



ASM International NV

April 2017

"Shareholder Value Creation is Foremost"

*“I can guarantee you that [the stake in ASMPPT] is something that we monitor and review continually, simply as part of our complete strategic review of the company because, naturally, also **shareholder value creation is foremost**, and the PT stake is a part of that. And we regularly take a look at this.”*

Chuck del Prado, 2014 AGM

I. Introduction

Overview of Eminence Capital

- **Eminence Capital, founded in 1999 by Ricky Sandler, is a global asset management firm with \$6.5 billion in assets under management primarily invested in publicly traded equity securities**
- **We invest with a "quality value" based framework combining bottom-up, fundamental company and industry due diligence with detailed financial analysis to identify companies that fit our investment criteria**
- **We are long-term investors with a typical investment horizon for our long investments of multiple years**
- **Eminence is currently the second-largest shareholder in ASM International (ASMI) owning ~5.7 million shares (9.6% of outstanding voting shares) with a current market value of ~\$300 million¹**
- **We have been ASMI shareholders for approximately 3.5 years**

1. Current market value assumes an ASMI share price of €49.80 as of market close on 23rd March 2017

Why We Are Invested in ASMI

■ SECTOR

- FAVORABLE SECULAR INDUSTRY FORCES: the semiconductor capital equipment market is a cyclical growth industry with secularly rising capital intensity driving customer spend
- FAVORABLE COMPETITIVE DYNAMICS: each step in the manufacturing process is its own unique market where competitors sell based on technology rather than price

■ BUSINESS

- ATTRACTIVE CORE BUSINESS: Atomic Layer Deposition (ALD) should be a share gaining process within the overall industry for a multi-year period and ASMI is the clear leader in single wafer ALD

■ VALUATION

- UNDERVALUED: ASMI's complex holding structure leaves the company trading at a significant discount to peers despite its favorable competitive position and outlook

Strategic Benefits of an ASMPT Divestiture

■ **Strategic decisions are more focused and aligned**

- ASMI's Front End business and ASMPT compete in different markets and should pursue their own independent strategic paths
- With customers and competitors consolidating, pursuing strategic combinations as a buyer or seller takes on heightened importance
- The complex structure hinders any significant independent action

■ **More effective capital allocation post separation**

- Under the current corporate structure, the value creation generated through stock buybacks of an undervalued Front End business is diluted by the simultaneous repurchase of the ASMPT stake (representing ~70% of ASMI's market cap), which we believe is currently overvalued

■ **Management incentives are more aligned with driving business performance post separation**

Financial Benefits of an ASMPT Divestiture

- **Based on comparable peer trading multiples, ASMI shareholders could see upside of ~40%¹ by selling all or a significant portion of the ASMPT stake**
- **By reducing the stake in ASMPT below 30% of shares outstanding, ASMI could also attract strategic interest, which would likely enhance this trading upside case**
 - The Continuity Foundation is still in place to protect against hostile or unwanted takeover attempts
- **ASMI shareholders would no longer be subject to significant ASMPT stock price risk**
- **Historically, business separations have led to better operating and stock market performance for both companies**

1. Upside range depends on block sale discount and tax implications of divesting the ASMPT stake

II. Current Corporate Structure Has Caused Sustained Front End Undervaluation

2009 – 2017 Track Record Not As Impressive As Management Claims

	January 1, 2009	March 23, 2017	\$ Change
ASMI Market Cap	\$312mm	\$3,278mm	\$2,966mm
Value of ASMPT Stake	(\$657mm)	(\$2,204mm)	(\$1,547mm)
Net Debt/(Cash)	\$72mm ¹	(\$411mm)	(\$483mm)
Implied Front End Value	(\$274mm)	\$663mm	\$936mm

Key Findings

- Less than 33% of ASMI's stock price appreciation was due to an increase in Front End value
- Implied Front End value of \$663mm is still below AMAT / Francisco Partners' joint offer from 2008 of up to \$800mm cash

The Implied Front End Enterprise Value Is Below AMAT's Rejected Offer Price from 2008 – Nearly a Decade Later

