

06 August 2014 | Sector update

## Semiconductor

**Reiterate POSITIVE**

**Sales hit another record high in June**

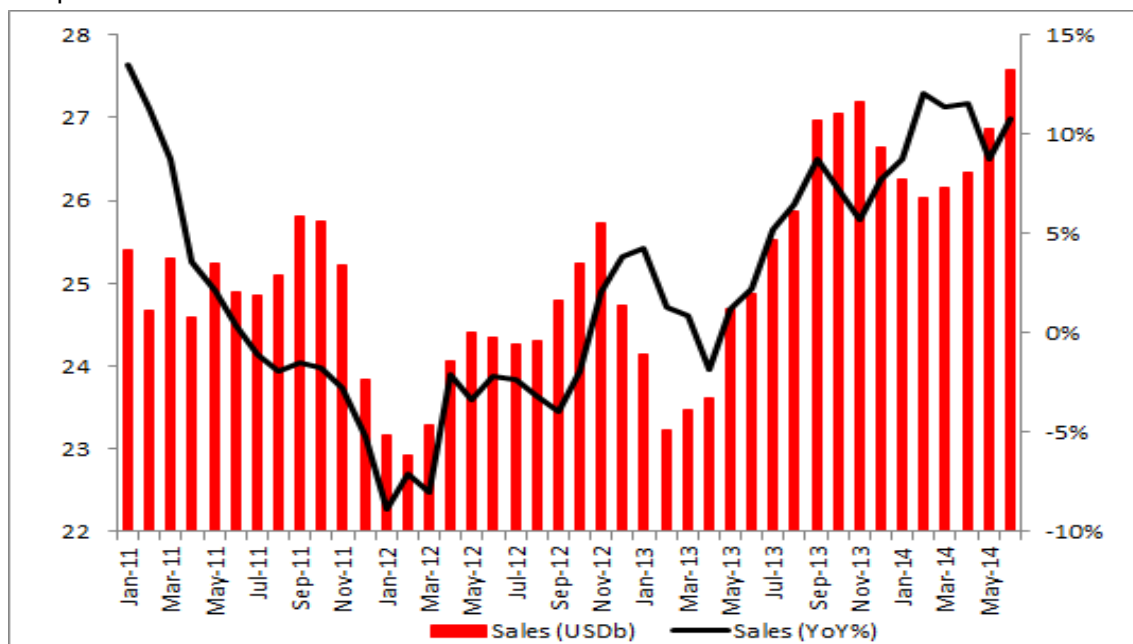
### INVESTMENT HIGHLIGHTS

- June 2014 sales hit USD27.6b, highest monthly sales ever recorded to-date
- 1H14 sales is on track to meet WSTS' 2014 sales target
- All regions show better sales growth, especially Japan
- Outlook for the semiconductor industry remains promising. Maintain POSITIVE stance.

### REVIEW OF GLOBAL SEMICONDUCTOR SALES (GSS) – JULY 2014

**June 2014 sales reached new height.** GSS for the month of June 2014 hit a new record of USD27.6b. Sales advanced by +10.8%yoy from USD24.9b in June 2013. Sequentially, sales continue to grow at a steady pace of +2.6%qoq. All regions continue to outperform, with Americas and Europe leading the growth. GSS has remained above USD25b mark for 12 consecutive months.

