

ASM Pacific Technology Limited (00522.HK)

Might lead to weak sales in 2H 2022
Hong Kong | Technology |

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Better-than-expected 4Q2021 EPS

ASMPPT delivered revenue of HK\$6.20bn (US\$796mn) in 4Q2021, increased 43.9% YoY, but dropped 1% QoQ. This exceeded the top end of revenue guidance US\$720-770mn issued in the previous quarter's results announcement and higher than consensus estimates. Bookings of HK\$5.25bn (US\$674 million), was an increase of 25.0% YoY, but a sequential decline of 8.2%. This dip was largely due to a high base effect and general seasonality trends. Of note, this quarter's bookings remain elevated compared with prior years' Q4 levels. The GPM was 41.3%, represented an improvement of 588 bps YoY and 76 bps QoQ, with YoY improvement due largely to relatively stronger gross margin performance across both SEMI and SMT segments. Net Profit attributable to shareholders was HK\$913 million, down 8.7% YoY and 9.0% QoQ. ASMPPT's EPS reached HK\$2.22, down 8.7% YoY and 8.8% QoQ, but still above consensus estimates.

The revenue of the Semiconductor Solutions Segment in 4Q2021 was HK\$4.10bn (US\$526mn), representing 66.1% of total revenue, up 72.4% YoY and 15.5% QoQ. Bookings of HK\$2.79bn (US\$358 million), an increase of 7.8% YoY and a decline of 21.4% QoQ. Although this decline is in line with general seasonality trends, it also recorded a decline for the third consecutive quarter. During the same period, revenue from the SMT Solutions Segment reached HK\$2.10bn (\$270 million), accounting for 33.9% of this quarter's total revenue, an increase of 8.8% YoY and a decrease of 21.7% QoQ. Bookings of HK\$2.46bn (US\$316mn), up 52.7% YoY and 13.4% QoQ. The demand momentum from industrial and automotive customers continued into Q4.

In FY2021, the record full year revenue reached a record high of HK\$21.95bn (US\$2.82bn), an increase of 49.3% YoY, mainly influenced by positive developments in end-markets, including the automotive, consumer and industrial markets expanded significantly with revenue more than doubling YoY, contributing around 16%, 23% and 10% of total revenue; the Communications market experienced strong double digit YoY growth, contributing around 22% of total revenue. This growth was achieved on the back of strong System-in-Package ("SiP") requirements for smartphone and wearables applications; and computing market, which contributed approximately 12% to total revenue.

1Q2022 Business Highlights

In 1Q2022, ASMPPT's revenue was HK\$5.27bn (US\$675mn), an increase of 21.5% YoY and a decrease of 15.1% QoQ, but still exceeded the median forecast of US\$640-690mn issued in the 4Q results announcement. Profit after taxation was HK\$830mn, an increase of 57.1% YoY and a decrease of 15.0% QoQ (excluding one-off items amounting to HK\$65.5mn in 4Q2021). Basic EPS amounted to HK\$2.02, increase of 59.1% YoY and a decrease of 9.0% QoQ. Bookings of HK\$7.04bn (US\$902.6mn) represented a 10.0% decline YoY due to a record high base effect of Q1 2021, but 34.2% increase QoQ. This sequential growth was mainly driven by AP and automotive bookings momentum. As such, ended the quarter with a strong backlog of HK\$11.89bn (US\$1.52bn) and a book-to-bill ratio of 1.34 (4Q2021: 0.85). GPM was 40.6%, a 107 bps increase YoY and decline of 69 bps QoQ, notwithstanding cost pressures from key material cost increases (particularly silicon components) and higher logistical costs from a constrained global supply chain environment.

Accumulate

CMP HK\$71.50
(Closing price as of 31 May)
Target HKD 85.25(+19.2%)

COMPANY DATA

O/S SHARES (MN) :	412.705333
MARKET CAP (HKD bn) :	29.5084
52 - WK HI/LO (HKD):	535.13/314.00

SHARE HOLDING PATTERN, %

ASM International N.V.	24.96%
Schroders Plc	7.75%
FIL Limited	6.01%

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

HKD mn	FY20	FY21	FY22E	FY23E
Revenue	16,887	21,948	22,533	23,463
Net profit	1,622	3,169	2,715	2,899
Reported EPS	4.0	7.7	6.6	7.0
P/E ratio, x	18.1	9.3	10.9	10.3
Dividend Yield, %	3.8%	5.5%	5.5%	5.8%

Source: Company reports, Phillip Securities Est.

