

ASM Pacific Technology

Growth to decelerate in 2015

Slower semi OSAT capex cycle (to offset solid LED capex) and high base in 2014

ASMPT achieved impressive c190% YoY earnings growth in 2014, driven by: 1) organic industry growth in LED and semis; 2) a contribution from newly merged entities; and 3) margin improvement due to cost reduction efforts such as more outsourcing. However, we believe the growth outlook into 2015 will normalize, given: 1) a high base in 2014; 2) a potential slowdown in the semi/OSAT capex cycle to offset growth from LED; and 3) limited room for further margin improvement. We see downside risk to current consensus 2015E sales of HK\$16.6bn, or up c15% YoY, as we believe the YoY comparison could be tough for H215. As a result, we forecast only 11% earnings growth in 2015E and maintain our Neutral rating.

Ongoing efforts to expand addressable market could take time to materialize

ASMPT is working aggressively to expand its product offering to address new markets, such as advanced packaging technology (ie, thermal compression bonding [TCB] and laser dicing) and SiP (by combining the product offering in backend equipment and surface mount technology [SMT]), while diversifying into auto and power management related markets. However, we think growth from these new segments will take time to make a significant contribution, as customers are still in the early stages of adopting new technologies.

Q414 results and Q115 outlook below UBS and consensus estimates

ASMPT reported Q414 sales of HK\$3.45bn, down 29% QoQ but up 25% YoY, below UBS-e/consensus of HK\$3.66/3.97bn. Q414 gross/operating margin of 38.0%/15.0% were better than UBS-e of 33.1%/11.9% and consensus of 33.7%/13.9%. However, EPS of HK\$0.61 was 10%/43% lower than UBS-e/consensus of HK\$0.67/1.07. ASMPT's Q115 billing guidance implies Q115 sales could fall by mid-teens QoQ, lower than consensus of down 4% QoQ. Q115 gross margin is also likely to fall QoQ, as SMT margin will not stay at its Q414 level.

Valuation: Maintain Neutral; lowering PT to HK\$80.0 from HK\$82.0

We are trimming our 2015E/16E EPS to HK\$4.41/4.46 from HK\$4.55/4.54 to reflect a lower revenue forecast. Therefore, we are lowering our PT to HK\$80.0 from HK\$82.0 based on the same 18x 2015E PE (at the trough of the historical trading range of 18-29x).

Equities

Hong Kong
Semiconductors

12-month rating **Neutral**

12m price target **HK\$80.00**
Prior: HK\$82.00

Price **HK\$79.00**

RIC: 0522.HK **BBG:** 522 HK

Trading data and key metrics

52-wk range HK\$91.15-64.65

Market cap. HK\$31.5bn/US\$4.07bn

Shares o/s 399m (ORD)

Free float 48%

Avg. daily volume ('000) 583

Avg. daily value (m) HK\$43.2

Common s/h equity (12/14E) HK\$8.21bn

P/BV (12/14E) 3.9x

Net debt / EBITDA (12/14E) NM

EPS (UBS, diluted) (HK\$)

	From	To	% ch	Cons.
12/14E	4.05	3.97	-1.96	4.33
12/15E	4.55	4.41	-3.02	5.04
12/16E	4.54	4.46	-1.75	5.52

