Besi

PRESS RELEASE

Q1-14 Profit and Orders Up 87% and 74% vs. Q1-13. Strong Demand for Advanced Packaging Systems in Smart Phone, Tablet and Automotive Applications

Duiven, the Netherlands, April 30, 2014 - BE Semiconductor Industries N.V. ("the Company" or "Besi") (NYSE Euronext: BESI; OTCQX: BESIY), a leading manufacturer of assembly equipment for the semiconductor industry, today announced its results for the first quarter ended March 31, 2014.

Key Highlights

- Revenue of € 70.0 million up 31.9% vs. Q4-13 and 9.3% vs. Q1-13. Exceeds guidance
- Gross margins increase to 42.3% vs. 40.1% in Q4-13 and 39.6% in Q1-13
- Orders up 94.2% vs. Q4-13 and 74.0% vs. Q1-13. Strength in flip chip, TCB and multi module die attach and ultra-thin molding systems for smart phones, tablets and automotive applications
- Net income of € 7.0 million vs. € 1.4 million in Q4-13 and € 3.8 million in Q1-13 due primarily to revenue growth, higher gross margins and cost control efforts
- Net margin reached 10.0% in Q1-14 vs. 5.9% in Q1-13 reflecting increased profitability of Besi's business model

Outlook

- Q2-14 revenue up 40-50% vs. Q1-14 reflecting improved industry outlook. Significant sequential profit growth anticipated due to strong revenue development and margin expansion

(€ millions, except EPS)	**Q1-2014**	Q4-2013	Δ	Q1-2013	Δ
Revenue	70.0	53.1	*+31.9%*	*64.0*	*+9.3%*
Orders	111.1	57.2	*+94.2%*	*63.9*	*+74.0%*
EBITDA	10.5	3.0	*+250.0%*	*7.0*	*+50.0%*
Net income	7.0	1.4	*+391.0%*	*3.8*	*+86.7%*
EPS (diluted)	0.19	0.04	*+391.0%*	*0.10*	*+88.4%*
Net Cash	72.8	71.0	*+2.6%*	64.2	*+13.3%*

Richard W. Blickman, President and Chief Executive Officer of Besi, commented: "Our Q1-14 results reflect a stronger than anticipated rebound in industry conditions from the trough reached in Q3-13, the benefits of our strategic positioning in key advanced packaging applications and the increased profitability of Besi's business model. While revenue increased by 9% vs. Q1-13, orders and net income increased substantially by 74% and 87%, respectively. During the quarter, customers, particularly Asian subcontractors, significantly increased die bonding and packaging capacity to address a broad based increase in smart phone and tablet demand. Customers also added capacity to support the introduction of new smart phones planned for H2-14 and new semiconductor devices as chip geometries continue to shrink while functionality increases. In addition, we experienced a surge in demand from European IDMs for automotive electronics applications reflecting increased auto sales globally and increased interest in intelligent automotive components. As such, we saw particular strength in orders in Q1-14 for flip chip, TCB and multi module die bonding systems and molding systems for advanced packaging applications. Net margins improved significantly to 10.0% in Q1-14 vs. 5.9% in Q1-13 as gross margins improved, costs remained under control and the effective tax rate further reduced due to benefits realized from our 2012 operational reorganization and the particular mix of European profits this quarter.

Based on our backlog and current order trends, we anticipate a strong Q2-14 and are more optimistic as to the industry's direction for the full year although visibility is limited currently as to order trends for H2-14. For Q2-14, we forecast that revenue will increase by approximately 40-50% vs. Q1-14 with a significant increase in sequential quarterly profitability and continued margin expansion from the operating leverage in our business. Favorable revenue and profit trends in H1-14 reflect the benefits of our ongoing corporate transformation over the past several years. The primary operational focus at present is ramping the supply chain and organization to maximize revenue and profit generation from the current upturn and introducing next generation die attach and wafer molding systems this year."