Sr. Research Analyst

Eric Li (+852 2277 6516)
erichyli@phillip.com.hk

Semiconductor Solutions Segment delivered revenue of HK\$2.94bn (US\$377.0mn) accounting for 55.9% of quarterly Group revenue. This represented growth of 8.8% YoY and decline of 28.2% QoQ. The IC/Discrete mainstream tools experienced strong YoY revenue growth, hitting a Q1 revenue record. However, the CIS's revenue declined YoY and was flat QoQ largely due to soft market conditions for smartphones. Segment gross margin was 44.7%, a 68 bps YoY and 103 bps QoQ increase largely due to a favourable product mix, which included a relatively higher proportion of tools serving automotive applications.

SMT Solutions Segment revenue was a robust HK\$2.32bn (US\$297.8mn), accounting for 44.1% of Group revenue. This represented strong growth of 42.4% YoY and 10.5% QoQ. This sequential growth bucked typical revenue trends. Both mainstream high-end printing and placement tools grew YoY and QoQ, while the Segment's AP tools - particularly SiP placement tools - delivered YoY growth. Segment gross margin was 35.5%, representing 331 bps growth YoY but 125 bps decline QoQ. The YoY improvement was mainly due to relatively higher volume effect and favourable product mix, segment profit had a 165.1% YoY and 34.4% QoQ increase.

Company valuation

The company expects 2Q2022 revenue to be between US\$670-740mn, representing growth of 5.8% YoY and 4.5% QoQ at mid-point. While bookings for the Advanced Packaging (AP) tools hit a record this quarter, including USD100mn of TCB bookings for its major customer (likely from Intel); Bookings for the advanced packaging and automotive solutions growth for both QoQ and YoY, remains a long-term capability requirements driver. However, sporadic COVID-19 measures and continued supply chain constraints could not convert its strong order backlog at a faster pace and influence near-term deliveries. In addition, ASMPT expects bookings to decline QoQ and YoY in 2Q22, as some OSAT vendors reduce capex for legacy, packaging after an aggressive expansion cycle in 2020-2021, consequently, which might lead to weak sales in 2H2022. Recently, ASMPT was removed from the Hang Seng Technology Index, but its component weight in the index is only 1.79%. Therefore, the selling pressure of passive funds is quite limited, and the impact will only appear in a short period of time. We expect 2022 estimated EPS to be HK\$6.6, and our target price is HK\$85.25 (13x 2022 P/E, in line with its 5 years average minus one standard deviation), with an "Accumulate" rating.

Risk factors

1) The semiconductor industry has entered a downward cycle; 2) The penetration rate of new products is lower than expected; and 3) The demand for downstream upgrades is lower than expected.

* The analyst has a financial interest in the listed corporation covered in this report.

Financial

Consolidated Statement of Profit or Loss

Dec Y/E, HKD mn	FY19	FY20	FY21	FY22E	FY23E
Revenue	15,883	16,887	21,948	22,533	23,463
COGS	(10,359)	(11,406)	(13,040)	(13,866)	(14,447)
Gross Profit	5,524	5,482	8,908	8,668	9,017
Selling expenses	(1,590)	(1,572)	(1,802)	(1,974)	(1,991)
General & Admin exp	(961)	(978)	(1,009)	(1,235)	(1,241)
R&D expenses	(1,711)	(1,639)	(1,954)	(2,097)	(2,202)
Others	(71)	734	(68)	134	141
Operating Profit	1,191	2,027	4,073	3,496	3,724
Finance costs	(215)	(170)	(118)	(125)	(124)
Share of result of a JV	-	-	138	141	147
Profit before tax	976	1,857	4,092	3,513	3,747
Income tax	(353)	(226)	(917)	(787)	(840)
Shareholders Net profit	619	1,622	3,169	2,715	2,899
Reported EPS, Diluted	1.5	4.0	7.7	6.6	7.0
DPS	2.0	2.7	3.9	3.9	4.1
Payout ratio	132%	68%	51%	60%	59%
Shares outstanding	407	409	411	413	415