Graph 1: Global semiconductor sales



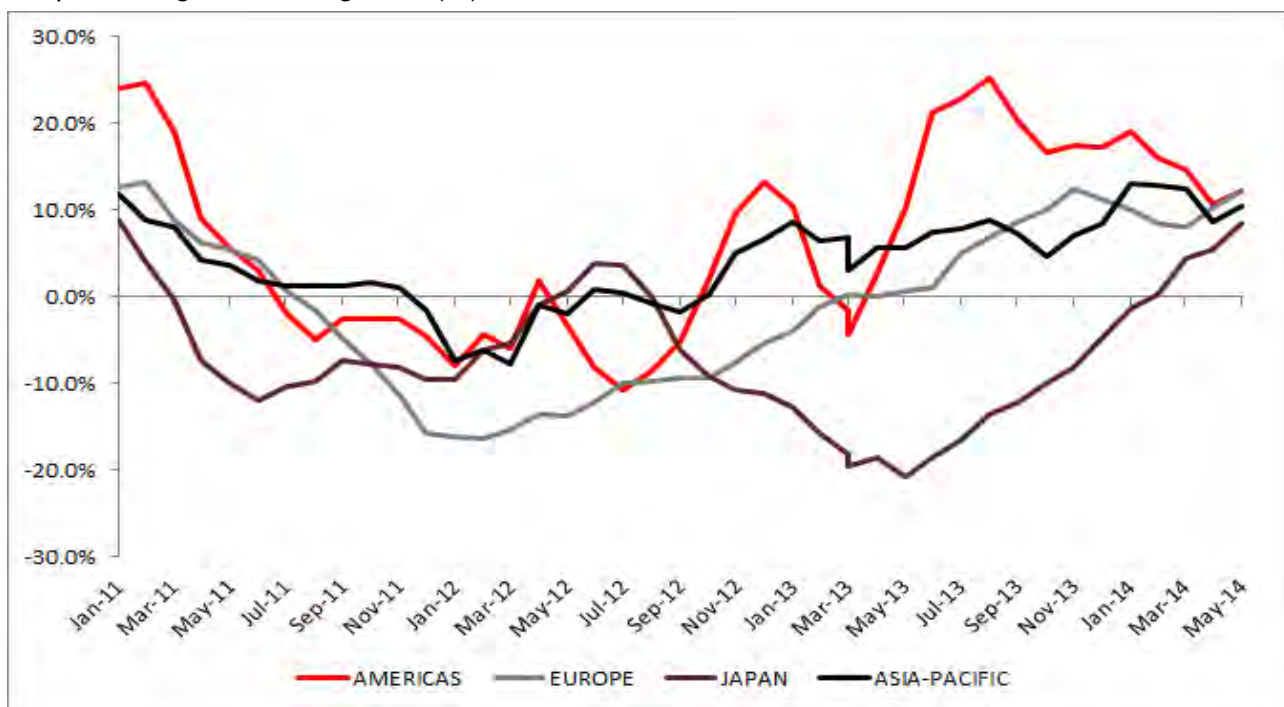
Source: SIA, MIDFR

**1H14 sales in-line with WSTS full year sales forecasts.** 1H14 sales amounted to USD159.2b. This made up approximately 49% of World Semiconductor Trade Statistics (WSTS) sales target of USD325.4b. Year-to-date, 1H14 sales accelerated by +10.5%yoy. Semiconductor Industry Association (SIA) commented that “through the first half of 2014, the global semiconductor market has demonstrated consistent, across-the-board growth, with the Americas region continuing to show particular strength.”

**Better sales performance across all regions.** For the past four consecutive months up to June 2014, all four key regions have shown consistent growth in sales, especially that in Japan. The upswing in Japan has been the strongest among the four regions. In June, sales in Japan improved by +8.5%yoy, the highest since January 2011. It had been growing for the last four reporting months. Prior to that, sales in Japan had contracted for 18 straight months since September 2012, mainly due to the devaluation of Japanese yen.

Meanwhile, as compared to June 2013, sales in the Americas, Europe and Asia Pacific regions have increased by +12.1%yoy, +12.1%yoy and +10.5%yoy respectively.

Graph 2: Regional sales growth (%)