Implied Enterprise Value of ASM International Front End



**Despite actions to date, the Front End continues to be undervalued.
It is time for management to take the next step.**

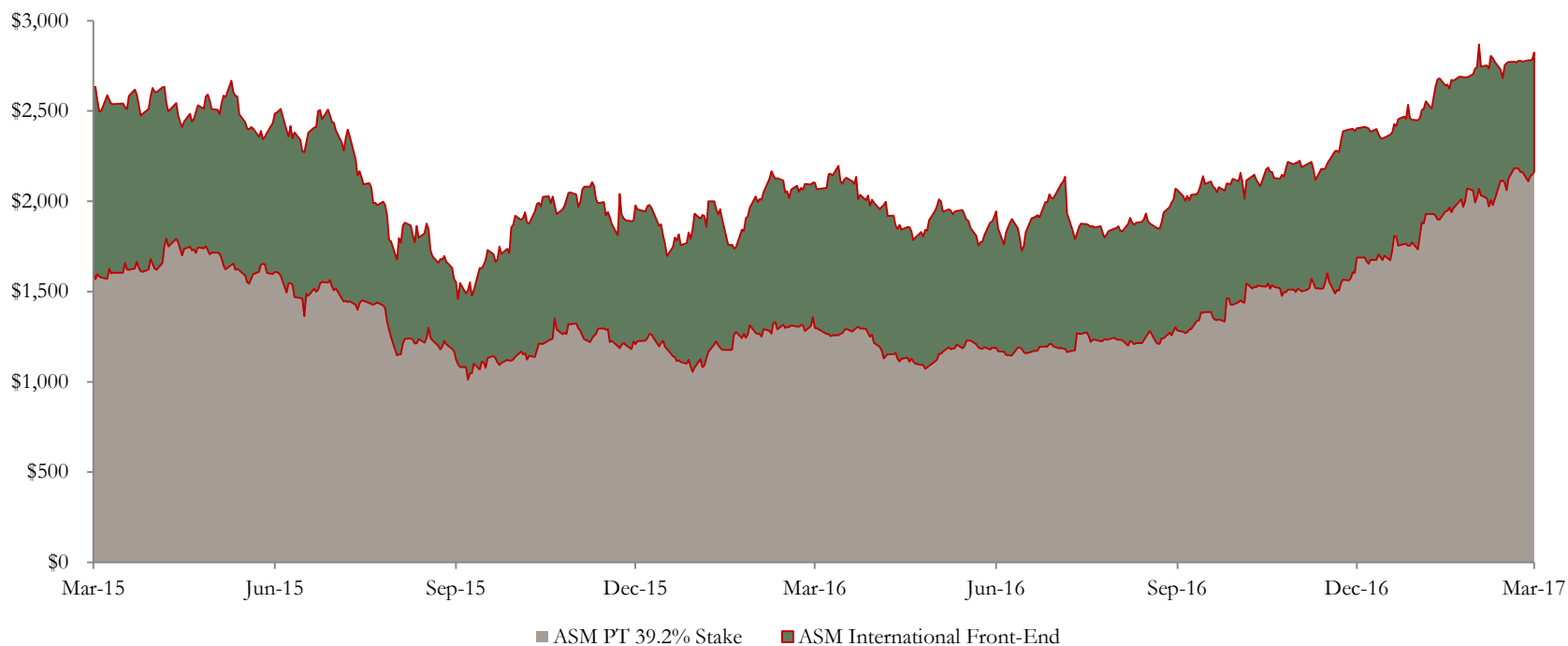
Source: Capital IQ as of March 23, 2017

Note: Financials converted to USD as of 3/23/17 using spot rates of 0.92 EUR / USD and 7.77 HKD / USD

Recent Stock Price Performance Driven Entirely by ASMPT

ASM International Enterprise Value Breakdown

(\$ in millions)



After an initial re-rating as a result of a partial sale of ASMPT, the Front End value has stalled for the last two years.