Samson Hung

Analyst

samson.hung@ubs.com

+886-2-8722 7355

Nicolas Gaudois

Analyst

nicolas.gaudois@ubs.com

+852-2971 5681

Eric Chen

Analyst

eric-b.chen@ubs.com

+852-2971 7348

Highlights (HK\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	12,915	10,461	10,841	14,229	14,789	15,692	16,519	17,220
EBIT (UBS)	2,294	884	804	2,205	2,253	2,271	2,388	2,607
Net earnings (UBS)	2,905	688	559	1,600	1,776	1,797	1,901	2,189
EPS (UBS, diluted) (HK\$)	7.33	1.73	1.40	3.97	4.41	4.46	4.72	5.44
DPS (HK\$)	3.30	1.41	0.65	2.10	2.43	2.45	2.60	2.80
Net (debt) / cash	1,297	795	1,046	278	1,685	2,450	3,242	4,164
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	17.8	8.5	7.4	15.5	15.2	14.5	14.5	15.1
ROIC (EBIT) %	56.4	16.5	13.6	31.6	29.4	30.8	32.2	34.8
EV/EBITDA (core) x	13.3	29.7	26.3	11.8	11.3	10.5	9.7	8.5
P/E (UBS, diluted) x	12.6	55.9	59.0	19.9	17.9	17.7	16.7	14.5
Equity FCF (UBS) yield %	0.7	(0.3)	0.3	(1.2)	7.1	5.8	5.7	6.5
Net dividend yield %	3.6	1.5	0.8	2.7	3.1	3.1	3.3	3.5

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$79.00 on 05 Mar 2015 22:26 HKT

Investment Thesis

ASM Pacific Technology

Investment case

We remain cautious about ASM Pacific Technology's (ASMPT) long-term outlook. We think earnings growth in 2015 should decelerate. An improving industry outlook in LED could be offset by slow OSAT capex cycle. Nonetheless, the stock is trading at a trough-cycle multiple and we see limited upside to the share price and have a Neutral rating.

Upside scenario

ASMPT's sales growth could be stronger as follows: 1) IC demand growth remains robust; 2) LED lighting demand ramps up; 3) SMT has good synergy with the merged DEK; and 4) there is stronger sales momentum in new TCB machines. If these events materialise, we forecast 15% YoY revenue growth in 2015, compared with our base-case estimate of 1%. Gross margin would rise to 35.9% compared with our base-case estimate of 34.3% and 2015E EPS could increase to HK\$5.84 (base-case estimate: HK\$4.41). We would estimate a fair value of HK\$128.55 per share on 22x 2015E PE.

Downside scenario

If IC/LED wirebonder demand turns weak and ASMPT fails to deliver good SMT/TCB products to clients, its 2015 YoY revenue growth could drop to 5%. This would represent a drop in 2015E EPS to HK\$2.56. We would estimate a fair value of HK\$41.04 per share on a lower trading multiple of 16x 2015E PE.

Upcoming catalysts

Q115 results announcement before end-April 2015.

12-month rating

Neutral

12m price target

HK\$80.00

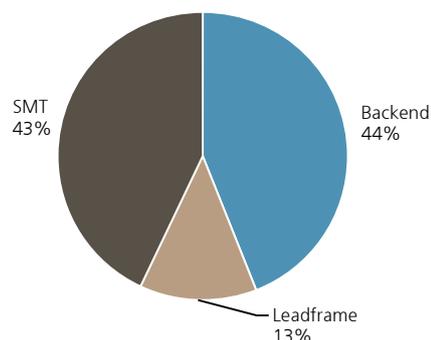
Business description

ASM Pacific Technology is a global market leader in the supply of semiconductor packaging and assembly (backend) equipment. In terms of product mix, semi-backend equipment accounted for 48% of sales, surface-mount technology (SMT) 30%, and lead frames the remainder in 2013. The company was formed in 1975 and is a subsidiary of Dutch-listed ASM International. ASM Pacific Technology was listed on the Hong Kong Stock Exchange in 1989.

Industry outlook

LED wirebonder demand could improve in 2015 due to a ramp-up in the general lighting market. For backend equipment, we think the European market will remain weak. Domestic China packaging companies could turn more aggressive on capex with the support of the country's new subsidy policy for the semiconductor industry. For SMT equipment, we expect the market to remain stable and ASMPT to maintain a leading position in Europe and the US. However, we need to see whether ASMPT can penetrate the Asian market with lower-cost products to improve its profitability.

