

07 January 2015 | Sector Update

## Semiconductor

**Maintain POSITIVE**

**11M14 sales exceeded the figure for full year 2013**

### INVESTMENT HIGHLIGHTS

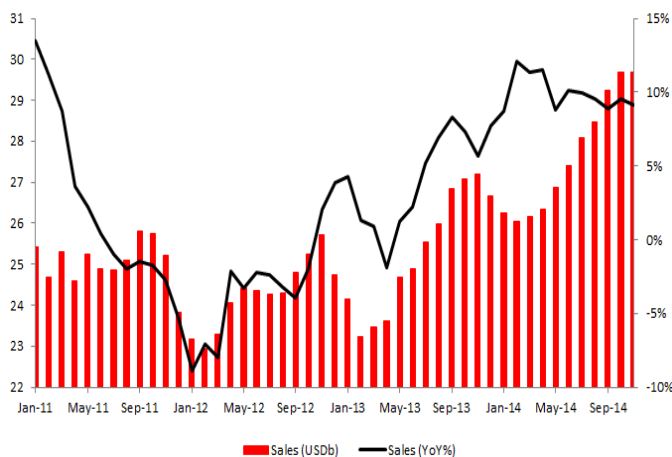
- November 2014 sales figure expanded by +9.1%yoy to USD29.7b
- Year-to-date, cumulative sales for 11M14 have already exceeded the full year sales in 2013
- Book-to-bill ratio returned to above parity after experiencing 2 consecutive months of cyclical decline
- Maintain POSITIVE for semiconductor industry as the overall outlook remains promising

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

**Sales remain healthy at USD29.7b.** GSS for the month of November 2014 topped USD29.7b, an increase of +9.1%yoy. The figure nevertheless showed a minor sequential decline of -0.1%qoq. Strong demand was observed across nearly all semiconductor product categories.

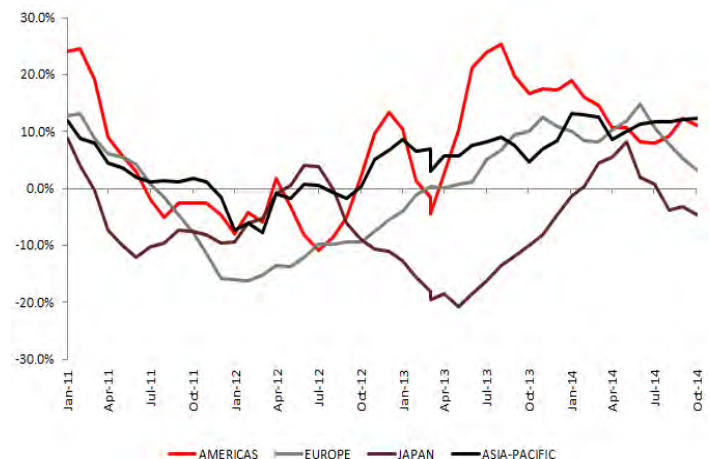
**11M14 cumulative sales have already exceeded full year sales for 2013.** Year-to-date, GSS amounted to USD304.2b represents an increment of +9.9%yoy from USD276.7b recorded in the previous corresponding period. This figure has also surpassed 2013 full year sales of USD303.3b by +0.3%. On monthly cumulative basis, GSS is on track to meet the World Semiconductor Trade Statistics (WSTS) 2014 sales target of USD333.1b, as it now already account for 91.3% of its full year estimate. This would imply that the WSTS expects sales figures for December 2014 to be approximately USD29b, representing growth of +8.8%yoy.

**Graph 1: Global semiconductor sales**



Source: Semiconductor Industry Association, MIDFR

**Graph 2: Regional sales growth (%)**



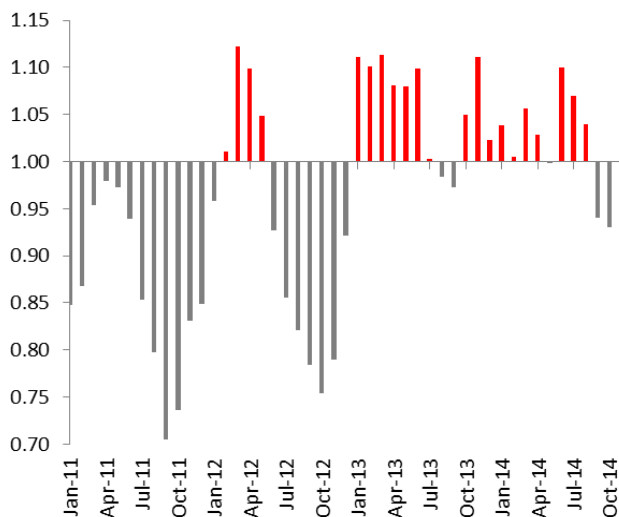
Source: Semiconductor Industry Association, MIDFR

**Sales from Japan contracted for three consecutive months.** Regionally, sales from the Asia Pacific region grew at the fastest pace of +12.3%yoy. This was followed by the Americas and European regions at +11.1%yoy and +3.4%yoy respectively. However, sales from Japan contracted by -4.5%yoy. This marks the third consecutive months of decline for the country.

