	4.5

Source: Bloomberg, 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.