

04 March 2015 | Sector update

Semiconductor

Maintain POSITIVE

Strong growth momentum maintained in January

INVESTMENT HIGHLIGHTS

- Global sale of semiconductor increased +8.7%yoy to USD28.5b in January 2015. Growth decelerated to <9% on seasonal factor.
- January 2015 sales data was mixed with the Americas and Asia Pacific regions continue to outperform.
- BTB ratio resumed above parity in January 2015
- Maintain POSITIVE for the the semiconductor industry as overall outlook remains promising

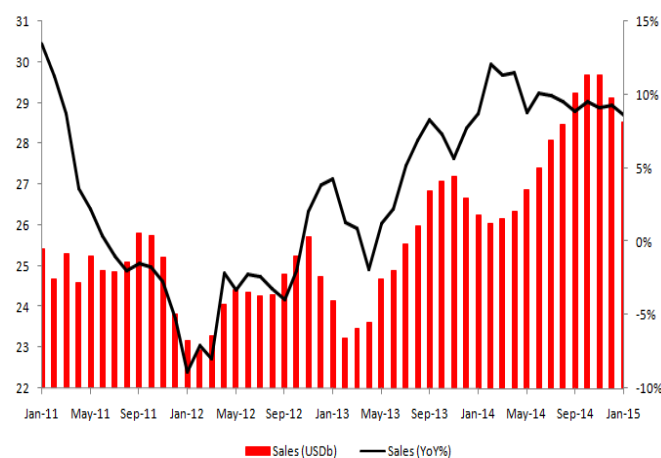
REVIEW OF GLOBAL SEMICONDUCTOR SALES (GSS) – JANUARY 2015

January 2015 sales keep pace with WSTS’ full year sales expectation. GSS kicked off 2015 on a positive note with monthly sales amounting to USD28.5b, a record high for January. This was an increase of +8.7%yoy from January 2014 sales of USD26.3b. Growth decelerated to <9% for the first time since May 2014, but this is seasonal as growth tends to dip in the first two months of the year.

Global monthly sales have now increased on a year-on-year basis for 21 consecutive months since May 2013. The sales numbers are also in-line with the World Semiconductor Trade Statistics’ (WSTS) 2015 monthly average sales of USD28.7m. To recap, WSTS expects full year 2015 sales to reach USD344.5b.

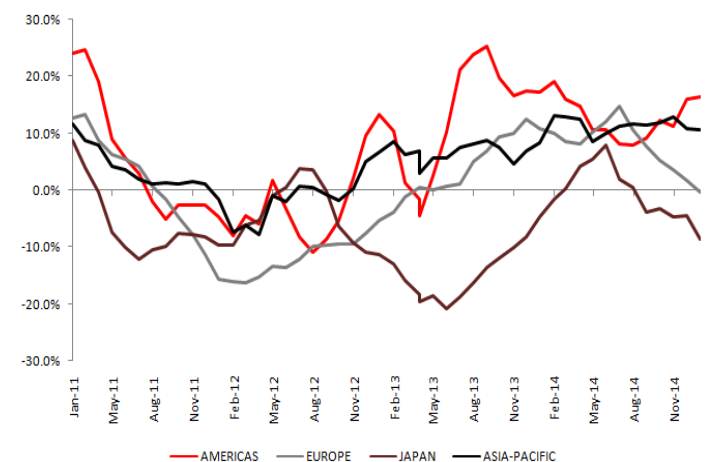
Mixed regional sales performance. Sales from the Americas and Asia Pacific regions grew by +16.4%yoy and +10.7%yoy to USD6.5b and USD16.5b respectively. On aggregate, both regions made up 80.5% of total GSS for the month of January 2015. On the contrary, sales from Europe and Japan shrank by -0.2%yoy and -0.8%yoy to USD2.9b and USD2.6b respectively.

Graph 1: Global semiconductor sales



Source: SIA, MIDFR

Graph 2: Regional sales growth (%)