Q414 revenue by segment



Source: Company data

Revenue by product segment

(HK\$ m)	2013	2014	2015E	2016E	2017E
Backend	5,200	6,804	7,799	8,962	9,524
Leadframe	1,724	1,902	1,866	1,796	1,852
SMT	3,917	5,524	5,124	4,934	5,143

Source: Company data, UBS estimates

Figure 1: Q414 results review

(HK\$ m)	Q414A	Q414E	Diff.	Q314	QoQ	Q413	YoY
Sales	3,446	3,663	-6%	4,852	-29%	2,764	25%
Gross profit	1,308	1,211	8%	1,737	-25%	749	75%
- Gross margin	38.0%	33.1%	-	35.8%	-	27.1%	-
Operating profit	516	437	18%	957	-46%	123	319%
- OP margin	15.0%	11.9%	-	19.7%	-	4.5%	-
Non-Op Income	-179	-118	-52%	28	n.m.	-110	-63%
Pre-tax income	337	319	6%	985	-66%	13	2491%
Tax	-93	-51	83%	-202	-54%	34	n.m.
- Tax rate	27.7%	16.0%	-	20.5%	-	-262.6%	-
Net Income	244	268	-9%	782	-69%	47	416%
EPS (HK\$)	0.61	0.67	-10%	1.95	-69%	0.12	400%

Source: Company data, UBS estimates

Figure 2: ASM Pacific Technology earnings forecast

(HK\$ m)	2013	Q114	Q214	Q314	Q414	2014	Q115E	Q215E	Q315E	Q415E	2015E	2016E
Revenue	10,841	2,493	3,438	4,852	3,446	14,229	2,888	3,799	4,155	3,947	14,789	15,692
- YoY chg (%)	4%	17%	21%	56%	25%	31%	16%	11%	-14%	15%	4%	6%
- QoQ chg (%)	-	-10%	38%	41%	-29%	-	-16%	32%	9%	-5%	-	-
Gross profit	3,179	808	1,196	1,737	1,308	5,050	960	1,341	1,565	1,422	5,288	5,217
- Gross margin	29.3%	32.4%	34.8%	35.8%	38.0%	35.5%	33.2%	35.3%	37.7%	36.0%	35.8%	33.2%
OPEX	-2,408	-596	-683	-833	-818	-2,930	-647	-771	-827	-793	-3,038	-2,950
- Opex ratio	22.2%	23.9%	19.9%	17.2%	23.7%	20.6%	22.4%	20.3%	19.9%	20.1%	20.5%	18.8%
OP income	804	213	519	957	516	2,205	314	571	739	629	2,253	2,271
- OP margin	7.4%	8.6%	15.1%	19.7%	15.0%	15.5%	10.9%	15.0%	17.8%	15.9%	15.2%	14.5%
Non-op income	-131	-15	-11	28	-179	-177	-35	-35	-35	-35	-139	-132
Pre-tax income	673	198	508	985	337	2,028	279	536	704	594	2,114	2,139
Income tax	-114	-41	-91	-202	-93	-429	-45	-86	-113	-95	-338	-342
Tax rate	17.0%	20.9%	17.9%	20.6%	27.7%	21.1%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Net income	559	157	417	782	244	1,600	234	451	592	499	1,776	1,797
EPS (NT\$)	1.40	0.39	1.04	1.95	0.61	3.97	0.58	1.12	1.47	1.24	4.41	4.46
- YoY chg (%)	-19%	1848%	79%	183%	412%	184%	49%	8%	-25%	105%	11%	1%
- QoQ chg (%)	-	231%	166%	88%	-69%	-	-4%	92%	31%	-16%	-	-

Source: Company data, UBS estimates

ASM Pacific Technology (0522.HK)

