



Kulicke & Soffa Industries Inc. (KLIC)

Updated May 7th, 2025 by Nathan Parsh

Key Metrics

| | | | | | |
|-----------------------------|------|--|------------------------|----------------------------------|-----------------------|
| Current Price: | \$31 | 5 Year CAGR Estimate: | 8.3% | Market Cap: | \$1.6 B |
| Fair Value Price: | \$17 | 5 Year Growth Estimate: | 20.0% | Ex-Dividend Date: | 06/20/25 ¹ |
| % Fair Value: | 185% | 5 Year Valuation Multiple Estimate: | -11.5% | Dividend Payment Date: | 07/09/25 ² |
| Dividend Yield: | 2.6% | 5 Year Price Target | \$42 | Years Of Dividend Growth: | 5 |
| Dividend Risk Score: | F | Sector: | Information Technology | Rating: | Hold |

Overview & Current Events

Kulicke & Soffa Industries Inc. is a manufacturer and distributor of production equipment for semiconductor devices. The company operates in two business segments: Capital Equipment and Aftermarket Products & Services. The company is headquartered in Singapore and trades on the NASDAQ Exchange. Kulicke & Soffa has annual revenues of approximately \$700 million.

On November 13th, 2024, Kulicke & Soffa announced that it was raising its quarterly dividend 2.5% to \$0.205 per share.

On May 6th, 2025, Kulicke & Soffa reported results for the second quarter of fiscal year 2025 for the period ending March 29th, 2025. For the quarter, revenue declined 5.8% to \$162 million, which was \$3.1 million less than expected. Adjusted earnings-per-share of -\$0.52 compared favorably to adjusted earnings-per-share of \$0.95 in the prior year, but this was \$0.71 below estimates.

For the quarter, Automotive, General Semi, and Aftermarket Product and Services were roughly equal from Q2 2024 while Memory declined considerably. For the quarter, Kulicke & Soffa's adjusted operating margin of (16.9%) was up 1,230 basis points year-over-year, but down 2830 basis points from Q1 2025. Adjusted net margin of (17.2%) was up 1,370 basis points from the prior year, but lower by 2830 basis points on a sequential basis. The company repurchased 500K shares for \$21.3 million during the quarter.

We forecast that the company will earn \$1.40 in 2025, down from \$1.45 and \$1.59 previously. We have updated our forecast accordingly.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$0.67 | \$0.67 | \$1.75 | \$2.43 | \$0.45 | \$0.95 | \$6.14 | \$7.45 | \$1.82 | \$0.34 | \$1.40 | \$3.48 |
| DPS | \$0.00 | \$0.00 | \$0.00 | \$0.24 | \$0.48 | \$0.48 | \$0.59 | \$0.65 | \$0.74 | \$0.79 | \$0.82 | \$0.91 |
| Shares³ | 71 | 70 | 70 | 70 | 64 | 62 | 62 | 60 | 57 | 55 | 54 | 53 |

Kulicke and Soffa has been unable to generate any consistent growth over the last decade. However, the company has appeared to come out of the worst of the COVID-19 pandemic much stronger. The company experienced weakness during the last two fiscal years, but estimates for current fiscal year are slightly higher. As a result, we have raised our expected earnings growth rate from 2% to 20% due to the possibility of growth accelerating off a very low base. A combination of share repurchases and continued growth are contributors to our estimate as Kulicke & Soffa looks to improve upon results for very weak results in both fiscal year 2023 and fiscal year 2024 due to increased demand for products. The company also expects to introduce its next-generation advanced display systems.

Following the mid-November 2024 increase, Kulicke & Soffa has now raised its dividend for five consecutive years. We believe that this new dividend payment is a sign of management's confidence in the business' ability to generate consistent cash flow moving forward.

