

AT&S

Technology

4 March 2015

Advanced application printed circuit boards

AT&S supplies high-end printed circuit boards in low and high volumes for demanding applications including high-end mobile devices, automobiles, niche industrial uses and healthcare applications. This high-end focus enables it to deliver higher margins than its peers. Longer term, the business is expected to grow by becoming the first high-volume IC substrate manufacturer in China.

Results for nine months ended December 2014

Revenues grew by 8.5% year-on-year to €489.4m. The industrial & automotive segment grew during Q1 and Q2, reflecting the increased use of innovative electronics in passenger cars. The mobile devices segment showed strong growth in Q3 linked to product launches, as well as a favourable product mix and beneficial currency movements. AT&S was able to achieve this revenue growth, despite having reached high utilisation levels, by optimising the planning and management of production and logistics processes. EBITDA rose by 27.1% to €127.3m. Management raised FY15 guidance to €623-633m revenues (previously €590m) generating a 23-24% EBITDA margin (previously 20%).

Strategy of high-end technology expansion

In the short to medium term, management's focus is on maintaining margins at industry-leading levels. It is achieving this through sustained investment in technical capability, which enables it to supply high-end boards for mobile device, automobiles, healthcare and industrial applications. This is combined with a diverse geographic footprint providing high-volume capacity at an appropriate price point. Longer term, growth will be driven by entry into the IC substrate market through the construction of a €350m facility (fully funded) at its Chongqing site, which takes advantage of the lower cost base in China. Equipment characterisation and certification for the first production line continued during Q315. Negotiations about the product mix and the ramp scenarios have begun, with the intention of commencing volume production in CY16 with the first revenue streams of up to €200m forecast in 2016 and full revenue streams of c €400m in FY18.

Valuation: Trading at a discount to peers

The shares trade on forward EV/EBITDA multiples that are at a discount to the mean of our sample of listed printed circuit board manufacturers. Given the company's superior margins and the long-term potential of the IC packaging substrate initiative, this discount does not appear justified.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
03/14	589.9	42.8	124.0	20.0	10.8	1.5
03/15e	624.0	64.1	121.9	21.4	11.0	1.6
03/16e	635.6	53.7	111.3	22.1	12.0	1.7
03/17e	814.8	62.8	129.3	25.8	10.3	1.9

Source: Company accounts, Bloomberg

Price €13.38

Market cap €520m

Share price graph



Share details

Code ATS
 Listing ATX Prime, WBI SME
 Shares in issue 38.9m

Business description

AT&S manufactures high-end printed circuit boards at sites in Austria, India, Korea and China. It focuses on high-volume HDI (high-density interconnect) boards used in mobile devices and specialist boards used in the automotive sector, healthcare products and niche industrial applications.

Bull

- Demand for specialist HDI boards in mobile devices expected to continue to grow.
- Number and complexity of specialist printed circuit boards in automobiles continues to increase.
- Technical risk of entry into IC substrate market is reduced through co-operation with major industry partner.

Bear

- Seasonal and cyclical variation in demand for PCBs used in mobile devices.
- High levels of utilisation limit potential for further performance improvements in the core business until new facility commences production.
- Rising labour costs in China, although new facility is in a less developed part of the country.

Analysts

Anne Margaret Crow +44 (0)20 3077 5700
 Dan Ridsdale +44 (0)20 3077 5729

tm@edisongroup.com

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2015 Edison Investment Research Limited. All rights reserved. This report has been commissioned by AT&S and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2015]. "FTSE(r)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Frankfurt +49 (0)69 78 8076 960 Schumannstrasse 34b 60325 Frankfurt Germany	London +44 (0)20 3077 5700 280 High Holborn London, WC1V 7EE United Kingdom	New York +1 646 653 7026 245 Park Avenue, 39th Floor 10167, New York US	Sydney +61 (0)2 9258 1161 Level 25, Aurora Place 88 Phillip St, Sydney NSW 2000, Australia	Wellington +64 (0)48 948 555 Level 15, 171 Featherston St Wellington 6011 New Zealand
--	--	--	---	--