SÜSS MicroTec AG

Close Brothers Seydler Research AG

Recommendation:	Risk:	Price Target:
HOLD (HOLD)	HIGH (HIGH)	EUR 9.00 (9.00)

18 February 2013

Expectations for weak 1H13E in spite of solid 4Q12 results

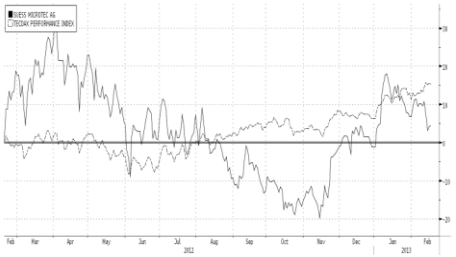
- **What happened:** On 14 February 2013, SÜSS MicroTec AG (SMHN) announced preliminary FY12 results that beat our earnings estimates. The company had a surprisingly strong year end business as order intake amounted to EUR 40.2m in 4Q12 which came in at the top end of company´s guidance of EUR 25.0m – EUR 40.0m. However the management hinted on a subdued outlook for the ongoing FY13E that was below our as well as market expectations.
- **Sales and Earnings:** In the top line, sales dropped yoy by 7% to EUR 163.8m which was more or less in line with our forecast of EUR 165.0m. On operating level, EBIT came in at EUR 11.7m beating our estimate of EUR 8.2m. However the strong 4Q12 EBIT (EUR 8.6m) included a one off effect of EUR 1.8m, resulting from an adjustment of the purchase price allocation for Tamarack and a revaluation of the provision for the earn-out component. SMHN was FCF negative in FY12E which was however mainly due to delays in a payment from a large customer. Cash and cash equivalents stood at EUR 36.6m at the end of FY12E.
- **Outlook FY13E:** Despite a sound order backlog of EUR 86.5m (FY11 EUR 83.7m), the company provided a disappointing FY13E outlook projecting sales of EUR ~150m. This was below our expectations of EUR 172.0m and consensus of EUR ~169.0m. EBIT is expected to reach a low single digit million EUR amount in FY13 due to a more unfavourable product mix (i.e. products with lower gross margins such as Bonders and Scanners).
- **Business expected to pick-up in 2H13E:** We think the weaker than expected outlook reflects 1) the poor business environment in semiconductor market (i.e. yoy decline ~10% in 2013 expected; with weak 1H13E followed by a recovery in 2H13E) and 2) shift in company´s products mix given the increasing proportion of products with longer lead times. After a challenging 1H13E (i.e. orders coming down from the highs in 3Q and 4Q12 to a more reasonable level of EUR ~30m per quarter) we believe SMHN´s business will re-accelerate again towards the end of the year.
- **Recommendation:** We think SMHN is well positioned to monetize on some promising growth trends in its end markets (e.g. 3D chip integration and EUV technology). However we believe that a meaningful revenue contribution from these technologies will start to evolve from 2014 onwards. In our view it is still too early to call for a BUY on the stock given the short term uncertainties. We continue to stick to our HOLD recommendation with an unchanged PT of EUR 9.00/share.

Key data

Y/E 31.12., EUR m	2008	2009	2010	2011	2012E	2013E
Revenues	121.5	103.9	139.1	175.4	163.8	155.0
Gross profit	38.3	38.8	51.1	66.4	59.0	50.4
EBIT	-8.7	2.8	14.3	18.6	11.7	3.3
Net result	-13.9	-4.8	13.2	13.5	8.3	1.7
EPS in EUR	-0.68	0.03	0.71	0.72	0.35	0.09
ROE	-15.3%	-5.4%	13.7%	11.9%	6.6%	1.3%
Gross profit margin	31.6%	37.4%	36.7%	37.8%	36.0%	32.5%
EBIT margin	-7.2%	2.7%	10.3%	10.6%	7.1%	2.1%
Net margin	-11.4%	-4.6%	9.5%	7.7%	5.0%	1.1%
EV/EBIT	neg.	53.9	10.5	8.1	12.8	46.1
P/E	neg.	260.3	12.5	12.4	25.2	102.9

Source: Company Data, CBS Research AG

Share price (dark) vs TecDAX



Change	2011		2012E		2013E	
	new	old	new	old	new	old
Sales	-	175.4	163.8	165.0	155.0	172.0
EBIT	-	18.6	11.7	8.2	3.3	13.1
EPS	-	0.72	0.35	0.20	0.09	0.46

Sources: CBS Research AG, Bloomberg

Internet: www.suss.com
WKN: 722670
Reuters: SMHG.DE

Sector: Semiconductor
ISIN: DE0007226706
Bloomberg: SMHN GY

Company profile:
With more than 60 years of expertise, Süss MicroTec is a pioneer in semiconductor equipment participating on the different process steps of the chip manufacturing process. The company organizes its business within four business segments: Lithography, Substrate Bonders, Photomask Equipment and Others.