First Quarter Results of Operations

	Q1-2014	Q4-2013	Δ	Q1-2013	Δ
Revenue	70.0	53.1	*+31.9%*	*64.0*	*+9.3%*
Orders	111.1	57.2	*+94.2%*	*63.9*	*+74.0%*
Backlog	91.1	50.0	+82.3%	52.8	+72.4%
Book to Bill Ratio	1.6x	1.1x	+47.2%	1.0x	+59.2%

Besi's 31.9% sequential revenue increase vs. Q4-13 was broad based and exceeded guidance (+25-30%). Growth was primarily due to higher demand for epoxy, flip chip and TCB die bonding and ultra-thin molding systems for smart phone, tablet and automotive applications. Revenue in Q1-14 increased by € 6.0 million vs. Q1-13 due primarily to higher sales of flip chip, TCB and multi module die bonding equipment for advanced packaging applications.

Orders increased by 94.2% sequentially vs. Q4-13 and 74.0% vs. Q1-13 as customers, particularly Asian subcontractors, increased die bonding and packaging capacity to address new smart phone and tablet introductions and new semiconductor device production. On a customer basis, the sequential order increase in Q1-14 reflected a € 43.5 million (239.0%) increase by subcontractors and a € 10.4 million (26.7%) increase by IDMs.

	Q1-2014	Q4-2013	Δ	Q1-2013	Δ
Gross Margin	42.3%	40.1%	+2.2%	39.6%	+2.7%
Operating Expenses	21.5	20.5	+4.8%	21.1	+2.3%
Financial Expense, net	0.2	0.0	NM	(0.6)	NM

Besi's 42.3% gross margin in Q1-14 improved by 2.2% vs. Q4-13 primarily due to lower inventory provisions and was within guidance (41-43%). Labor efficiencies realized in the quarter were largely offset by increased materials costs necessary to support the large sequential order ramp. The 2.7% increase vs. Q1-13 was due primarily to lower freight costs, increased labor efficiencies and lower inventory provisions.

As compared to Q4-13, operating expenses increased by € 1.0 million (4.8%) and were slightly better than guidance (+5%). Expenses increased due to higher warranty, incentive compensation and personnel costs as well as lower development subsidies partially offset by the absence of a € 2.2 million charge realized in Q4-13 related to the theft of monies from Besi's North American subsidiary. As compared to Q1-13, the € 0.5 million (2.3%) increase primarily resulted from higher incentive compensation and warranty expenses partially offset by lower development expenses as a result of increased R&D capitalization. Total headcount increased by 7.6% vs. Q4-13, of which a substantial portion reflected an increase in temporary Asian production labor to support the 94.2% sequential order ramp.

Besi's effective tax rate was 11.6% in Q1-14 vs. a tax benefit in Q4-13 and 23.5% in Q1-13. The lower effective tax rate vs. Q1-13 reflects the structural change in Besi's operational organization at the end of 2012 as well as the change in profit mix contributed by its European subsidiaries.

	Q1-2014	Q4-2013	Δ	Q1-2013	Δ
Net Income	7.0	1.4	+391.0%	3.8	+86.7%
Net Margin	10.0%	2.7%	+7.3%	5.9%	+4.1%

Besi's € 5.6 million net income increase vs. Q4-13 was due primarily to (i) significantly higher revenue and gross margins and (ii) the absence of a € 2.0 million net charge in Q4-13 related to the theft of monies from a Besi North American subsidiary partially offset by (i) higher operating expenses and (ii) the absence of a tax benefit of € 0.7 million realized in Q4-13. As compared to Q1-13, the € 3.2 million profit increase was primarily due to significantly higher revenue and gross margins and a lower effective tax rate partially offset by higher operating expenses.

Financial Condition

	Q1-2014	**Q4-2013**	Δ	Q1-2013	Δ
Net Cash	72.8	71.0	*+2.6%*	64.2	*+13.3%*
Cash flow from Ops.	5.7	18.3	*-68.4%*	*(11.3)*	*NM*

At the end of Q1-14, Besi's cash and cash equivalents increased by € 2.3 million vs. Q4-13 to reach € 91.9 million. Total debt and capital leases increased by € 0.5 million to € 19.1 million. As a result, net cash increased by € 1.8 million to € 72.8 million. In Q1-14, Besi generated cash flow from operations of € 5.7 million which was utilized to fund (i) € 2.8 million of capitalized development spending and (ii) € 1.0 million of capital expenditures. As compared to Q1-13, Besi's net cash position increased by € 8.6 million primarily due to increased profits and less working capital investment required to finance its operations.