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In millions of shares

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|-----------|------|------|------|------|------|------|------|------|------|-------|------|------|
| Avg. P/E | 19.9 | 17.1 | 10.7 | 12.6 | 60.4 | 23.6 | 9.5 | 5.2 | 26.7 | 131.7 | 22.1 | 12.0 |
| Avg. Yld. | 0.0% | 0.0% | 0.0% | 2.0% | 1.8% | 2.1% | 1.0% | 1.7% | 1.6% | 1.8% | 2.0% | 2.1% |

Shares of Kulicke & Soffa’s have declined \$10, or 24.4%, since our February 12th, 2025 report. The valuation multiple has been unpredictable because of both tremendous stock price volatility and fluctuations in the company’s underlying earnings-per-share. We reaffirm our target price-to-earnings ratio of 12 to be more in-line with peers in the sector, but note that this is below the stock’s long-term average multiple of 20 times earnings when excluding last year’s artificially high valuation. The stock is trading at 22.1 times our earnings estimate for the year, implying a sizeable headwind from multiple contraction. If the company’s earnings multiple reverts to this target over the next five years, then valuation would reduce annual returns by 11.5% over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | --- | --- | --- | 10% | 107% | 51% | 10% | 9% | 42% | 232% | 59% | 26% |

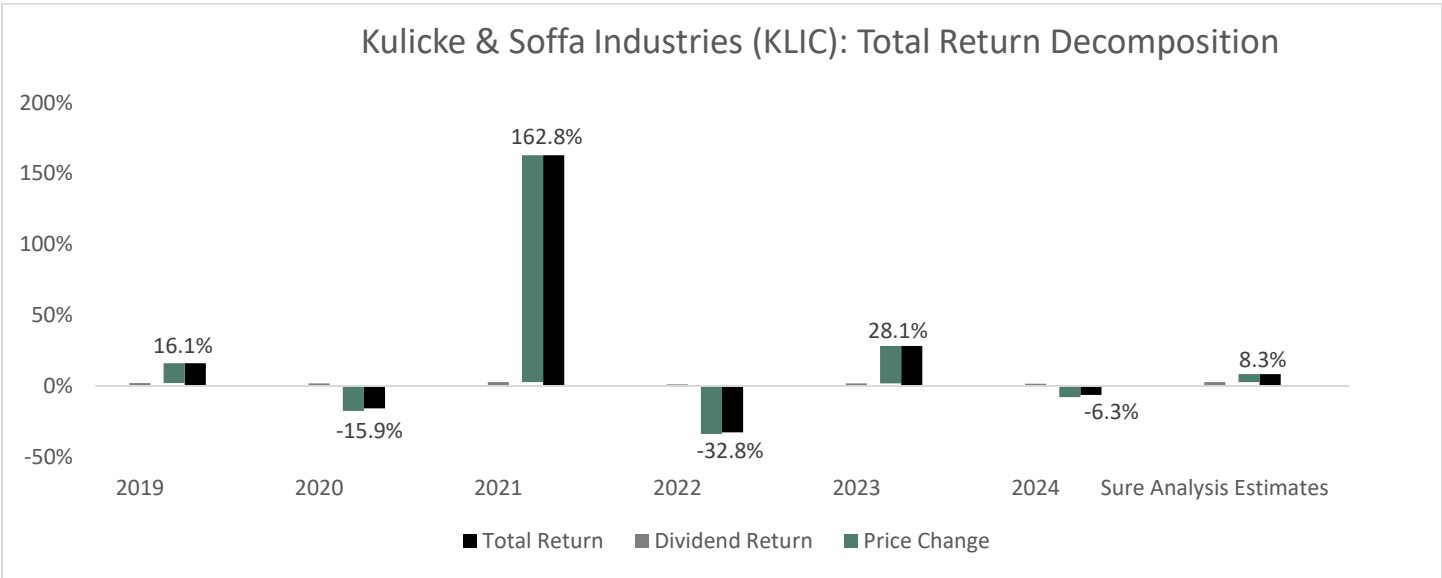
Kulicke & Soffa saw its earnings-per-share go from \$0.07 in 2008 to a loss of \$0.93 in 2009 as the company proved it was not recession-proof. The company did see a return to profitability in 2010, but financial results have varied over the last decade. Kulicke & Soffa has just recently started paying a dividend, though the payout ratio is very low. We feel this low payout ratio is prudent given the unpredictability of the company’s results.

Kulicke & Soffa’s main advantage is that semiconductors are needed for technology related devices to function. The company’s products are used in a wide variety of areas, such as automotive, communications and computing.

