



ANALYST QUICK NOTES

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Vishay Intertechnology Inc. (NYSE: VSH: BUY)

Target Price: \$16

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5/4/2016

Thesis

- Vishay's active and passive components serve diversified technology and industrial end markets on a world-wide basis.
- Solid results for 1Q16 and guidance for 2Q16 are positive for end markets including long-depressed Europe, source of 40% of Vishay's revenue.
- VSH poised to post mid-teens growth in revenue, 70%-85% growth in EPS.
- Buy acceleration into global GDP growth for this diverse provider of passive and active components.

1Q16 Performance

- Revenue of \$571 million, down 4% y/y but up 3% q/q.
 - Sales above guidance midpoint.
- Non-GAAP EPS of \$0.19 per diluted share, down 7%.
- Both beat Street and Argus estimates:
 - Revenue was estimated at \$559 million.
 - EPS was estimated at \$0.16.
- Results show VSH recovering from weak trends in 2015, across PCs and mobility as well as European industrial markets.

Why Does VSH Matter?

- VSH the best "canary in a coal mine" stock in Argus tech coverage.
- Provides passive components (half of sales).
 - Indicator of health of industrial/automotive demand in Europe and NA.
- Provides active discrete (one-function) semiconductors (half of sales).
 - Indicator of health of consumer/compute/communications demand with Asian customers.

European Sensitivity

- Based in Pennsylvania, yet Europe (40%) & Asia (36%) exposed.
 - Americas less than one-quarter of revenue.
- Perennially slow Europe now posting positive GDP.
 - Vishay derives about 40% of revenue from Europe, mainly Germany.
- CEO Paul noted Auto strong, industrial mixed (U.S. Energy still a drag).
- China investing in power infrastructure, solar.
- Growth in smartphones at historically low levels as industry matures.
 - But still a big base of business.

Look To Book To Bill

- 1Q16 book to bill was 1.08, very strong indicator for forward orders.
- Actives (Asia/technology) book to bill 1.12, after 0.94 in 4Q15.
- All regions strong B/B:
 - Americas 1.05, Europe 1.09, Asia 1.10.

2Q16 Outlook

- Guides for \$565-\$605.
 - At midpoint, revenue down 1% year/year,
 - up 5%% sequentially.
- Based on gross margin guidance (23%-25%), expect EPS to swing to \$0.22-\$0.25, which would be positive year/year.

Conclusion

- Very volatile earnings swings lead to volatile stock price.
 - Believe end markets, EPS now on upswing.
 - BUY to \$16.
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