

6th August 2015

Technology

Soitec

Price EURO.72

End of the negotiations regarding the sale of solar assets

Fair Value EURO.70 vs. EURO.75 (-3%)

NEUTRAL

Bloomberg	SOI FP
Reuters	SOIT.PA
12-month High / Low (EUR)	2.3 / 0.7
Market Cap (EURm)	167
Ev (BG Estimates) (EURm)	320
Avg. 6m daily volume (000)	1,492
3y EPS CAGR	

Soitec announced yesterday that, despite the signing of a definitive agreement on May 20th 2015 with Concensolar (a branch of SunCore Photovoltaic) to sell the solar assets, the negotiations have ended. The group expected to generate cash from this operation. The company will now support the restructuring costs and fixed costs over a longer period than previously anticipated. We update our model and our FV to EUR 0.70. We keep our Neutral recommendation.

ANALYSIS

- **Soitec announced the end of negotiations regarding the sale of its solar assets to Concensolar.** Both companies signed a definitive agreement last May 20th but discussions ended recently. As a reminder, the company expected to generate cash from this operation. The assets included in the transaction were the fab in San Francisco, the fab in Fribourg and all technological assets related to the solar business (except the SmartCell). The book value equivalent to the solar assets is EUR52m (including EUR30m of restricted cash from the Touwsrivier solar farm) and the total amount from the transaction was expected to be higher than the book value.
- **A building and equipment for sale.** We believe that Soitec is now looking to sell the assets separately. We estimate that the assets left for sale are: 1/ a building in San Diego (the fab) and 2/ manufacturing equipment. The value of these assets could be in the range of EUR5m to EUR10m.
- **Higher restructuring costs and fixed costs.** Previously, we anticipated fixed costs of a EUR40m runrate for the solar division. With the transaction expected to be executed at end of the second quarter, we had included a EUR20m charge in our P&L. We estimate that the San Diego fab still employs approximately 100 people and the Fribourg site accounts for another 100 employees. We now anticipate a EUR40m charge for FY15/16e with EUR9m in Q1, EUR9m in Q2, EUR8m in Q3 and EUR4m in Q4, plus an additional EUR10m for restructuring. We also add EUR3m on FY16/17e as tailing fixed costs.
- **No further depreciation to be expected.** Due to the depreciation accounted at the end of the previous fiscal year (c. -EUR135m), the company will not record any additional depreciation.
- **We continue to believe that the company is heading to a new capital increase.** The group's gross cash position is EUR63m while gross debt stands at EUR227m. We believe that management is looking for solutions to strengthen the balance sheet with either a restructuring of the convertible bond, a capital increase or a combination of both, but none of this has been confirmed yet.

VALUATION

- The solar story finally ends in a worst case scenario but it looks like nothing worse can come from this business unit any more. The Electronic segment continues to show good signs of progress in FD-SOI (300mm) while the RF-SOI (200mm) momentum remains strong. As a result, we maintain our Neutral recommendation.
- We update our model to take into account the new anticipated fixed and restructuring costs. As a reminder, our estimates do not include the proceeds of any capital increase. However, our FV of EURO.70 takes into account all dilution risks.
- Soitec's shares trade at a 2015/16e EV/Sales of 1.1x.

NEXT CATALYSTS

- October 19th 2015 (after the market close) : Q2 sales.

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Distribution of stock ratings

BUY ratings 61.6%

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SELL ratings 4.5%

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