Outlook

Based on its March 31, 2014 backlog and feedback from customers, Besi forecasts for Q2-14 that:

- Revenue will be up approximately 40-50% vs. the € 70.0 million reported in Q1-14.
- Gross margins will range between 42-44% vs. the 42.3% realized in Q1-14.
- Operating expenses will be up approximately 10% vs. the € 21.5 million reported in Q1-14.
- Capital expenditures will be approximately € 1.6 million in Q2-14 vs. € 1.0 million in Q1-14.

Investor and media conference call
A conference call and webcast for investors and media will be held today at 11:30 am CET (5:30 am EST). The dial-in for the conference call is (31) 20 531 5845. To access the audio webcast, please visit www.besi.com.

About Besi

Besi is a leading supplier of semiconductor assembly equipment for the global semiconductor and electronics industries. The Company develops leading edge assembly processes and equipment for leadframe, substrate and wafer level packaging applications in a wide range of end-user markets including electronics, mobile internet, computer, automotive, industrial, RFID, LED and solar energy. Customers are primarily leading semiconductor manufacturers, assembly subcontractors and electronics and industrial companies. Besi's ordinary shares are listed on NYSE Euronext Amsterdam (symbol: BESI) and OTCQX International (symbol: BESIY) and its headquarters are located in Duiven, the Netherlands. For more information, please visit our website at www.besi.com.

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Caution Concerning Forward Looking Statements

This press release contains statements about management's future expectations, plans and prospects of our business that constitute forward-looking statements, which are found in various places throughout the press release, including, but not limited to, statements relating to expectations of orders, net sales, product shipments, backlog, expenses, timing of purchases of assembly equipment by customers, gross margins, operating results and capital expenditures. The use of words such as “anticipate”, “estimate”, “expect”, “can”, “intend”, “believes”, “may”, “plan”, “predict”, “project”, “forecast”, “will”, “would”, and similar expressions are intended to identify forward looking statements, although not all forward looking statements contain these identifying words. The financial guidance set forth under the heading “Outlook” constitutes forward looking statements. While these forward looking statements represent our judgments and expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from those contained in forward looking statements, including the discovery of weaknesses in our internal controls and procedures, our inability to maintain continued demand for our products; the impact on our business of potential disruptions to European economies from euro zone sovereign credit issues; failure of anticipated orders to materialize or postponement or cancellation of orders, generally without charges; the volatility in the demand for semiconductors and our products and services; failure to adequately decrease costs and expenses as revenues decline, loss of significant customers, lengthening of the sales cycle, incurring additional restructuring charges in the future, acts of terrorism and violence; inability to forecast demand and inventory levels for our products, the integrity of product pricing and to protect our intellectual property in foreign jurisdictions; risks, such as changes in trade regulations, currency fluctuations, political instability and war, associated with substantial foreign customers, suppliers and foreign manufacturing operations; potential instability in foreign capital markets; the risk of failure to successfully manage our diverse operations; those additional risk factors set forth in Besi's annual report for the year ended December 31, 2013 and other key factors that could adversely affect our businesses and financial performance contained in our filings and reports, including our statutory consolidated statements. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements whether as a result of new information, future events or otherwise.

Consolidated Statements of Operations

(euro in thousands, except share and per share data)

	Three Months Ended March 31, (unaudited)	
	2014	2013
Revenue	**69,994**	64,035
Cost of sales	**40,352**	38,666
Gross profit	**29,642**	25,369
Selling, general and administrative expenses	**15,477**	14,216
Research and development expenses	**6,058**	6,835
Total operating expenses	**21,535**	21,051
Operating income (loss)	**8,107**	4,318
Financial expense (income), net	**162**	(604)
Income (loss) before taxes	**7,945**	4,922
Income tax expense (benefit)	**918**	1,159
Net income (loss)	**7,027**	3,763
Net income (loss) per share – basic	**0.19**	0.10
Net income (loss) per share – diluted [a]	**0.19**	0.10
Number of shares used in computing per share amounts:		
- basic	**37,306,966**	37,541,293
- diluted [a]	**37,515,810**	37,732,626

[a] The calculation of diluted income per share assumes the exercise of equity settled share based payments.