Source: SIA, MIDFR

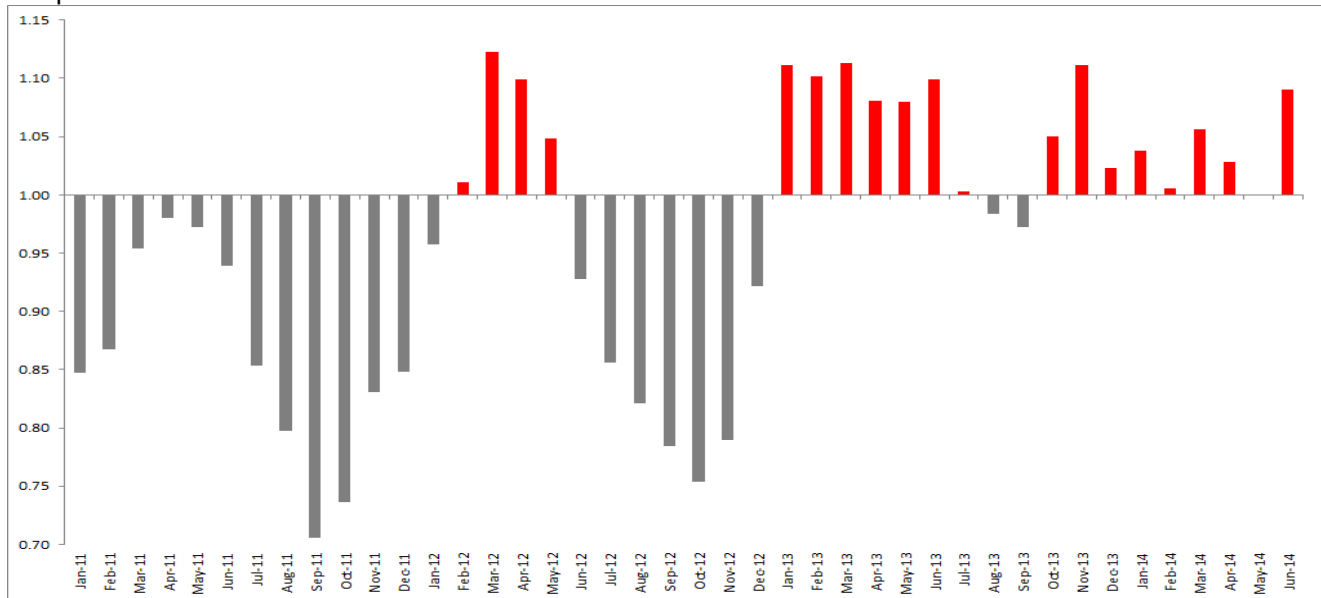
## THE BOOK-TO-BILL (BTB) RATIO

**Highest BTB ratio in 1H14.** The North America-based manufacturers of semiconductor equipment posted a BTB ratio of 1.09x, the highest ratio recorded in 1H14. This is also above the average ratio of 1.06x in 2013. Throughout 1H14, both bookings and billings have outperformed 1H13 records.

**Highest bookings recorded since May 2012.** Semiconductor equipment bookings topped USD1,467m in June 2014. This translates into a growth of +10%yoy from USD1,334m in June 2013. Sequentially, it also advanced by +4.3%qoq from USD1,407m in May 2014. Semiconductor equipment bookings have stayed above the USD1.4b level for the third consecutive months. According to SEMI, “the strength of the June bookings substantiates the outlook for strong double digit sales growth this year.”

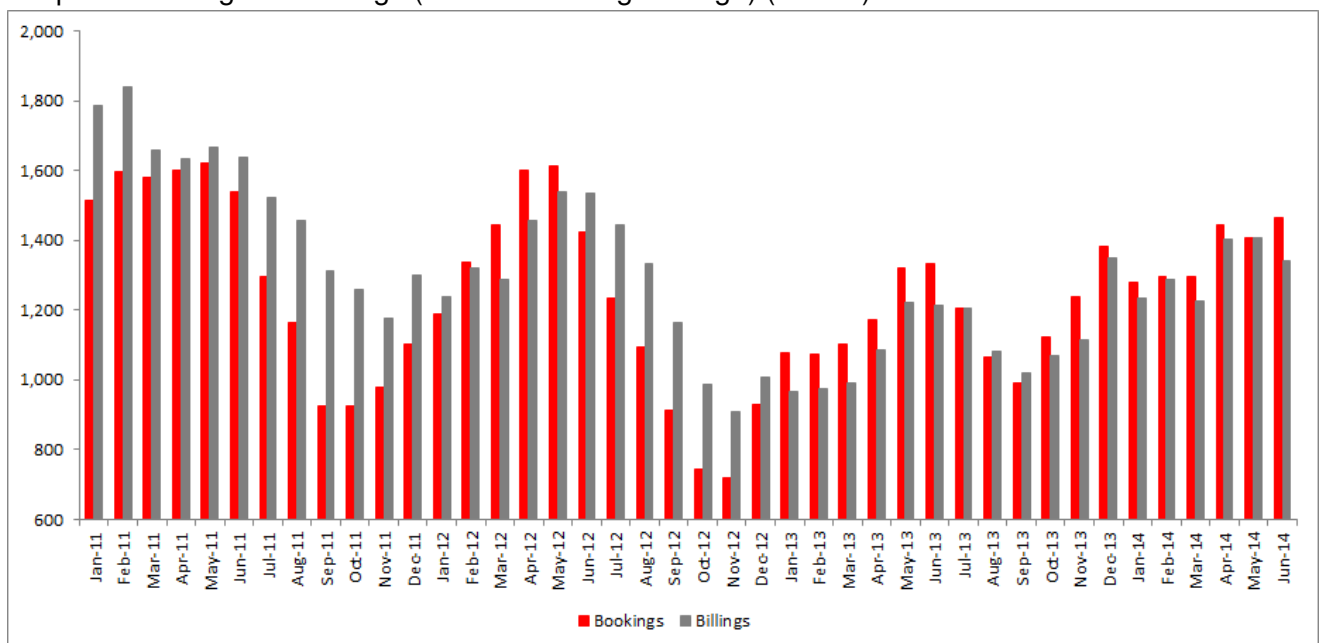
**Billings stand at USD1,340.4m.** This is +10.4%yoy higher as compared to June 2013 billings of USD1,214m. However, it slowed down by -4.8%qoq from USD1,408m in May 2014.

