


Buy

Recommendation unchanged

Share price: EUR 8.91

closing price as of 01/04/2013

Target price: EUR 14.00

from Target Price: EUR 10.00

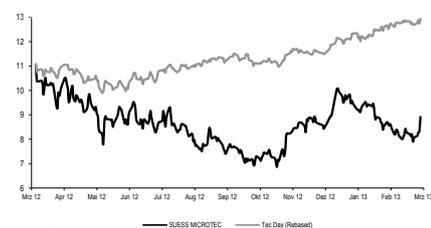
Reuters/Bloomberg

SMHNn.DE/SMH GY

Market capitalisation (EURm)	170
Current N° of shares (m)	19
Free float	100%

Daily avg. no. trad. sh. 12 mth	
Daily avg. trad. vol. 12 mth (m)	
Price high 12 mth (EUR)	11.23
Price low 12 mth (EUR)	6.86
Abs. perf. 1 mth	5.32%
Abs. perf. 3 mth	5.62%
Abs. perf. 12 mth	-17.16%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	164	155	200
EBITDA (m)	19	8	22
EBITDA margin	11.3%	5.4%	10.9%
EBIT (m)	12	2	16
EBIT margin	7.2%	1.4%	8.1%
Net Profit (adj.)(m)	7	0	11
ROCE	6.0%	0.5%	8.9%
Net debt/(cash) (m)	(33)	(38)	(37)
Net Debt/Equity	-0.3	-0.3	-0.3
Debt/EBITDA	-1.8	-4.5	-1.7
Int. cover(EBITDA/Fin. int)	(516.1)	(22.7)	(27.3)
EV/Sales	0.8	0.9	0.7
EV/EBITDA	7.0	16.2	6.2
EV/EBITDA (adj.)	7.8	16.2	6.2
EV/EBIT	11.1	61.2	8.4
P/E (adj.)	22.1	nm	15.6
P/BV	1.3	1.3	1.2
OpFCF yield	-4.2%	7.6%	-0.3%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.38	0.02	0.57
BVPS	6.70	6.73	7.30
DPS	0.00	0.00	0.00



Source: Factset

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Bonding technology gets the accolades from Samsung

The facts: The final reporting on Thursday was more or less a non-event. The only real news was the management guidance for the 1Q13 order intake of EUR 25-35m (equinet: EUR 30m). **More interesting was the release SMHN published around noon stating that a world leading integrated device manufacturer (IDM) has placed a follow-up order for a bonder cluster tool for 300mm high-volume production.** Please remember that this very customer has already ordered evaluation equipment some 18 months ago. The bonder systems are configured to temporarily bond and de-bond wafers for 3D integration processes in logic and memory applications using the Thin Materials (TMAT) process and adhesive materials. According to the release, delivery of the bond cluster is expected for the second half of the fiscal year 2013.

Our analysis: As far as the final figures were concerned, we have seen no need to alter our model assumptions. We believe that – since the 1Q13 order intake guidance was given on March 28 and the aforementioned Bonder order received at the same day – **the mid-point of the booking outlook should be seen as pretty safe.** Nevertheless, management clarified again that 1H13 revenues and earnings will be rather weak. As we wrote in one of our previous notes, SMHN should post an EBIT loss in this period which should not be surprising, however.

In fact, the major surprise was the reception of the bonder cluster order for 3D integration from IDM Samsung. Obviously, the customer has accepted the technology and after successful evaluation, the equipment will go into first production. Shipment of the tool will be in 2H13 and management clarified that further follow-up orders will not be before the time when the manufacturing line is up and running and when yields are satisfactory. In any case, **we regard the order released on Thursday as a major break-through for the investment case.** The volume of the contract will be about c. EUR 3-4m, we reckon, but the important aspect is that the technology and the process achieved the accolades and acceptance from a major IDM. Please remember that this follow-up order was long-awaited and probably delayed for a good 6 months at least.

In SMHN's second conference call on Thursday (in fact the English call on FY12 that took place after the order release), it became clear that **SMHN can deliver comparable tools to other IDMs as there is no agreement of exclusivity with Samsung. Thus, we expect additional orders for the segment from other customers this year rather than from Samsung that should be more active in FY14.** The successful implementation of SMHN's 3D technology and Samsung's reputation should probably put some pressure onto others to follow the same route. We see first applications for 3D stacking in the memory space due to uniformity of ICs. Thus, memory vendors or respective foundries could be the next to order.

Clearly, the 3D bonder technology is not competition-free. Main rival EVG and TEL are also active in this space. However, **Yole Développement forecasts the respective equipment market to soar to USD 500m in a couple of years which could mean EUR 100m sales for SMHN for a division that currently generates revenues of EUR 20m and posts losses.** Further drivers for FY14 could be: 1/Improvements at the acquired Tamarack, 2/recovery of LED markets, 3/increasing demand for EUV mask cleaners, 4/semi-cycle upturn.

Conclusion & Action: As with every new technology, assessment is hard to make, but investors might be willing to pay 20-25x 1Y forward earnings and up to 15x 2Y forward earnings for the significant opportunity. Thus, we lift our PT to EUR 14 (10), clearly confirming our 'Buy' rating.