

COMPANY RESULTS

ASMPT (522 HK)

1Q24: Solid Results, More Positive Updates To Advanced Packaging Business

ASMPT's 1Q24 results are better than expected thanks to strong margins, but 2Q24's revenue guidance was below our and consensus estimates due to sluggish sales of mainstream tools. Nevertheless, the advanced packaging business remains robust, and we see more positive developments with TCB and HB tools, including progress in leading foundry clients, new order wins, and demo shipments to new HBM clients. Maintain BUY and trim target price to HK\$120.00.

1Q24 RESULTS

HK\$m	1Q23	4Q23	1Q24	yoy (%)	qoq (%)
Revenue	3,917	3,405	3,139	(19.9)	(7.8)
Semi solutions	1,541	1,594	1,375	(10.8)	(13.7)
SMT solutions	2,376	1,811	1,763	(25.8)	(2.6)
Gross profit	1,584	1,439	1,314	(17.0)	(8.7)
Operating profit	475	215	256	(46.0)	19.0
Net profit	318	75	180	(43.4)	138.8
<i>Margins (%)</i>					
Gross margins	40.4	42.3	41.9	1.5	(0.4)
Semi solutions	45.1	43.8	44.6	(0.5)	0.8
SMT solutions	37.4	41.0	39.7	2.3	(1.3)
Operating margin	12.1	6.3	8.2	(4.0)	1.8
Net margin	8.1	2.2	5.7	(2.4)	3.5

Source: ASMPT, UOB Kay Hian

RESULTS

- **1Q24 revenue fell 19.9% yoy and 7.8% qoq to HK\$3.1b**, which is in line with consensus estimate, but around 3% below our forecast. This is also in the mid-point of the company's guidance. Orderbook of HK\$3.2b (-9.8% yoy but +17.0% qoq) is better than expected, implying that book-to-bill ratio had surpassed 1.0 for the first time in seven quarters.
- **By segment, semi solutions revenue declined 11% yoy and 14% qoq to HK\$1.4b**, which is below our expectation, but this is partially offset by strong margins at 44.6% which received a boost from the sales of provisioned inventory. Surface mount (SMT) solutions' revenue was largely in line, declining 26% yoy and 3% qoq to around HK\$1.8b, with margins reaching 39.7%.
- **Net profit came in at HK\$180m**, dropping 43.4% yoy but recovering strongly qoq by 138.8%, above our and consensus estimates, thanks to a combination of better margins and opex controls.

KEY FINANCIALS

Year to 31 Dec (HK\$m)	2022	2023	2024F	2025F	2026F
Net turnover	19,363	14,697	15,440	18,854	21,658
EBITDA	3,835	1,970	2,419	3,571	4,429
Operating profit	3,327	1,205	1,641	2,794	3,645
Net profit	2,620	715	1,298	2,228	2,916
Net profit (adj.)	2,610	840	1,298	2,228	2,916
EPS (fen)	636.5	173.5	315.4	541.1	708.4
P/E (x)	16.1	59.0	32.4	18.9	14.4
P/BV (x)	3.6	3.2	2.8	2.7	2.7
EV/EBITDA (x)	15.2	29.7	24.2	16.4	13.2
Dividend yield (%)	1.9	1.4	1.5	2.6	3.5
Net margin (%)	13.5	5.7	8.4	11.8	13.5
Net debt to equity (%)	(12.8)	(15.5)	(30.7)	(14.1)	(29.4)
Interest cover (x)	37.9	21.9	57.4	98.5	149.3
ROE (%)	16.8	5.3	8.1	13.2	16.0
Consensus net profit	-	-	1531	2,426	2,644
UOBKH/Consensus (x)	-	-	0.85	0.92	1.10

Source: ASMPT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$102.30
Target Price	HK\$120.00
Upside	17.3%
(Previous TP:	HK\$129.20)