Graph 3: BTB ratio



Source: SEMI, MIDFR

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



Source: SEMI, MIDFR

## CONCLUSIONS

SIA posted a very optimistic sales figure for the month of June 2014. It outperformed the previous peak of USD27.2b achieved in November 2013. GSS has now stayed above the USD25b mark for one consecutive year. This signifies that the semiconductor industry has been enjoying its bull run since 2013. Region wise, sales from the Japan has been showing consistent pattern of growth after 18 months of poor performance. Meanwhile, the Americas region continue to show bullish sales expansion, following 13 consecutive months of double digit growth.

In the foreseeable term, adoption of smartphone remains one of the main catalysts to drive the sector. The transition of 2G to 3G and 4G will inevitably create stronger demand of low to mid-priced range smartphone, especially in emerging markets. On a longer note, the availability and acceptance of wearable devices are expected to extend the positive vibe in the industry. As such, we are reiterating our POSITIVE stance on the semiconductor industry. Year-to-date, shares of both Globetronics and Unisem has appreciated by +46.7%ytd and +74.0%ytd respectively.

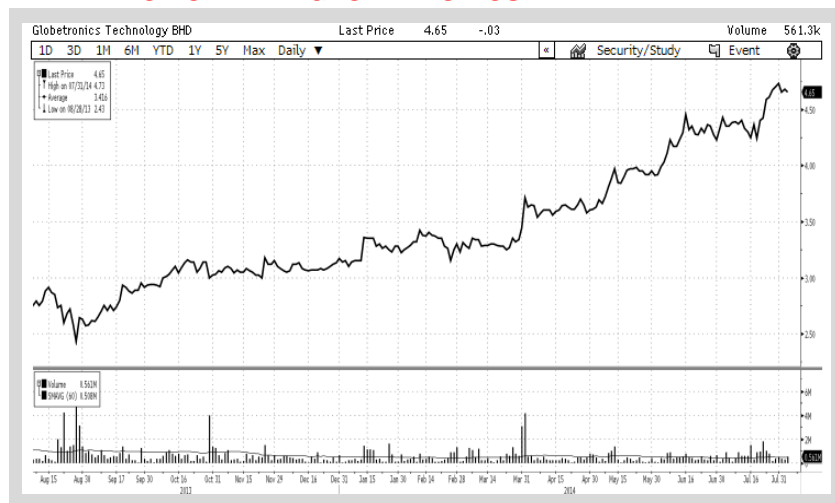


## Selected Semiconductor Stock

Stocks	Recom' dation	Price @5 August 2014 (RM)	Target Price (RM)	EPS (sen)		EPS (% change)		PER		DPS (sen)		Yield (%)	
				14E	15F	14E	15F	14E	15F	14E	15F	14E	15F
UNISEM	NEUTRAL	1.74	1.60	7.3	9.4	n.m.	28.1	23.8	18.5	2.5	2.5	1.4	1.4
GLOBETRONICS	BUY	4.65	5.45	22.8	27.6	20.2	21.2	20.4	16.8	21.0	23.0	4.5	4.9

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.