

COMPANY RESULTS

ASMPT (522 HK)

2Q24: Weak Results; Advanced Packaging Progress Remains Intact.

ASMPT reported its 2Q24 results, with revenue coming in in line but profitability and 3Q24 guidance missing our/consensus estimates due to a slower recovery in mainstream tools. On the bright side, advanced packaging solutions (TCB and HB tools) continue to make good progress in the market with new order wins from both logic and memory players. Maintain BUY and trim target price to HK\$118.50.

2024 RESULTS

HK\$m	2Q23	1Q24	2Q24	yoy (%)	qoq (%)	1H23	1H24	yoy (%)
Revenue	3,901	3,139	3,342	(14.3)	6.5	7,818	6,481	(17.1)
Semi solutions	1,655	1,375	1,662	0.4	20.9	3,196	3,037	(5.0)
SMT solutions	2,246	1,763	1,680	(25.2)	(4.7)	4,622	3,444	(25.5)
Gross profit	1,564	1,314	1,338	(14.4)	1.8	3,148	2,653	(15.7)
Operating profit	400	256	210	(47.5)	(18.1)	874	466	(46.7)
Net profit	307	180	135	(56.1)	(24.9)	625	315	(49.6)
Margins (%)								
Gross margins	40.1	41.9	40.0	(0.1)	(1.8)	40.3	40.9	0.7
Semi solutions	42.7	44.6	44.5	1.8	(0.1)	43.8	44.6	0.8
SMT solutions	38.2	39.7	35.6	(2.6)	(4.1)	37.8	37.7	(0.1)
Operating margin	10.3	8.2	6.3	(4.0)	(1.9)	11.2	7.2	(4.0)
Net margin	7.9	5.7	4.0	(3.8)	(1.7)	8.0	4.9	(3.1)

Source: ASMPT, UOB Kay Hian

RESULTS

- **2Q24 revenue declined 14.3% yoy but grew 6.5% qoq to HK\$3.3b**, in line with the higher end of the company's guidance of US\$330-440m. Book-to-bill ratio dropped below 1.0 once again, as the orderbook totalled HK\$3.1b (+3.5% yoy and -2.4% qoq) in the quarter.
- **Semi solutions gradually recovering; SMT continued to be a drag.** Semi solutions revenue grew 0.4% yoy and 20.9% qoq to HK\$1.7b, which is below our expectations, but margins remained stable at 44.5%. The SMT solutions segment performed significantly worse, with revenue coming in at HK\$1.7b, representing a decline of 25.2% yoy and 4.7% qoq. Operating scale continued to deteriorate with margins declining 2.6ppt yoy and 4.1ppt qoq to 35.6% due to changes in product mix.
- **Net profit came in at HK\$137.1m**, a decline of 55.5% yoy and 22.7% mom, below our and consensus estimates.

KEY FINANCIALS

Year to 31 Dec (HK\$m)	2022	2023	2024F	2025F	2026F
Net turnover	19,363	14,697	13,407	16,931	19,470
EBITDA	3,835	1,970	1,897	3,315	4,092
Operating profit	3,327	1,205	1,118	2,538	3,308
Net profit (rep./act.)	2,620	715	888	2,030	2,654
Net profit (adj.)	2,610	840	888	2,030	2,654
EPS (Fen)	636.5	173.5	215.8	493.1	644.6
PE (x)	13.8	50.7	40.8	17.8	13.7
P/B (x)	3.1	2.7	2.4	2.3	2.3
EV/EBITDA (x)	13.4	26.0	27.0	15.5	12.5
Dividend yield (%)	2.2	1.6	1.2	2.8	3.7
Net margin (%)	13.5	5.7	6.6	12.0	13.6
Net debt/(cash) to equity (%)	(12.8)	(15.5)	(42.1)	(12.1)	(39.8)
Interest cover (x)	37.9	21.9	73.2	141.2	239.7
ROE (%)	16.8	5.3	5.6	12.2	14.9
Consensus adjusted net profit	-	-	1,332	2,399	2,860
UOBKH/Consensus (x)	-	-	0.67	0.85	0.93

Source: ASMPT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$88.00
Target Price	HK\$118.50
Upside	34.7%
(Previous TP:	HK\$ 130.00)

COMPANY DESCRIPTION

ASMPT provides semiconductor assembly and packaging services, as well we surface mount technology solutions, to customers worldwide. The company designs, manufactures and markets machines, tools, and materials used in the semiconductor and electronic assembly industries.