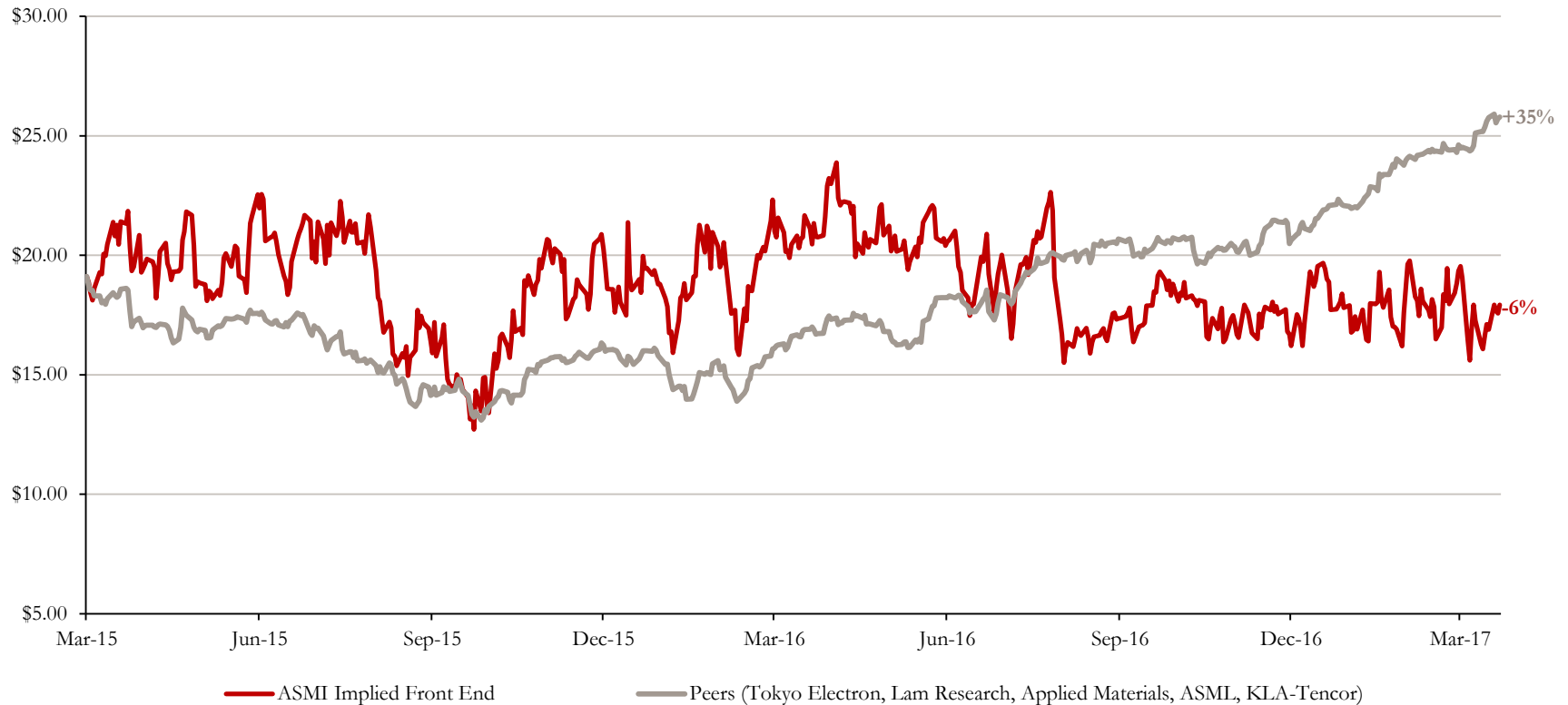
Source: Capital IQ as of March 23, 2017

Note: Financials converted to USD as of 3/23/17 using spot rates of 0.92 EUR / USD and 7.77 HKD / USD

The Implied Front End Stock Price Has Materially Lagged Peers

Implied Front End Stock Price Versus Peer Group Since March 1, 2015

(Peers index rebased to ASMI Implied Front End share price on 03/02/15)



Source: Capital IQ as of March 23, 2017

Note: ASMI Implied Front End share price converted to USD as of 3/23/17 using spot rate of 0.92 EUR / USD

III. The Value Creation Opportunity

Front End Valuation Materially Trails Its Peers

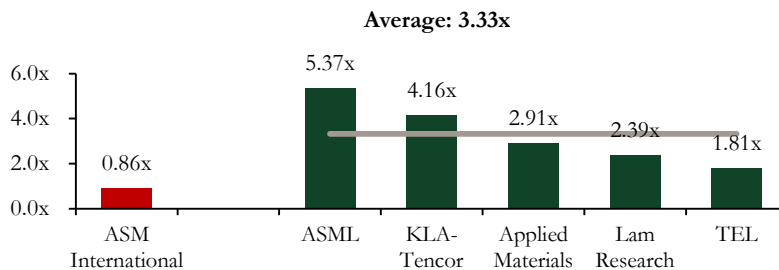
Current Implied Valuation

Date	03/23/17
<i>(\$ in millions)</i>	
Market Cap.	\$3,277.7
Debt	0.0
Cash & Equivalents	(410.7)
Enterprise Value	<u>\$2,867.0</u>
Market Value of 39.2% of ASMPT	<u>(\$2,204.5)</u>
Implied Enterprise Value of ASM Front End	<u><u>\$662.6</u></u>