	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Income statement (HK\$m)										
Revenues	12,915	10,461	10,841	14,229	31.3	14,789	3.9	15,692	16,519	17,220
Gross profit	4,426	3,162	3,179	5,050	58.8	5,288	4.7	5,217	5,556	5,858
EBITDA (UBS)	2,607	1,258	1,217	2,623	115.6	2,704	3.1	2,797	2,964	3,258
Depreciation & amortisation	(313)	(374)	(413)	(418)	1.1	(451)	7.9	(526)	(576)	(651)
EBIT (UBS)	2,294	884	804	2,205	174.5	2,253	2.2	2,271	2,388	2,607
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	1,054	(9)	(19)	(56)	-203.8	0	-	0	0	0
Net interest	(85)	(7)	(112)	(121)	-7.7	(139)	-15.5	(132)	(126)	(119)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	3,262	868	673	2,028	201.4	2,114	4.2	2,139	2,263	2,607
Tax	(357)	(180)	(114)	(429)	-274.5	(338)	21.1	(342)	(362)	(390)
Profit after tax	2,905	688	559	1,600	186.4	1,776	11.0	1,797	1,901	2,217
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	2,905	688	559	1,600	186.4	1,776	11.0	1,797	1,901	2,189
Net earnings (UBS)	2,905	688	559	1,600	186.4	1,776	11.0	1,797	1,901	2,189
Tax rate (%)	11.0	20.7	17.0	21.1	24.3	16.0	-24.3	16.0	16.0	15.0
Per share (HK\$)										
EPS (UBS, diluted)	7.33	1.73	1.40	3.97	184.1	4.41	11.0	4.46	4.72	5.44
EPS (local GAAP, diluted)	7.33	1.73	1.40	3.97	184.1	4.41	11.0	4.46	4.72	5.44
EPS (UBS, basic)	7.33	1.73	1.40	3.99	185.3	4.43	11.0	4.48	4.74	5.46
Net DPS (HK\$)	3.30	1.41	0.65	2.10	222.5	2.43	15.8	2.45	2.60	2.80
Cash EPS (UBS, diluted) ¹	8.12	2.66	2.43	5.01	105.9	5.53	10.4	5.77	6.15	7.06
Book value per share	15.97	16.42	17.74	20.47	15.4	22.66	10.7	24.51	26.73	29.10
Average shares (diluted)	396.12	398.54	399.27	402.57	0.8	402.57	0.0	402.57	402.57	402.57
Balance sheet (HK\$m)										
Cash and equivalents	1,628	1,490	1,597	2,594	62.5	4,000	54.2	4,765	5,557	6,479
Other current assets	5,513	6,036	6,422	8,246	28.4	9,372	13.6	9,676	10,044	10,470
Total current assets	7,141	7,526	8,019	10,840	35.2	13,372	23.4	14,441	15,601	16,949
Net tangible fixed assets	2,074	2,106	2,001	2,073	3.6	2,083	0.4	1,996	1,861	1,649
Net intangible fixed assets	0	0	0	0	-	0	-	0	0	0
Investments / other assets	397	593	721	1,583	119.6	20	-98.7	20	20	20
Total assets	9,612	10,224	10,740	14,496	35.0	15,474	6.7	16,457	17,482	18,619
Trade payables & other ST liabilities	2,827	2,657	2,752	3,607	31.1	3,656	1.3	3,891	4,007	4,177
Short term debt	331	695	551	151	-72.52	151	0.00	151	151	151
Total current liabilities	3,158	3,352	3,303	3,759	13.8	3,807	1.3	4,043	4,158	4,328
Long term debt	0	0	0	2,164	-	2,164	0.0	2,164	2,164	2,164
Other long term liabilities	188	315	356	368	3.5	422	14.6	427	445	464
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	3,346	3,667	3,659	6,291	71.9	6,393	1.6	6,634	6,767	6,956
Common s/h equity	6,266	6,557	7,081	8,205	15.9	9,081	10.7	9,823	10,715	11,662
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	9,612	10,224	10,740	14,496	35.0	15,474	6.7	16,457	17,482	18,619
Cash flow (HK\$m)										
Net income (before pref divs)	2,905	688	559	1,600	186.4	1,776	11.0	1,797	1,901	2,189
Depreciation & amortisation	313	374	413	418	1.1	451	7.9	526	576	651
Net change in working capital	(1,559)	(470)	(260)	(887)	-241.4	(1,167)	-31.5	(120)	(261)	(281)
Other operating	(837)	(236)	19	(944)	-	1,653	-	52	7	(67)
Operating cash flow	821	356	731	187	-74.4	2,713	NM	2,255	2,223	2,492
Tangible capital expenditure	(582)	(459)	(620)	(559)	9.9	(460)	17.7	(440)	(440)	(440)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	0	0	0	0	-	0	-	0	0	0
Other investing	(51)	(41)	0	5	-	0	-	0	0	0
Investing cash flow	(633)	(501)	(620)	(554)	10.7	(460)	16.9	(440)	(440)	(440)
Equity dividends paid	(1,307)	(560)	(260)	(844)	-225.1	(977)	-15.8	(988)	(1,045)	(1,126)
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Other financing	(643)	134	418	335	-19.88	130	-61.15	(61)	54	46
Change in debt & pref shares	331	364	(144)	1,566	-	0	-	0	0	0
Financing cash flow	(1,619)	(62)	15	1,058	NM	(846)	-	(1,049)	(991)	(1,080)
Cash flow inc/(dec) in cash	(1,431)	(207)	125	690	NM	1,406	103.7	765	792	972
FX / non cash items	1,081	69	(19)	307	-	0	-	0	0	(50)
Balance sheet inc/(dec) in cash	(351)	(138)	107	997	NM	1,406	41.0	765	792	922