STOCK DATA

GICS sector	Backend Equipment
Bloomberg ticker:	522 HK
Shares issued (m):	415
Market cap (HK\$m):	36,520
Market cap (US\$m):	4,682
3-mth avg daily t'over (US\$m):	23.6

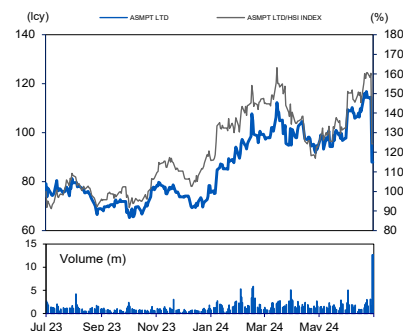
Price Performance (%)

52-week high/low	HK\$119.00/HK\$64.40			
1mth	3mth	6mth	1yr	YTD
(10.0)	(7.3)	12.3	10.7	18.8

Major Shareholders

ASM International NV	24.85
FY24 NAV/Share (RMB)	39.19
FY24 Net Cash/Share (RMB)	27.77

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- 3Q24 guidance weaker than expected.** ASMPT has guided 3Q24 revenue at US\$370-430m, which at the midpoint of guidance represents a decline of 9.9% yoy and 6.4% qoq. The sequential decline is primarily due to sustained decline from the SMT solutions segment, which is experiencing a softening market, especially from the industrial and automotive end-markets in the near term, while the recovery for the semi solutions segment is taking longer than anticipated due to lukewarm consumer spending.

- Demand for TCB tools remains robust for logic applications...** Thermocompression bonding (TCB) tools remain a boon especially for logic applications as ASMPT continues its order winning momentum during 2Q24. For chip-to-substrate (C2S) applications, ASMPT has enjoyed a continuous and meaningful order flow from a leading foundry customer and its OSAT partner during the quarter. Based on the robust expansion plan for the foundry and OSAT customers, management remains resolute in winning more TCB orders for the rest of the year for chip-to-substrate (C2S) applications.

On the chip-to-wafer (C2W) front, ASMPT has won orders from a leading IDM (Intel) and OSAT customers. The joint development with the leading foundry customer for next-gen fluxless TCB solutions remains on track.

- ...while good progress has been made on the memory front.** Engagements are ongoing between ASMPT and key high-bandwidth memory (HBM) players, especially for 12H and above stacking requirements, with the TCB tools showing promising results. Further, ASMPT has secured orders for two tools from different customers in Jul 24 for its next-gen fluxless TCB solution, as management believes these tools are gaining more traction for HBM customers.

- HB tools gaining foothold in HBM space.** ASMPT has finally reached a breakthrough for its hybrid bonding (HB) tools in the memory space, as the company secured two orders from an HBM player in 2Q24. However, management still believes that TCB tools are more suitable for HBM applications in terms of price vs performance.

EARNING REVISION/RISK

- Our 2024-26 earnings are trimmed by 31.6%/8.9%/9.0% respectively to HK\$0.9b/HK\$2.0b/HK\$2.7b.** We reduced our revenue forecast for both the Semi and SMT solutions businesses in order to factor in the slower-than-expected recovery in the mainstream tools market.

VALUATION/RECOMMENDATION

- Maintain BUY and trim target price to HK\$118.50.** Our target price is based on a PE multiple of 24.0x 2025F PE, which is on a par with its historical forward mean. The disappointing recovery rate of the mainstream tools market will likely remain a drag on its share price in the near term. However, we would like to highlight that its most valuable business (TCB and HB tools) continued to see solid progress, and we believe that the advanced packaging tools segment could become a growth driver in 2025. Price correction from the weak results would provide an opportunity to accumulate its shares.

- We will be hosting a post-result call with ASMPT on 31 Jul 24. We will provide more information afterwards.