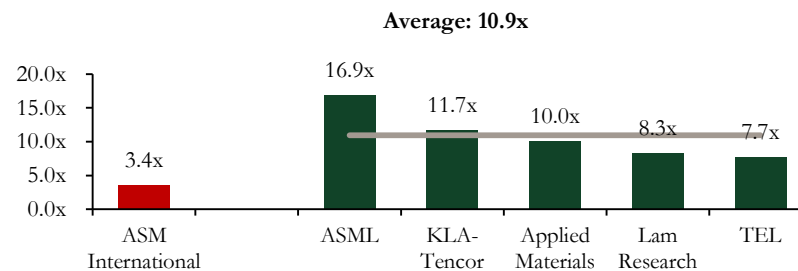
Peer Valuation Ranges

Parameter	Selected Range	Metric ¹	Implied Front End EV
CY18E Sales	3.0x - 3.5x	\$767mm	\$2.3 - \$2.7bn
CY18E EBITDA	10.0x - 12.0x	\$194mm	\$1.9 - \$2.3bn
CY18E EBIT	11.0x - 13.0x	\$137mm	\$1.5 - \$1.8bn
Illustrative Mean			\$2.09bn
Current Implied Front End EV			\$0.66bn
Upside to Current Implied EV			\$1.43bn

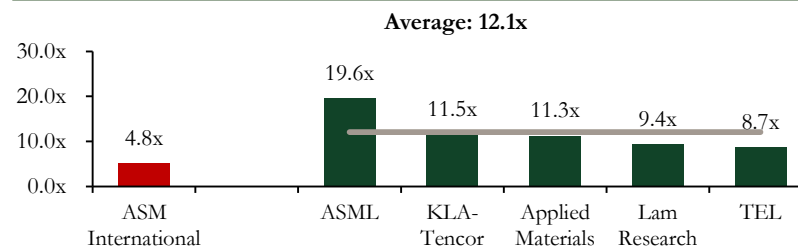
EV / CY2018E Revenue



EV / CY2018E EBITDA



EV / CY2018E EBIT

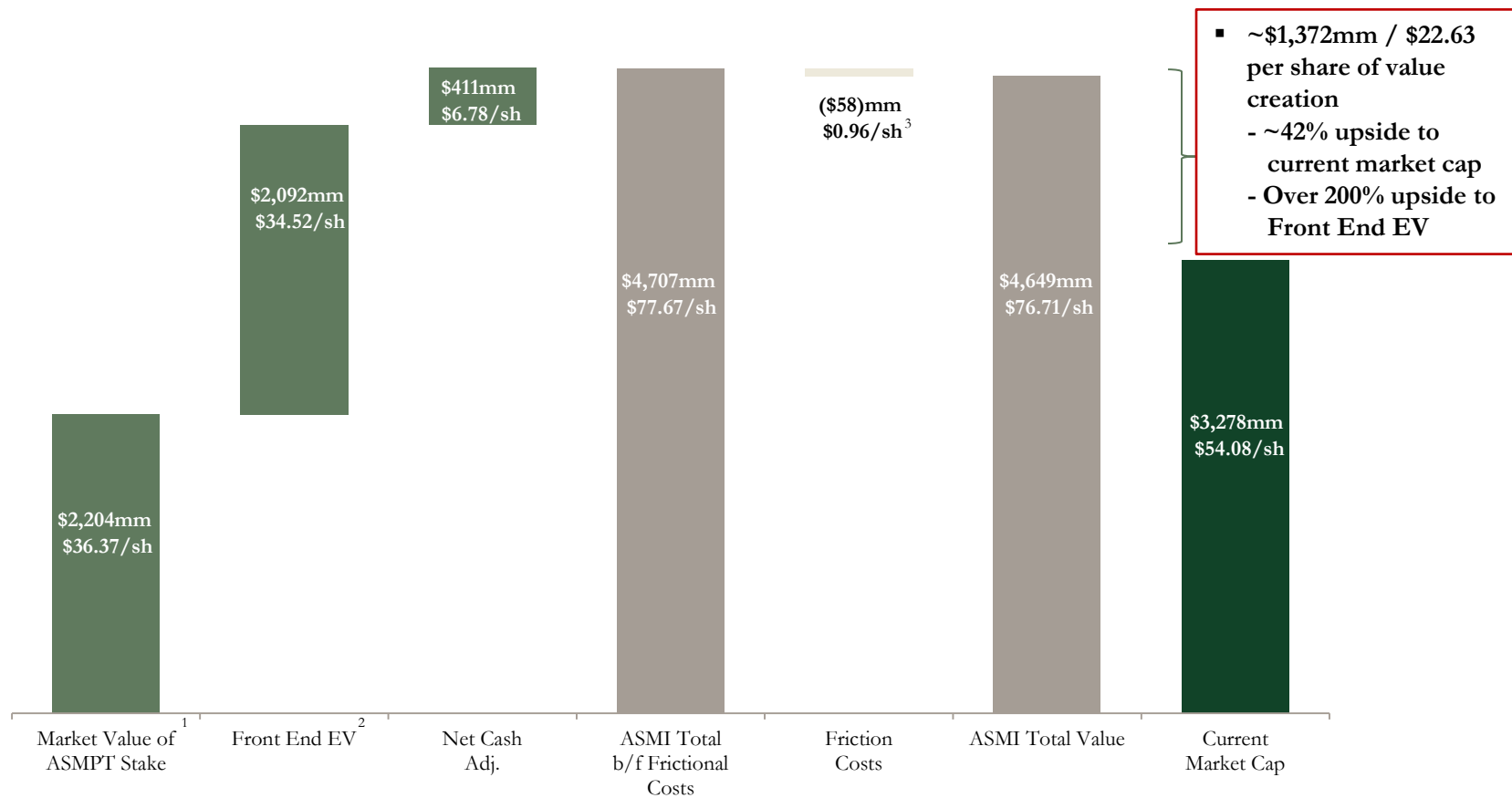


Source: Company filings, Capital IQ, Thomson estimates, FactSet estimates

Note: Financials converted to USD as of 3/23/17 using spot rate of 0.92 EUR / USD

1. Represents financials for ASM International excluding ASM PT; figures per Thomson consensus

\$1.4bn of Value Creation Potential Post Divestiture



1. Valuation as of 3/23/17
 2. ASMI standalone valuation based on ASMI 2018E sales of \$767mm; EBITDA of \$194mm; EBIT of \$137mm and Front End peer multiples
 3. Assumes an 8% discount on 33% of the ASMPT stake

IV. The *ASMPT* Stake Creates Little to No
Benefits Yet Introduces Significant Risk for
ASMI Shareholders

The ASMPT Stake Creates Little to No Benefits

- **No synergies between the two companies**
 - No physical overlap on locations or co-location of facilities/research
 - No customer overlap of any significance as confirmed by both companies
 - Management acknowledges the lack of synergies