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):	42,455
Market cap (US\$m):	5,443
3-mth avg daily t'over (US\$m):	22.9

Price Performance (%)

52-week high/low HK\$113.40 / HK\$57.65

1mth	3mth	6mth	1yr	YTD
2.5	29.7	51.0	41.3	37.3

Major Shareholders

	%
ASM International NV	24.85
FY24 NAV/Share (HK\$)	39.69
FY24 Net Debt/Share (HK\$)	23.46

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Weaker than-expected guidance for 2Q24 due to slow recovery in mainstream tools.** Management has guided for 2Q24 revenue at US\$380m-440m, which is below our/consensus estimates at US\$479m/US\$471m (16%/13% below our and consensus estimates at the midpoint), and 2Q24 order bookings are expected to be flat qoq. Management mentioned that it expects an increase in revenue from the semi business thanks to strong support from advanced packaging tools, but this will be partially offset by a sluggish recovery in mainstream semi tools, as well as a sustained normalisation from the SMT segment.
- TCB tools demand proves to be robust.** ASMPT continues to win orders for TCB in 1Q24 from IDM (Intel) and OSATs for logic applications. During the quarter, the company started delivering TCB tools to TSMC (2330 TT/Not rated) for use in Chip-to-Substrate (C2S) applications, and management expects further C2S orders going forward.
 In addition, ASMPT has recently delivered TCB tools to TSMC for chip-to-wafer (C2W) for joint development. Management believes that mass production orders for foundry customers' C2W applications may start to contribute to sales by end-24 to early-25.
- Memory players are increasingly receptive to the adoption of TCB.** Management mentioned during the call that TCB has emerged as a preferred solution for stacking requirements of high-bandwidth memory (HBM) for 12-high (H), 16H and above. This is primarily due to HBM makers lowering the height requirement for HBM stacks for 16H HBMs which allows the utilisation of TCB instead of HB tools. Apart from its existing HBM client SK Hynix, ASMPT had started to ship demo units to a second HBM player (likely Samsung) for verification, which is another positive development for the TCB business.
- HB tools also gained momentum.** During the first quarter, ASMPT secured orders for two HB tools for logic applications, on top of the orders for two tools secured in 2023. The company is expecting more HB order wins in the coming quarters.

EARNING REVISION/RISK

- Our 2024-26 earnings are trimmed by 7.3%/2.2%/0.6% respectively to HK\$1.3b/HK\$2.2b/HK\$2.9b.** We reduced our revenue forecast for the semi solutions business in order to factor in the sluggish recovery in the mainstream tools market. However, our advanced packaging tools assumption remains largely unchanged, and as such our blended gross margins are slightly raised as advanced packaging tools are margin accretive.

VALUATION/RECOMMENDATION

- Maintain BUY and adjust target price to HK\$120.00, ASMPT remains one of our top BUY calls within the IT hardware space.** Our target price is based on a PE multiple of 38.0x 2024F PE, which is 1.5SD above its historical forward mean. Our new target price is also equivalent to 23.3x 2025F PE, which is equivalent to historical forward mean valuation. Although the mainstream tools market remains sluggish, we believe the positive developments from TCB and HB tools outweigh the negative impacts from the legacy business. Any further order wins with TCB and HB tools will likely be a major re-rating catalyst for the company in the coming months.

KEY CHANGES TO ESTIMATES

HK\$m	OLD Estimates			NEW Estimates			Change (%)		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	15,883	19,399	21,771	15,440	18,854	21,658	(2.8)	(2.8)	(0.5)
Gross profit	6,443	8,024	9,069	6,275	7,813	9,020	(2.6)	(2.6)	(0.5)
Operating profit	1,771	2,860	3,666	1,641	2,794	3,645	(7.4)	(2.3)	(0.6)
Net profit	1,401	2,278	2,933	1,298	2,228	2,916	(7.3)	(2.2)	(0.6)
GPM (%)	40.6	41.4	41.7	40.6	41.4	41.6	0.1	0.1	(0.0)
OPM (%)	11.1	14.7	16.8	10.6	14.8	16.8	(0.5)	0.1	(0.0)
NPM (%)	8.8	11.7	13.5	8.4	11.8	13.5	(0.4)	0.1	(0.0)