Key Financial Data

Dec Y/E	FY19	FY20	FY21	FY22E	FY23E
Valuation Ratio					
P/S ratio, x	1.8	1.7	1.3	1.3	1.3
P/E ratio, x	47.2	18.1	9.3	10.9	10.3
Dividend Yield, %	2.8%	3.8%	5.5%	5.5%	5.8%

Per share data (HKD)

EPS	1.5	4.0	7.7	6.6	7.0
BVPS	28.6	32.2	37.2	40.2	43.6
DPS (HKD)	2.0	2.7	3.9	3.9	4.1

Growth & Margin

Growth					
Revenue Growth	-18.8%	6.3%	30.0%	2.7%	4.1%
Gross Profit Growth	-25.7%	-0.8%	62.5%	-2.7%	4.0%
Operating Profit Growth	6.3%	-4.2%	19.2%	7.3%	5.0%
Net Profit Growth	-67.2%	90.3%	120.4%	-14.2%	6.7%
Margin					
Gross Profit Margin	34.8%	32.5%	40.6%	38.5%	38.4%
Operating Profit Margin	7.5%	12.0%	18.6%	15.5%	15.9%
Net Profit Margin	3.9%	9.6%	14.4%	12.0%	12.4%

Key Ratios

ROE	5.2%	13.1%	22.3%	17.0%	16.7%
ROA	3.0%	7.4%	12.8%	9.9%	9.9%

Consolidated Statement of Financial Position

Dec Y/E, HKD mn	FY19	FY20	FY21	FY22E	FY23E
Non Current Asset					
PPE	2,916	2,407	2,337	2,213	2,191
Others	4,548	5,957	5,913	5,651	5,398
Total Non Current Assets	7,464	8,365	8,250	7,864	7,589
Current Asset					
Inventory	6,291	5,773	7,456	7,789	8,053
Trade and other receivables	4,710	4,305	5,876	6,153	6,644
Bank balance and cash	2,318	4,451	4,681	6,366	8,133
Others	62	270	238	138	58
Total Current Assets	13,381	14,799	18,251	20,447	22,888
Total Assets	20,846	23,164	26,501	28,311	30,477
Non Current Liabilities					
Long-term debt	2,722	2,500	2,250	2,157	2,023
Other Non-current Liabilities	2,059	2,133	1,950	1,953	1,955
Total Non-current Liabilities	4,782	4,634	4,200	4,109	3,978
Current Liabilities					
Interest-bearing Borrowings	321	547	449	355	221
Trade payables	2,670	2,785	3,608	3,605	3,760
Others	1,441	2,004	2,832	3,517	4,296
Total Current Liabilities	4,432	5,336	6,889	7,477	8,278
Equity					
Shareholders' equity	11,628	13,170	15,275	16,578	18,066
Non-controlling interests	3	25	136	146	155
Total equity	11,632	13,194	15,412	16,724	18,221
Total Liabilities and Equity	20,846	23,164	26,501	28,311	30,477

Consolidated Statement of Cash Flow

Dec Y/E, HKD mn	FY19	FY20	FY21	FY22E	FY23E
CFO					
Profit before income tax	976	1,857	4,092	3,513	3,747
D&A add-back	843	861	743	778	763
Others	242	(804)	(5)	(473)	(517)
Net (inc)/dec working capital	773	763	(2,287)	73	182
Net cash flow from operating activities	2,834	2,677	2,543	3,890	4,176
CFI					
Purchase of PP&E	(692)	(316)	(337)	(327)	(418)
Others	(104)	628	(182)	35	9
Net cash flow from investing activities	(796)	312	(519)	(292)	(409)
CFE					
Dividends paid	(1,098)	(572)	(1,356)	(1,602)	(1,610)
Others	(837)	(397)	(360)	(187)	(268)
Net cash flows from financing activities	(1,935)	(969)	(1,716)	(1,788)	(1,878)
Net Change in Cash	102	2,019	308	1,810	1,890
Cash and CE at Y/E	2,318	4,451	4,681	6,491	8,381

Current Price as of: 31 May
Source : PSHK Est.

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA
PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND
Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA
Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE
King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA
PhillipCapital Australia

L Level 10, 330 Collins Street
Melbourne VIC 3000 Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

www.phillipcapital.com.au

HONG KONG
Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA
PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM
King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA
Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

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