KEY CHANGES TO ESTIMATES

HK\$m	OLD Estimates			NEW Estimates			Change (%)		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	15,440	18,854	21,658	13,407	16,931	19,470	(13.2)	(10.2)	(10.1)
Gross profit	6,275	7,813	9,020	5,438	7,045	8,141	(13.3)	(9.8)	(9.8)
Operating profit	1,641	2,794	3,645	1,118	2,538	3,308	(31.8)	(9.2)	(9.2)
Net profit	1,298	2,228	2,916	888	2,030	2,654	(31.6)	(8.9)	(9.0)
GPM (%)	40.6	41.4	41.6	40.6	41.6	41.8	(0.1)	0.2	0.2
OPM (%)	10.6	14.8	16.8	8.3	15.0	17.0	(2.3)	0.2	0.2
NPM (%)	8.4	11.8	13.5	6.6	12.0	13.6	(1.8)	0.2	0.2

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (HK\$m)	2023	2024F	2025F	2026F
Net turnover	14,697	13,407	16,931	19,470
EBITDA	1,970	1,897	3,315	4,092
Deprec. & amort.	(765)	(779)	(777)	(784)
EBIT	1,205	1,118	2,538	3,308
Total other non-operating income	(125)	-	-	-
Associate contributions	11	-	-	-
Net interest income/(expense)	(55)	(15)	(18)	(14)
Pre-tax profit	1,036	1,103	2,520	3,295
Tax	(325)	(221)	(504)	(659)
Minorities	4	6	14	18
Net profit	715	888	2,030	2,654
Net profit (adj.)	840	888	2,030	2,654

CASH FLOW

Year to 31 Dec (HK\$m)	2023	2024F	2025F	2026F
Operating	1,241	5,264	(3,248)	7,060
Pre-tax profit	1,036	1,103	2,520	3,295
Tax	(325)	(221)	(504)	(659)
Deprec. & amort.	765	779	777	784
Associates	(11)	-	-	-
Working capital changes	(405)	3,588	(6,059)	3,627
Non-cash items	-	-	-	-
Other operating cashflows	180	15	18	14
Investing	(358)	(336)	(339)	(335)
Capex (growth)	(441)	(441)	(441)	(441)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	83	105	102	106
Financing	(711)	(564)	(1,135)	(1,447)
Dividend payments	(573)	(444)	(1,015)	(1,327)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Loan repayment	-	-	-	-
Others/interest paid	(138)	(120)	(120)	(120)
Net cash inflow (outflow)	171	4,364	(4,722)	5,278
Beginning cash & cash equivalent	4,263	4,434	8,798	4,076
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	4,434	8,798	4,076	9,354

BALANCE SHEET

Year to 31 Dec (HK\$m)	2023	2024F	2025F	2026F
Fixed assets	2,253	2,235	2,162	2,062
Other LT assets	906	906	906	906
Cash/ST investment	4,799	9,163	4,441	9,719
Other current assets	16,005	11,906	18,985	14,655
Total assets	23,963	24,209	26,493	27,342
ST debt	270	270	270	270
Other current liabilities	5,742	5,551	6,833	6,373
LT debt	0	0	0	0
Other LT liabilities	121	121	121	121
Shareholders' equity	15,691	16,135	17,150	18,477
Minority interest	113	107	93	75
Total liabilities & equity	23,963	24,209	26,493	27,342

KEY METRICS

Year to 31 Dec (HK\$m)	2023	2024F	2025F	2026F
Profitability				
Gross margin	13.4	14.1	19.6	21.0
Pre-tax margin	7.0	8.2	14.9	16.9
Net margin	5.7	6.6	12.0	13.6
ROA	3.4	3.7	8.0	9.9
ROE	5.3	5.6	12.2	14.9
Growth				
Turnover	(24.1)	(8.8)	26.3	15.0
EBITDA	(48.6)	(3.7)	74.8	23.4
Pre-tax profit	(69.6)	6.5	128.5	30.7
Net profit	(72.7)	24.2	128.5	30.7
Net profit (adj.)	(67.8)	5.8	128.5	30.7
EPS	(72.7)	24.4	128.5	30.7
Leverage				
Debt to total capital	1.1	1.1	7.5	7.3
Debt to equity	12.7	12.4	11.7	10.8
Net debt/(cash) to equity	(15.5)	(42.1)	(12.1)	(39.8)
Interest cover (x)	21.9	73.2	141.2	239.7

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