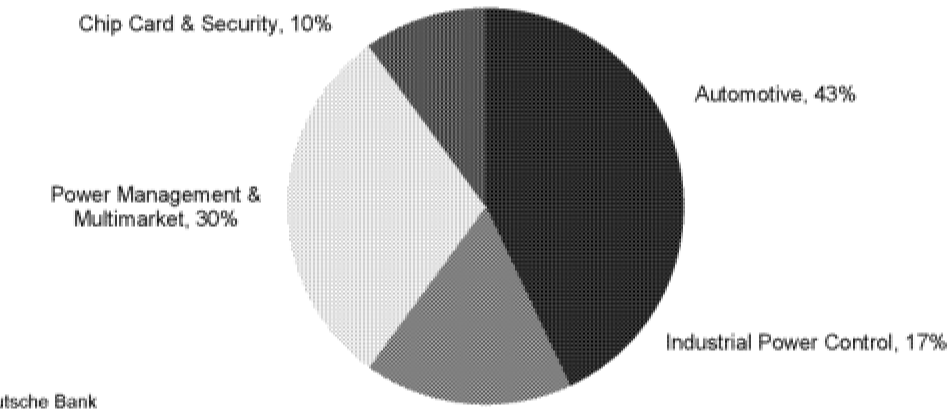
Deutsche Bank

25 Infineon – Johannes Schaller, BUY, close €24.1, €29 tgt, 20% upside

- **Automotive semiconductors is a growth sector**, benefiting from exposure to autonomous vehicles (ADAS), electrification and digitalisation. This should all lead to meaningfully higher semiconductor content per car.
- Infineon is the **highest-quality large-cap play** in the sector with a **best-in-class technology portfolio** and strong exposure to faster growing German premium manufacturers as well as strong direct exposure to Chinese brands and share gains across Asia (incl. Japan)
- **A leader in tomorrow's technologies**, with ambitions to drive share gains through innovation in next-gen Auto applications such as radar, lidar, 32-bit high-performance microcontrollers and next-gen power semis.
- 2018 guidance is for **impressive 9% growth (13% in USD terms vs the semiconductor industry at 5%)**.
- **We believe long-term guidance is somewhat conservative** at 17% through-the-cycle margins and 8% revenue growth, compared to 18.5% and 9%, respectively, in Q4.
- **We expect margin leverage from the Dresden 300mm fab ramp.** This is highly cost-effective (25% cheaper than the industry standard) and should lead to structurally higher margins.
- Despite c40% performance YTD, at **24x CY18 P/E** Infineon's outperformance over the industry and share gains vs peers are not truly reflected in valuation. See potential upside to >E30, reflecting long-term margin and growth potential in bull-case DCF.
- Catalysts: 1st CMD in a long time on 12th June 2018 in London where long-term growth and margin potential should become much clearer

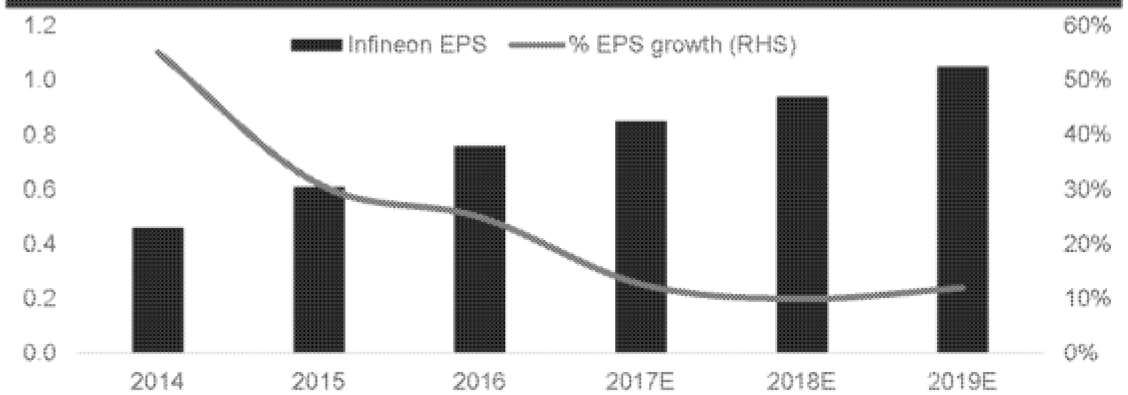
Related DB Research: It is becoming increasingly evident… (Schaller)

A play on Auto semis, and thus ADAS, EVs and digitalisation



Source: Deutsche Bank

FX masks margin expansion and mid-teens EPS growth in 18E



Source: Deutsche Bank, Company data

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