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts. ¹Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

ASM Pacific Technology (0522.HK)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	12.6	55.9	59.0	19.9	17.9	17.7	16.7	14.5
P/E (UBS, diluted)	12.6	55.9	59.0	19.9	17.9	17.7	16.7	14.5
P/CEPS	11.4	36.2	33.9	15.7	14.2	13.6	12.8	11.1
Equity FCF (UBS) yield %	0.7	(0.3)	0.3	(1.2)	7.1	5.8	5.7	6.5
Net dividend yield (%)	3.6	1.5	0.8	2.7	3.1	3.1	3.3	3.5
P/BV x	5.8	5.9	4.7	3.9	3.5	3.2	3.0	2.7
EV/revenues (core)	2.7	3.6	3.0	2.2	2.1	1.9	1.7	1.6
EV/EBITDA (core)	13.3	29.7	26.3	11.8	11.3	10.5	9.7	8.5
EV/EBIT (core)	15.1	NM	NM	14.0	13.6	13.0	12.0	10.7
EV/OpFCF (core)	13.6	NM	27.6	12.1	11.6	10.8	9.9	8.8
EV/op. invested capital	8.5	7.0	5.4	4.4	4.0	4.0	3.9	3.7
Enterprise value (HK\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	36,359	38,372	32,960	31,540	31,540	31,540	31,540	31,540
Net debt (cash)	(1,637)	(1,046)	(920)	(662)	(981)	(2,067)	(2,846)	(3,703)
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	34,722	37,326	32,040	30,878	30,559	29,473	28,695	27,838
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	34,722	37,326	32,040	30,878	30,559	29,473	28,695	27,838
Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	35.7	-19.0	3.6	31.3	3.9	6.1	5.3	4.2
EBITDA (UBS)	-24.3	-51.7	-3.3	115.6	3.1	3.4	6.0	9.9
EBIT (UBS)	-28.7	-61.5	-9.1	174.5	2.2	0.8	5.2	9.1
EPS (UBS, diluted)	1.9	-76.5	-19.0	184.1	11.0	1.2	5.8	15.2
Net DPS	3.1	-57.4	-53.8	NM	15.8	1.2	5.8	7.7
Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	34.3	30.2	29.3	35.5	35.8	33.2	33.6	34.0
EBITDA margin	20.2	12.0	11.2	18.4	18.3	17.8	17.9	18.9
EBIT margin	17.8	8.5	7.4	15.5	15.2	14.5	14.5	15.1
Net earnings (UBS) margin	22.5	6.6	5.2	11.2	12.0	11.4	11.5	12.7
ROIC (EBIT)	56.4	16.5	13.6	31.6	29.4	30.8	32.2	34.8
ROIC post tax	50.2	13.1	11.3	24.9	24.7	25.8	27.0	29.6
ROE (UBS)	50.9	10.7	8.2	20.9	20.5	19.0	18.5	19.6
Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	(0.5)	(0.6)	(0.9)	(0.1)	(0.6)	(0.9)	(1.1)	(1.3)
Net debt / total equity %	(20.7)	(12.1)	(14.8)	(3.4)	(18.6)	(24.9)	(30.3)	(35.7)
Net debt / (net debt + total equity) %	(26.1)	(13.8)	(17.3)	(3.5)	(22.8)	(33.2)	(43.4)	(55.5)
Net debt/EV	(3.7)	(2.1)	(3.3)	(0.9)	(5.5)	(8.3)	(11.3)	(15.0)
Capex / depreciation %	186.2	122.9	150.0	133.7	102.0	83.6	76.4	67.6
Capex / revenue %	4.5	4.4	5.7	3.9	3.1	2.8	2.7	2.6
EBIT / net interest	26.9	NM	7.2	18.3	16.2	17.2	19.0	21.8
Dividend cover (UBS)	2.2	1.2	2.2	1.9	1.8	1.8	1.8	2.0
Div. payout ratio (UBS) %	45.0	81.4	46.5	52.5	54.8	54.8	54.8	51.2
Revenues by division (HK\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	12,915	10,461	10,841	14,229	14,789	15,692	16,519	17,220
Total	12,915	10,461	10,841	14,229	14,789	15,692	16,519	17,220
EBIT (UBS) by division (HK\$m)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	2,294	884	804	2,205	2,253	2,271	2,388	2,607
Total	2,294	884	804	2,205	2,253	2,271	2,388	2,607

