



## A NEW DIRECTION FOR ASM PACIFIC

In the seventeen years that I have been following ASM Pacific they have never made a substantial acquisition. All of their growth has been organic and this has been one of the features of the company that I have liked. You can therefore imagine my surprise when they recently announced that they were making a substantial acquisition in what appeared to be a totally different business. The business they are buying has been part of Siemens and is involved in what is called Surface Mount Technology (SMT). It has traded under the name SIPLACE.

I have some familiarity with SMT for a couple of reasons. First of all I have seen SMT equipment being used in a number of the factories I have visited throughout the world and secondly a number of the biggest companies involved are Japanese.

(For anyone wanting to know something about SMT, here is a link to Wikipedia:  
[http://en.wikipedia.org/wiki/Surface-mount\\_technology](http://en.wikipedia.org/wiki/Surface-mount_technology))

Having overcome my initial surprise I set about reading everything that was being said about the deal. I read the official view from the company, I listened to the conference call, I read the broker research and I started looking at the websites of some of the companies that compete in SMT. I needed to get comfortable with it all.

I came across one interview given by the head of Siemens SMT on a website called "EMS Now". It is a good summary of all the positive aspects of the deal. Here it is:

### **Gunter Lauber talks about the SIPLACE sale**

**Jul 30, 2010**

*"Our strategic position has improved considerably, which will benefit our customers."*

**EMSNow: Günter, congratulations on latest news regarding ASM's acquisition of SIPLACE. How do you expect your customer base to respond to the news of this transaction?**

**Günter:** The industry has known for quite some time that Siemens no longer considered its placement machine business to be part of its core activities, and some of the customers we talked to, initially were concerned about this. After all, producers and EMS providers don't just look for machines, but for a long-term relationship with a strong technology partner who will help them to meet their current and future challenges in the SMT field in a dependable manner.

This is just one of the reasons why the SIPLACE team really welcomes the sale to ASM Pacific Technology. The combination with ASMPT improves our strategic position considerably. With more than 12,000 employees, ASMPT is a significant industrial investor that has been very successful with its high-quality machines for the back-end assembly

segment and is intimately familiar with the highly dynamic electronics industry. I am confident that our customers appreciate this potential and view this deal in a very positive light. This has also been the response in my first talks with key customers.

**EMSNow: You talk about the partnership being a strategic one. What strategic benefits do the parties bring to each other?**

**Günter:** Since our product portfolios complement each other perfectly, the new combination provides significant synergies for customers in growth areas like die and LED placement. But it's not only our solution portfolios that fit together so well; we believe that ASMPT's great manufacturing experience and depth will provide us with great opportunities to extend our SIPLACE portfolio both vertically and horizontally. And finally, ASMPT's excellent customer contacts and its dense sales network in Asia and especially in China round out the synergies of this deal. Thanks to ASMPT, our experienced SIPLACE sales operation in Asia will benefit from more widespread support.

On the other hand, ASMPT will benefit from our strong sales position in Europe and America and from the strong image of our brand. For us as the technology leader, it was very important that ASMPT focuses on high quality and innovation - just like SIPLACE. ASMPT invests over ten percent of its revenue in its research and development activities.

**EMSNow: How important was it for SIPLACE to restructure before attracting a suitable partner?**

**Günter:** Siemens and the SIPLACE team prepared the sale of SEAS with great care. SIPLACE enters the new partnership fully restructured with a lean organization and highly efficient production. The company buying us is not a competitor, but an industrial investor who is interested in SIPLACE as a whole and views us as a strategically important complement to its existing activities in neighboring manufacturing processes.

This is the reason why ASMPT plans to integrate the SIPLACE team in its entirety as a separate SMT business unit into its organization. The SIPLACE cluster organization with its existing production, sales and service locations will be maintained. There are no plans for any headcount reductions in connection with this integration, and my management team and I will continue to lead the operation. ASMPT believes that the restructured SIPLACE team is efficiently positioned and counts on our innovative strength and our growth. This, too, shows me that the work we did in recent years was successful and important.

**EMSNow: How do you see the different regional dominances of SIPLACE and ASM working moving forward?**

**Günter:** The different regional strengths of ASMPT and SIPLACE complement each other very well. ASMPT's good contacts in Asia will help our salespeople extend their success e.g. with existing multinationals to the broader EMS industry in China and Asia in general. We will learn from each other and put our combined industry expertise to good use while leaving our established sales and service structures in place side-by-side.

On the other hand, we will provide sales support for ASMPT in Europe. The SIPLACE site in Munich shall be developed into the European headquarters for the entire company's portfolio of products and services.

**EMSNow: Thanks Günter, sounds really great and promising. I hope we can talk some more as this partnership develops and explore in more detail the future of SIPLACE and its customers.**

Obviously this interview avoids talking about the potential problems but given the track record of ASM I am willing to give them time to make it work.

Most of the major competitors in the SMT industry are Japanese. ASM has a long history of competing and beating Japanese companies. I am willing to predict that in a few years time ASM will have significantly increased its market share in SMT and the Japanese companies like Panasonic will see their market share fall.

In conclusion I want to say that ASM remains one of my long term holdings and I am looking forward to SMT being a new area of growth.

ASM Pacific Chart:



### ADDITIONAL COMMENT

An American company called Kulicke and Soffa is ASM's largest competitor in the semiconductor assembly business. I think it is interesting that they are using the current period of good profits and cash flow to pay off all their debts. It is their intention to have a much stronger balance sheet in the future. The credit crisis of 2008 appears to have scared them because it threatened their very existence.

I would guess that Kulicke and Soffa will not be alone in their desire to reduce risk and we can look forward to stronger balance sheets but possibly lower returns on equity across a large number of cyclical companies.