Consolidated Balance Sheets

(euro in thousands)	**March 31, 2014 (unaudited)**	December 31, 2013 (audited)
ASSETS		
Cash and cash equivalents	**91,931**	89,586
Accounts receivable	**70,414**	53,697
Inventories	**73,832**	65,167
Income tax receivable	**1,744**	1,228
Other current assets	**8,572**	9,328
Total current assets	**246,493**	219,006
Property, plant and equipment	**24,486**	24,649
Goodwill	**43,403**	43,541
Other intangible assets	**37,480**	35,594
Deferred tax assets	**15,847**	16,485
Other non-current assets	**1,500**	1,435
Total non-current assets	**122,716**	121,704
Total assets	**369,209**	340,710
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable to banks	**16,079**	15,574
Current portion of long-term debt and financial leases	**309**	-
Accounts payable	**35,072**	21,056
Accrued liabilities	**28,895**	23,157
Total current liabilities	**80,355**	59,787
Other long-term debt and financial leases	**2,750**	3,059
Deferred tax liabilities	**5,413**	5,444
Other non-current liabilities	**8,465**	8,262
Total non-current liabilities	**16,628**	16,765
Total equity	**272,226**	264,158
Total liabilities and equity	**369,209**	340,710

Consolidated Cash Flow Statements

(euro in thousands)	Three Months Ended March 31, (unaudited) 2014	2013
Cash flows from operating activities:		
Operating income	**8,107**	4,318
Depreciation and amortization	**2,364**	2,667
Share based compensation expense	**735**	501
Other non-cash items	**115**	(37)
Changes in working capital	**(5,634)**	(18,581)
Income tax received (paid)	**(172)**	(388)
Interest received (paid)	**220**	232
Net cash provided by (used in) operating activities	**5,735**	(11,288)
Cash flows from investing activities:		
Capital expenditures	**(1,042)**	(369)
Capitalized development expenses	**(2,795)**	(2,077)
Proceeds from sale of equipment	**-**	2
Net cash used in investing activities	**(3,837)**	(2,444)
Cash flows from financing activities:		
Proceeds from (payments of) bank lines of credit	**808**	180
Proceeds from (payments of) debt and financial leases	**(309)**	696
Purchase Treasury Shares	-	(1,120)
Other financing activities	-	(437)
Net cash provided by (used in) financing activities	**499**	(681)
Net increase/(decrease) in cash and cash equivalents	**2,397**	(14,413)
Effect of changes in exchange rates on cash and cash equivalents	**(52)**	(59)
Cash and cash equivalents at beginning of the period	**89,586**	106,358
Cash and cash equivalents at end of the period	**91,931**	91,886

Supplemental Information (unaudited)

(euro in millions, unless stated otherwise)