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+1.3%
Forecast dividend yield	3.1%
Forecast stock return	+4.4%
Market return assumption	6.6%
Forecast excess return	-2.2%

Statement of Risk

The company's sales are tied to the global semiconductor industry, which has historically been tied to global economic growth and is volatile. Although it is the market leader in the packaging assembly industry, the company faces global competition. It is relatively weak in the flip chip bonder segment, which the industry forecasts could grow at the expense of the traditional wirebonder segment. Failure to adapt to technological changes is a risk.

Required Disclosures

This report has been prepared by UBS Securities Pte. Ltd., Taipei Branch, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: **Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: **UK and European Investment Fund ratings and definitions are:** **Buy:** Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities Pte. Ltd., Taipei Branch: Samson Hung. **UBS AG Hong Kong Branch:** Nicolas Gaudois; Eric Chen.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
ASM Pacific Technology⁴	0522.HK	Neutral	N/A	HK\$79.00	05 Mar 2015

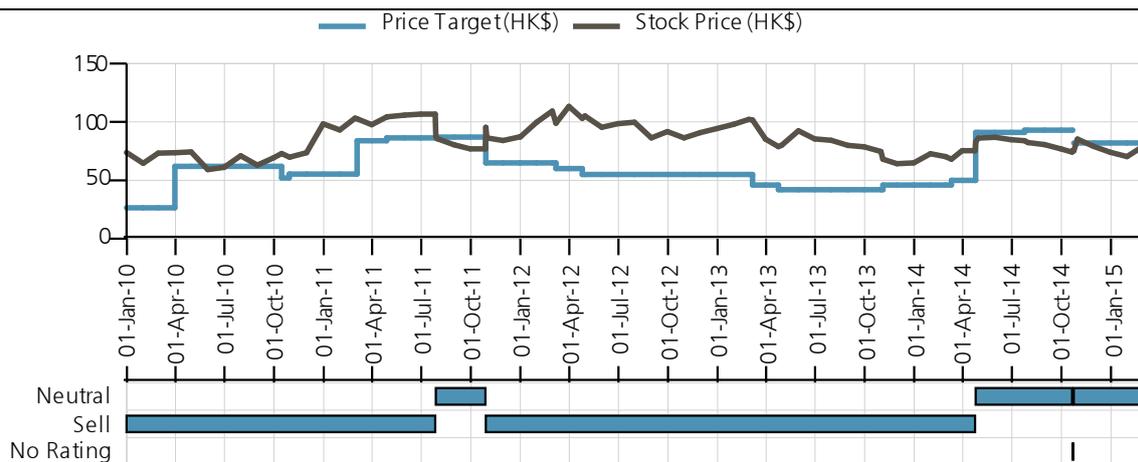
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

ASM Pacific Technology (HK\$)



Source: UBS; as of 05 Mar 2015

Global Disclaimer

This document has been prepared by UBS Securities Pte. Ltd., Taipei Branch, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

- (i) valuation or accounting purposes;
- (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or
- (iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce has contributed to this document, the document is also deemed to have been prepared by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate') to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R\$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 016/09/2014 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services License No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the information, consider the appropriateness of the information, having regard to their objectives, financial situation and needs. If the information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this document in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2015. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