Final Thoughts & Recommendation

After second quarter results, Kulicke & Soffa is expected to return 8.3% annually over the next five years, up from our prior estimate of 3.1%. This projection stems from a 20% earnings growth rate and a starting dividend yield of 2%, that are largely offset by a low double-digit headwind from multiple contraction. A project cancelation negatively impacted EPS in FY 2024, but the company remains on track to return to growth in FY 2025. That said, shares of Kulicke & Soffa now receive a hold recommendation due to projected returns and a weak dividend risk score.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 536 | 627 | 809 | 889 | 540 | 623 | 1,518 | 1,504 | 742 | 706 |
| Gross Profit | 252 | 281 | 382 | 409 | 255 | 298 | 697 | 748 | 359 | 269 |
| Gross Margin | 47.0% | 44.8% | 47.2% | 46.1% | 47.1% | 47.8% | 45.9% | 49.8% | 48.3% | 38.1% |
| SG&A Exp. | 123 | 135 | 134 | 123 | 117 | 116 | 147 | 140 | 153 | 166 |
| D&A Exp. | 19 | 16 | 16 | 19 | 20 | 20 | 20 | 21 | 29 | 25 |
| Operating Profit | 39 | 54 | 148 | 167 | 22 | 59 | 412 | 471 | 61 | (48) |
| Op. Margin | 7.2% | 8.6% | 18.3% | 18.7% | 4.0% | 9.4% | 27.2% | 31.4% | 8.2% | -6.8% |
| Net Profit | 52 | 48 | 126 | 57 | 12 | 52 | 367 | 434 | 57 | (69) |
| Net Margin | 9.7% | 7.7% | 15.6% | 6.4% | 2.2% | 8.4% | 24.2% | 28.8% | 7.7% | -9.8% |
| Free Cash Flow | 78 | 62 | 111 | 103 | 54 | 83 | 277 | 367 | 129 | 15 |
| Income Tax | (13) | 8 | (7) | 121 | 23 | 12 | 47 | 43 | 15 | 11 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 904 | 982 | 1,171 | 1,186 | 1,080 | 1,055 | 1,602 | 1,589 | 1,500 | 1,240 |
| Cash & Equivalents | 499 | 424 | 392 | 321 | 364 | 188 | 363 | 556 | 529 | 227 |
| Accounts Receivable | 109 | 130 | 198 | 243 | 196 | 199 | 421 | 309 | 159 | 194 |
| Inventories | 79 | 87 | 122 | 115 | 89 | 112 | 167 | 185 | 217 | 178 |
| Goodwill & Int. Ass. | 139 | 132 | 119 | 109 | 98 | 95 | 116 | 100 | 118 | 115 |
| Total Liabilities | 135 | 183 | 251 | 306 | 311 | 297 | 506 | 394 | 325 | 296 |
| Accounts Payable | 26 | 42 | 51 | 49 | 37 | 58 | 155 | 67 | 49 | 59 |
| Long-Term Debt | - | - | - | - | 61 | - | - | - | - | - |
| Shareholder's Equity | 769 | 800 | 920 | 880 | 769 | 758 | 1,095 | 1,195 | 1,175 | 944 |
| LTD/E Ratio | - | - | - | - | 0.08 | - | - | - | - | - |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------|------|------|-------|-------|------|------|-------|-------|-------|-------|
| Return on Assets | 5.6% | 5.1% | 11.7% | 4.8% | 1.0% | 4.9% | 27.6% | 27.2% | 3.7% | -5.0% |
| Return on Equity | 6.7% | 6.2% | 14.7% | 6.3% | 1.4% | 6.8% | 39.6% | 37.9% | 4.8% | -6.5% |
| ROIC | 6.7% | 6.2% | 14.7% | 6.3% | 1.4% | 6.6% | 39.6% | 37.9% | 4.8% | -6.5% |
| Avg Shares Out | 71 | 70 | 70 | 70 | 64 | 62 | 62 | 60 | 57 | 55 |
| Revenue Per Share | 7.09 | 8.85 | 11.23 | 12.63 | 8.19 | 9.84 | 23.89 | 24.58 | 12.90 | 12.70 |
| FCF Per Share | 1.03 | 0.88 | 1.54 | 1.46 | 0.82 | 1.31 | 4.37 | 6.00 | 2.24 | 0.27 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

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