REVENUE	Q1-2013		Q2-2013		Q3-2013		Q4-2013		Q1-2014	
Per geography:										
Asia Pacific	49.9	*78%*	60.1	*83%*	48.4	*74%*	33.1	*62%*	49.8	*71%*
EU / USA	14.1	*22%*	12.3	*17%*	17.0	*26%*	20.0	*38%*	20.2	*29%*
Total	64.0	*100%*	72.4	*100%*	65.4	*100%*	53.1	*100%*	70.0	*100%*
ORDERS	**Q1-2013**		**Q2-2013**		**Q3-2013**		**Q4-2013**		**Q1-2014**	
Per geography:										
Asia Pacific	49.8	*78%*	64.5	*78%*	33.3	*69%*	36.9	*64%*	76.6	*69%*
EU / USA	14.0	*22%*	18.2	*22%*	14.9	*31%*	20.3	*36%*	34.5	*31%*
Total	63.9	*100%*	82.7	*100%*	48.2	*100%*	57.2	*100%*	111.1	*100%*
Per customer type:										
IDM	28.1	*44%*	29.8	*36%*	30.8	*64%*	39.0	*68%*	49.4	*45%*
Subcontractors	35.8	*56%*	52.9	*64%*	17.4	*36%*	18.2	*32%*	61.7	*56%*
Total	63.9	*100%*	82.7	*100%*	48.2	*100%*	57.2	*100%*	111.1	*100%*
BACKLOG	**March 31, 2013**		**June 30, 2013**		**Sep 30, 2013**		**Dec 31, 2013**		**Mar 31, 2014**	
Backlog	52.8		63.1		45.8		50.0		91.1	
HEADCOUNT	**March 31, 2013**		**June 30, 2013**		**Sep 30, 2013**		**Dec 31, 2013**		**Mar 31, 2014**	
Fixed staff (FTE)										
Asia Pacific	820	*56%*	825	*57%*	820	*57%*	810	*56%*	839	*57%*
EU / USA	644	*44%*	634	*43%*	630	*43%*	624	*44%*	623	*43%*
Total	1,464	*100%*	1,458	*100%*	1,449	*100%*	1,434	*100%*	1,462	*100%*
Temporary staff (FTE)										
Asia Pacific	29	*48%*	27	*44%*	16	*37%*	2	*8%*	75	*70%*
EU / USA	31	*52%*	34	*56%*	28	*63%*	22	*92%*	32	*30%*
Total	60	*100%*	61	*100%*	44	*100%*	24	*100%*	107	*100%*
Total fixed and temporary staff (FTE)	1,524		1,520		1,493		1,458		1,569	
OTHER FINANCIAL DATA	**Q1-2013**		**Q2-2013**		**Q3-2013**		**Q4-2013**		**Q1-2014**	
Gross profit:	25.4	*39.6%*	29.2	*40.3%*	25.6	*39.1%*	21.3	*40.2%*	29.7	*42.4%*
Restructuring charges	0.0		(0.1)	*0.1%*	(0.0)	*0.1%*	0.0	*0.1%*	0.1	*0.1%*
Total	25.4	*39.6%*	29.3	*40.4%*	25.6	*39.2%*	21.3	*40.1%*	29.6	*42.3%*
Selling, general and admin expenses:										
SG&A expenses	13.6	*21.2%*	13.2	*18.2%*	13.7	*20.9%*	14.7	*27.7%*	15.0	*21.5%*
Amortization of intangibles	0.5	*0.8%*	0.5	*0.7%*	0.5	*0.8%*	0.5	*1.0%*	0.3	*0.4%*
Restructuring charges	0.1	*0.2%*	0.5	*0.7%*	0.0	*0.1%*	0.1	*0.2%*	0.2	*0.2%*
Total	14.2	*22.2%*	14.2	*19.6%*	14.2	*21.8%*	15.3	*28.8%*	15.5	*22.1%*
Research and development expenses:										
R&D expenses	7.8	*12.2%*	8.3	*11.4%*	7.1	*10.8%*	6.5	*12.3%*	7.7	*11.1%*
Capitalization of R&D charges	(2.1)	*-3.2%*	(2.2)	*-3.0%*	(1.7)	*-2.5%*	(2.0)	*-3.8%*	(2.8)	*-4.0%*
Amortization of intangibles	1.0	*1.6%*	0.6	*0.8%*	0.5	*0.8%*	0.7	*1.3%*	1.1	*1.6%*
Restructuring charges	0.1	*0.2%*	0.1	*0.2%*	0.0	*-*	0.0	*-*	0.0	*-*
Total	6.8	*10.7%*	6.8	*9.4%*	5.9	*9.0%*	5.2	*9.9%*	6.1	*8.7%*
Financial expense (income), net:										
Interest expense (income), net	(0.2)		(0.0)		(0.1)		(0.0)		(0.1)	
Foreign exchange (gains) \ losses	(0.4)		(0.0)		0.3		0.1		0.2	
Total	(0.6)		(0.0)		0.2		0.0		0.2	
Operating income (loss)										
as % of net sales	4.3	*6.7%*	8.3	*11.5%*	5.5	*8.4%*	0.7	*1.4%*	8.1	*11.6%*
EBITDA										
as % of net sales	7.0	*10.9%*	10.5	*14.4%*	7.5	*11.5%*	3.0	*5.6%*	10.5	*15.0%*
Net income (loss)										
as % of net sales	3.8	*5.9%*	6.5	*9.0%*	4.4	*6.8%*	1.4	*2.7%*	7.0	*10.1%*
Income per share										
Basic	0.10		0.17		0.12		0.04		0.20	
Diluted	0.10		0.17		0.12		0.04		0.20	