Share data:

Share price (EUR, last closing price):	**8.90**
Shares outstanding (in m):	19.1
Market capitalisation (EURm):	170.0
Enterprise value (EURm):	149.9
Ø daily trading volume (3m., no. of shares):	103,804

Performance data:

High 52 weeks (EUR):	11.25
Low 52 weeks (EUR):	6.75
Absolute performance: (12 months)	4.4%
Relative performance (vs. TecDAX):	
1 month	-10.2%
3 months	-8.2%
12 months	-9.4%

Shareholders:

Credit Suisse	3.35%
DWS	8.68%
Henderson Global Investors	3.14%
DWS Luxembourg	3.04%
Free float	81.79%

Financial calender:

Final FY12 results	28 March 2013

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Income statement

IFRS EURm	2008	2009	2010	2011	2012E	2013E
Revenues	**121.50**	**103.90**	**139.09**	**175.43**	**163.80**	**155.00**
YoY growth	-16.5%	-14.5%	33.9%	26.1%	-6.6%	-5.4%
Cost of sales	-83.15	-65.1	-88.0	-109.1	-104.8	-104.6
Gross profit	**38.35**	**38.84**	**51.09**	**66.36**	**58.97**	**50.38**
as % of revenues	31.6%	37.4%	36.7%	37.8%	36.0%	32.5%
Selling and Marketing expenses	-20.43	-16.67	-17.41	-19.00	-20.37	-19.84
as % of revenues	-16.8%	-16.0%	-12.5%	-10.8%	-12.4%	-12.8%
Research and Development expenses	-5.70	-4.87	-6.82	-12.94	-10.32	-10.54
as % of revenues	-4.7%	-4.7%	-4.9%	-7.4%	-6.3%	-6.8%
General and Administrative expenses	-16.82	-13.94	-17.83	-15.72	-17.13	-16.74
as % of revenues	-13.8%	-13.4%	-12.8%	-9.0%	-10.5%	-10.8%
Net other expenses	-4.10	-0.58	5.29	-0.13	0.57	0.00
as % of revenues	-3.4%	-0.6%	3.8%	-0.1%	0.3%	0.0%
EBITDA	**9.21**	**7.57**	**20.52**	**24.93**	**17.32**	**7.69**
as % of revenues	7.6%	7.3%	14.7%	14.2%	10.6%	5.0%
Deprecition and Amortization	-17.91	-4.79	-6.20	-6.35	-5.61	-4.44
as % of revenues	-14.7%	-4.6%	-4.5%	-3.6%	-3.4%	-2.9%
EBIT	**-8.70**	**2.78**	**14.31**	**18.58**	**11.71**	**3.26**
as % of revenues	-7.2%	2.7%	10.3%	10.6%	7.1%	2.1%
Net financial result	-0.80	-0.14	-0.29	1.02	-0.45	-0.71
as % of revenues	-0.7%	-0.1%	-0.2%	0.6%	-0.3%	-0.5%
EBT	**-9.51**	**2.64**	**14.03**	**19.60**	**11.27**	**2.54**
as % of revenues	-7.8%	2.5%	10.1%	11.2%	6.9%	1.6%
Income taxes	-2.05	-2.11	-0.99	-5.79	-4.51	-0.89
as % of EBT	21.6%	-79.7%	-7.1%	-29.5%	-40.0%	-35.0%
Net income	**-11.56**	**0.54**	**13.04**	**13.81**	**6.76**	**1.65**
as % of revenues	-9.5%	0.5%	9.4%	7.9%	4.1%	1.1%
Discontinued operations	-2.34	-5.39	0.33	-0.02	1.51	0.00
as % of revenues	-1.9%	-5.2%	0.2%	0.0%	0.9%	0.0%
Minorities	0.03	0.05	-0.14	-0.27	0.00	0.00
as % of revenues	0.0%	0.0%	-0.1%	-0.2%	0.0%	0.0%
Net income attributable to shareholders	**-13.87**	**-4.81**	**13.23**	**13.51**	**8.27**	**1.65**
as % of revenues	-11.4%	-4.6%	9.5%	7.7%	5.0%	1.1%
Weight. Average of shares outstanding (in m)	17.02	17.02	18.07	18.91	19.10	19.10
Earnings per share in EUR (continued operations)	**-0.68**	**0.03**	**0.71**	**0.72**	**0.35**	**0.09**

Source: Company Data, CBS Research AG

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BUY: The expected performance of the share price is above +10%.
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Date	Recommendation	Price at change date	Price target
18 February 2013	HOLD	EUR 8.90	EUR 9.00
08 November 2012	HOLD	EUR 7.56	EUR 9.00
23 October 2012	HOLD	EUR 7.18	EUR 9.00
07 August 2012	HOLD	EUR 9.31	EUR 9.00
09 May 2012	HOLD	EUR 9.72	EUR 9.00

03 April 2012	HOLD	EUR 11.23	EUR 9.00
17 February 2012	HOLD	EUR 8.23	EUR 9.00

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HIGH: The volatility is expected to be higher than the volatility of the benchmark

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