## BOOK-TO-BILL (BTB) RATIO

**Returned to above parity.** As expected, the North America-based manufacturers of semiconductor equipment posted a BTB ratio of 1.02x. This was mainly due to the improvement in bookings activity. With this, BTB ratio reversed the cyclical downturn experienced during the months of September 2014 and October 2014. In the previous report dated 4<sup>th</sup> December 2014, we have guided that spending in semiconductor equipment normally softens towards the end of the year. Moving forward, the Semiconductor Equipment and Materials International (SEMI) expects the foundry and memory sectors to continue to lead investments in 2015.

**Graph 3: BTB ratio**



Source: SEMI, MIDFR

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



Source: SEMI, MIDFR

**Rebound in bookings.** Semiconductor equipment bookings came in at USD1,217.1m for the month of November 2014. On a monthly sequential basis, this translates into an increase of +10.4%qoq. However, it was a slight decrease of -1.7%yoy as compared to bookings for the month of November 2013. The bookings have rebounded after declining in the previous four consecutive months (i.e. from July 2014 to October 2014).

**Higher billings.** Billings for the month of November 2014 grew slightly by +0.5%qoq to USD1,189.8m. The billings figure was also +6.8%yoy higher in comparison to November 2013 billings of USD1,113.9m.

## CONCLUSIONS

SIA continued to post optimistic sales figures with November 2014 recording the highest monthly sales. GSS has consistently outpaced itself for the 19<sup>th</sup> consecutive months. This level of optimism is expected to continue into 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 from 2G to 3G and 4G will inevitably create stronger demand of low to mid-priced smartphones, especially in the emerging markets. Thus, affordability of these smartphones serves as a vital success factor. In the longer term, the availability and acceptance of wearable devices are also expected to contribute to the positive sentiments of the semiconductor industry. As such, we are reiterating our **POSITIVE** stance on the semiconductor industry.

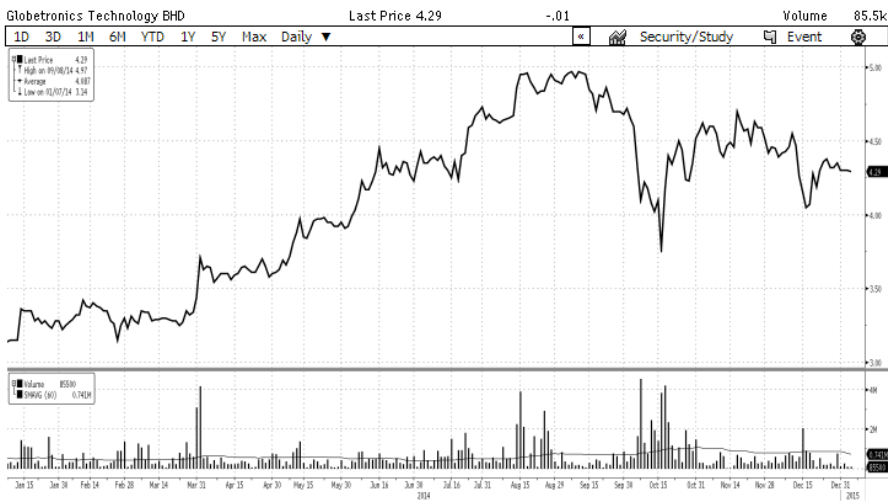


## Selected Semiconductor Stock

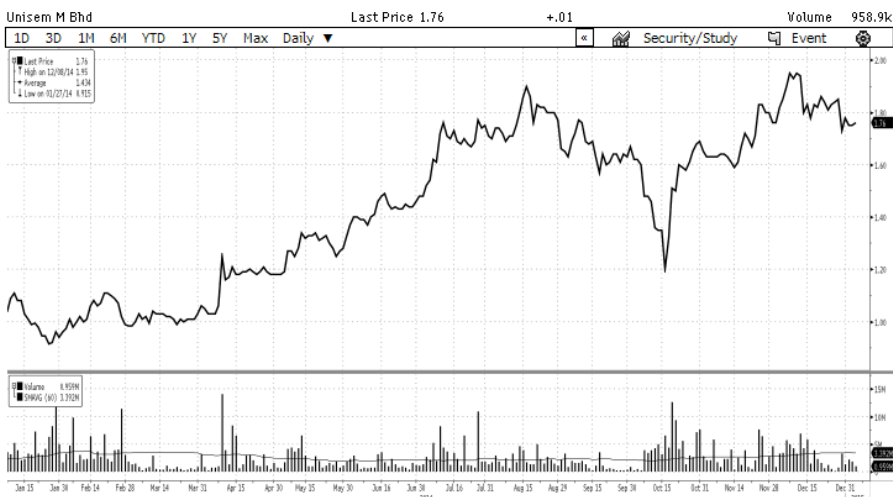
Stocks	Recomd'n	Price @6 January 2015 (RM)	Target Price (RM)	EPS (sen)		EPS (% change)		PER		DPS (sen)		Yield (%)	
				14E	15F	14E	15F	14E	15F	14E	15F	14E	15F
UNISEM	BUY	1.76	2.45	9.3	14.4	n.m.	55.5	18.8	12.2	2.5	2.5	1.4	1.4
GLOBETRONICS	BUY	4.28	5.45	24.3	29.3	28	20.4	17.7	14.6	21	23	4.9	5.4

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.