

## ASE Technology Holding

**Back-end fabs' acquisition from Infineon: deepen client relationship/widen TAM; Buy**

Reiterate Rating: BUY | PO: 137.00 TWD | Price: 138.50 TWD

**Event: ASE to acquire PHL/KR back-end fabs from Infineon**

On 22 February, ASE announced that it will acquire two back-end manufacturing sites in Cavite, Philippines and Cheonan, South Korea from Infineon with a total transaction amount of EUR63mn (or around NT\$2.1bn/US\$68mn, vs NT\$67bn of cash and cash equivalents on hand, as of end-4Q23), aiming to expand the OSAT production capacity mainly for power management/lead frame production lines and auto/industrial applications. ASE and Infineon have also concluded long-term supply agreements for existing and new products. ASE will acquire 100% stake of Cypress Manufacturing, Ltd. and Infineon Technologies Power Semitech Co., Ltd. for Philippines and Korea facilities, respectively, and the transaction is expected to close towards end-2Q24.

**Implication: bode well for long term**

We see a bigger long-term impact than near-term. Infineon is a key client of ASE in auto and power. ASE can leverage the new plants to accelerate its development in power, auto, and industrial and tighten its collaboration with Infineon to seek more outsourcing orders. In addition, the new plants bring more diversified global footprints. In our view, near-term P&L impact looks low and should not affect the margins.

22 February 2024

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**Stock Data**

Price (Common / ADR)	138.50 TWD / 9.81 USD
Price Objective	137.00 TWD / 9.30 USD
Date Established	2-Feb-2024 / 2-Feb-2024
Investment Opinion	B-1-7 / B-1-7
52-Week Range	99.20 TWD - 144.00 TWD
Market Value (mn)	19,257 USD
Market Value (mn)	607,241 TWD
Shares Outstanding (mn)	4,384.4 / 2,192.2
Average Daily Value (mn)	48.83 USD
Free Float	83.4%
BofA Ticker / Exchange	XSRIFF / TAI
BofA Ticker / Exchange	ASX / NYS
Bloomberg / Reuters	3711 TT / 3711.TW
ROE (2023E)	12.3%
Net Dbt to Eqty (Dec-2022A)	36.7%

**Exhibit 1: Acronyms**

Acronyms and the corresponding full names

Acronym	Full name
OSAT	Outsourced Semiconductor Assembly and Test
P&L	Profit and Loss statement
TAM	Total Addressable Market

Source: BofA Global Research

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Timestamp: 22 February 2024 10:12AM EST

## Price objective basis & risk

### ASE Technology Holding (XSRIF / ASX)

We value ASE Technology Holding at NT\$137 per share (US\$9.3 for ADR), based on 1.5x 2024/25E average P/B (at mid-end of its historical range), in view of solidified industry position in AI era despite weak industry momentum in the near-term during low season 1Q. We use P/B ratio to value ASE as we believe asset based valuation can more accurately reflect ASE's improvement in its operation, profitability and return following a major acquisition.

Downside risks to our PO are 1) share loss and/or ASP erosion owing to Chinese players' cannibalization and/or ASE's worsening execution, 2) weakening end demand due to uncontrollable matters, such as macro halt and/or geopolitical tensions, 3) regulatory issues that could hinder ASE from generating synergies and benefit its competitors.

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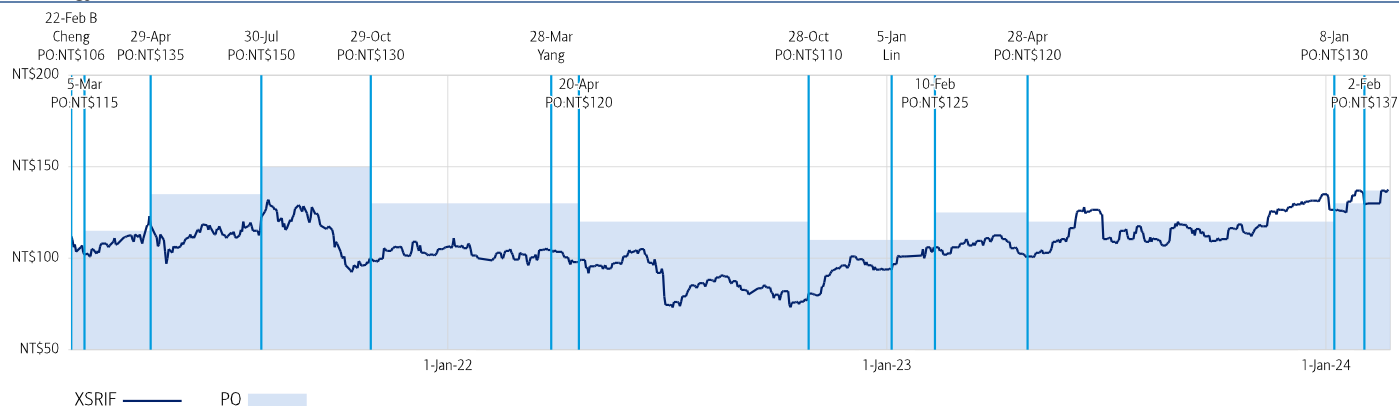
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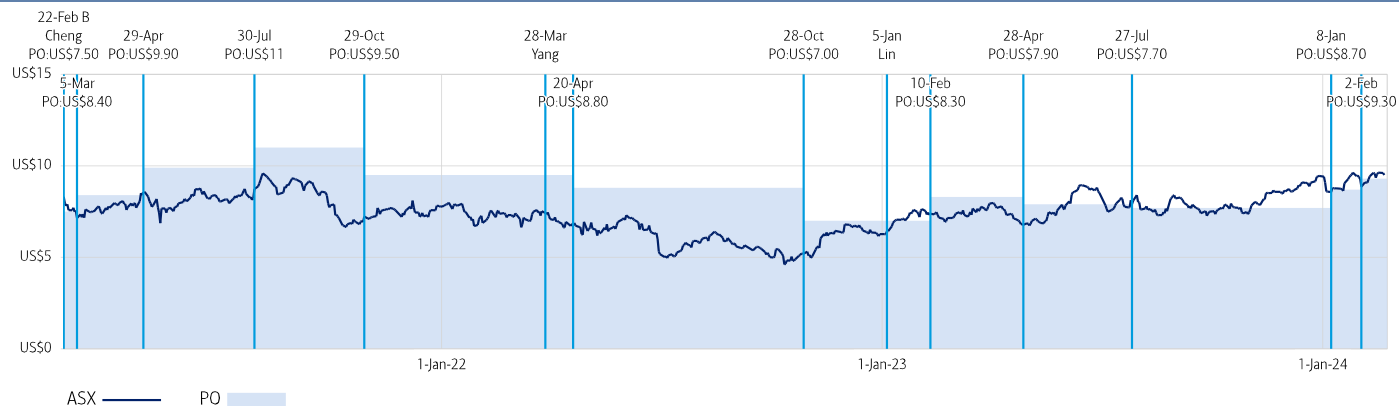
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### ASE - ADR (ASX) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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