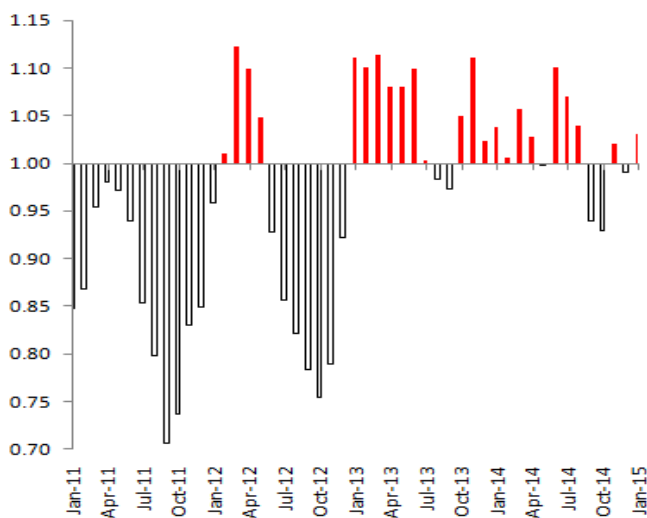


Source: SIA, MIDFR

BOOK-TO-BILL (BTB) RATIO

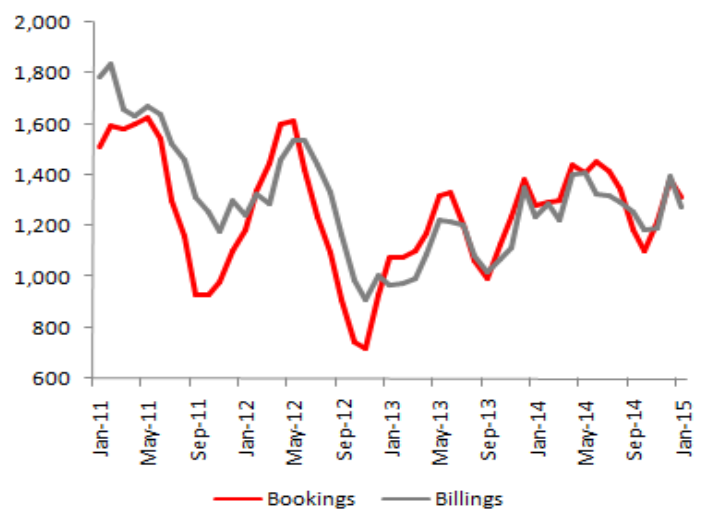
Resumed above parity in January 2015. The North America-based manufacturers of semiconductor equipment posted a BTB ratio of 1.03 for the month of January 2015 from 0.99 recorded in December 2014. The positive BTB ratio was mainly attributable to the slower billings for the month of January 2015. The bottomline is that expenditure on semiconductor equipment is still rising, reflecting healthy capex in the industry.

Graph 3: BTB ratio



Source: SEMI, MIDFR

Graph 4: Bookings and billings (3-month moving average) (USDm)



Source: SEMI, MIDFR

Bookings came in above the USD1,300 level. Semiconductor equipment bookings came in a USD1,313.6m for the month of January 2015, in-line with 2014 monthly average bookings of USD1,319.0m. This translates into a growth of +2.6%yoy as compared to bookings of USD1,280m recorded in January 2014. However, on a monthly sequential basis, bookings fell by -4.9%mom from USD1,381.5m in December 2014.

Billings still growing on a year-on-year basis. Billings for the month of January 2015 increased by +3.5%yoy to USD1,276.3m. This was slightly lower than 2014 monthly average billings of USD1,293.7m. On a monthly sequential basis, billings decreased by -8.6%mom from December 2014 level of USD1,395.9m

Optimism intact. SIA continues to post optimistic sales figures as seen in the latest January 2015 sales. GSS has been consistently outpacing itself for 21 consecutive months. This level of optimism is expected to continue to be seen throughout 2015 and 2016 as concurred by WSTS. The positive growth will be mainly attributable to higher demand from the smartphones and automotive industries.

In the foreseeable term, the adoption of smartphones remains one of the key driving catalysts for the sector. The transition of 2G to 3G and 4G will inevitably create stronger demand of low to mid-priced smartphones, especially in emerging markets. Thus, affordability of these smartphones also serves as a vital success factor. In the longer term, the availability and acceptance of wearable devices are expected to contribute to the positive sentiments for the semiconductor industry. As such, we are reiterating our **POSITIVE** stance on the semiconductor industry.



Selected Semiconductor Stock

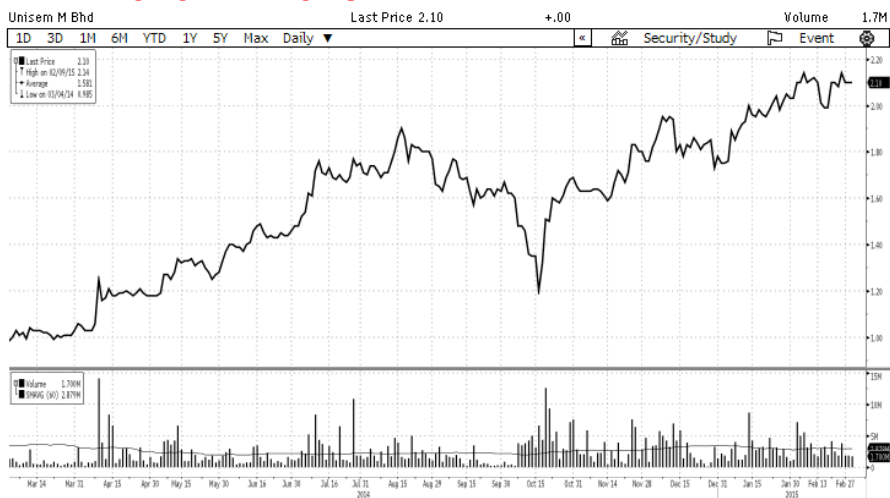
Stocks	Recomd'n	Price @3 March 2015 (RM)	Target Price (RM)	EPS (sen)		EPS (% change)		PER		DPS (sen)		Yield (%)	
				14E	15F	14E	15F	14E	15F	14E	15F	14E	15F
UNISEM	BUY	2.1	2.37	13.9	16.1	37.5	15.2	15.1	13.0	8.5	9.5	4.0	4.5
GLOBETRONICS	BUY	4.87	5.45	28.7	32.0	25.1	11.5	17.0	15.2	23	25	4.7	5.1

Source: Bloomberg and MIDFR

DAILY PRICE CHART – GLOBETRONICS



DAILY PRICE CHART – UNISEM



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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	<i>Negative</i> total return is expected, by -15% or more, 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.