Source: ASMPT, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (HK\$m)	2023	2024F	2025F	2026FF
Net turnover	14,697	15,440	18,854	21,658
EBITDA	1,970	2,419	3,571	4,429
Depreciation & amortization	(765)	(779)	(777)	(784)
EBIT	1,205	1,641	2,794	3,645
Total other non-operating income	(125)	-	-	-
Associate contributions	11	-	-	-
Net interest income/(expense)	(55)	(29)	(28)	(24)
Pre-tax profit	1,036	1,612	2,766	3,621
Tax	(325)	(322)	(553)	(724)
Minorities	4	9	15	20
Net profit	715	1,298	2,228	2,916
Net profit (recurrent)	840	1,298	2,228	2,916

CASH FLOW

Year to 31 Dec (HK\$m)	2023	2024F	2025F	2026FF
Operating	1,241	3,708	(977)	5,011
Pre-tax profit	1,036	1,612	2,766	3,621
Tax	(325)	(322)	(553)	(724)
Depreciation/amortization	765	779	777	784
Associates	(11)	-	-	-
Working capital changes	(405)	1,612	(3,995)	1,307
Non-cash items	-	-	-	--
Other operating cashflows	180	29	28	24
Investing	(358)	(350)	(349)	(345)
Capex (growth)	(441)	(441)	(441)	(441)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	83	91	92	96
Financing	(711)	(769)	(1,234)	(1,578)
Dividend payments	(573)	(649)	(1,114)	(1,458)
Issue of shares	-	-	-	-
Proceeds from borrowings	-	-	-	-
Loan repayment	-	-	-	-
Others/interest paid	(138)	(120)	(120)	(120)
Net cash inflow (outflow)	171	2,590	(2,560)	3,088
Beginning cash & cash equivalent	4,263	4,434	7,024	4,463
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	4,434	7,024	4,463	7,551

BALANCE SHEET

Year to 31 Dec (HK\$m)	2023	2024F	2025F	2026FF
Fixed assets	2,253	2,235	2,162	2,062
Other LT assets	906	906	906	906
Cash/ST investment	4,799	7,389	4,829	7,916
Other current assets	16,005	14,562	18,874	17,654
Total assets	23,963	25,092	26,770	28,538
ST debt	270	270	270	270
Other current liabilities	5,742	6,231	6,811	7,140
LT debt	0	0	0	0
Other LT liabilities	121	121	121	121
Shareholders' equity	15,691	16,340	17,454	18,912
Minority interest	113	104	89	70
Total liabilities & equity	23,963	25,092	26,770	28,538

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026FF
Profitability				
EBITDA margin	13.4	15.7	18.9	20.4
Pre-tax margin	7.0	10.4	14.7	16.7
Net margin	5.7	8.4	11.8	13.5
ROA	3.4	5.3	8.6	10.5
ROE	5.3	8.1	13.2	16.0
Growth				
Turnover	(24.1)	5.1	22.1	14.9
EBITDA	(48.6)	22.8	47.6	24.0
Pre-tax profit	(69.6)	55.6	71.6	30.9
Net profit	(72.7)	81.5	71.6	30.9
Net profit (adj.)	(67.8)	54.5	71.6	30.9
EPS	(72.7)	81.8	71.6	30.9
Leverage				
Debt to total capital	1.1	1.1	7.5	7.0
Debt to equity	12.7	12.2	11.5	10.6
Net debt/(cash) to equity	(15.5)	(30.7)	(14.1)	(29.4)
Interest cover (x)	21.9	57.4	98.5	149.3

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