 - “...If you were to ask me how substantial those synergies are now or likely to be in the very short term in our profit and loss account, then that is quite limited.” 2014 AGM
- **By selling all or a portion of the ASMPT stake and holding more cash, ASMI would maintain the “financial strength and stability” it deems important to customers**
- **Management has provided zero evidence of how the financial holding in ASMPT “provides ASMI with a stronger industrial presence”**
- **The stake acts as an improper permanent “poison pill” to potential acquirers**
 - Because ASMI owns greater than 30% of ASMPT, a potential acquirer of ASMI would also have to make a takeover offer for ASMPT under the Hong Kong takeover code

ASMI Shareholders Bear Significant Risk Given the Premium Valuation of ASMPT Versus Peers

Trading Comparables

(\$ in millions, except per share amounts)
As of 03/23/17

Company Name	Stock Price	% of 52 Week High	Market Value	Enterprise Value	Trading Multiples			
					TEV / EBITDA		P / E	
					CY17E	CY18E	CY17E	CY18E
Back-End								
Teradyne	\$30.55	97.9%	\$6,136	\$5,310	11.4x	9.9x	18.4x	16.2x
Disco	153.54	92.7%	5,543	4,872	11.8x	10.7x	22.8x	18.6x
BE Semiconductor	41.57	99.5%	1,546	1,365	12.6x	12.0x	18.9x	17.4x
Kulicke and Soffa	20.25	95.4%	1,438	876	7.6x	6.0x	18.7x	14.8x
Average		96.4%			10.8x	9.7x	19.7x	16.8x
ASMPT	\$13.78	98.7%	5,624	5,522	13.5x	12.3x	21.5x	19.6x

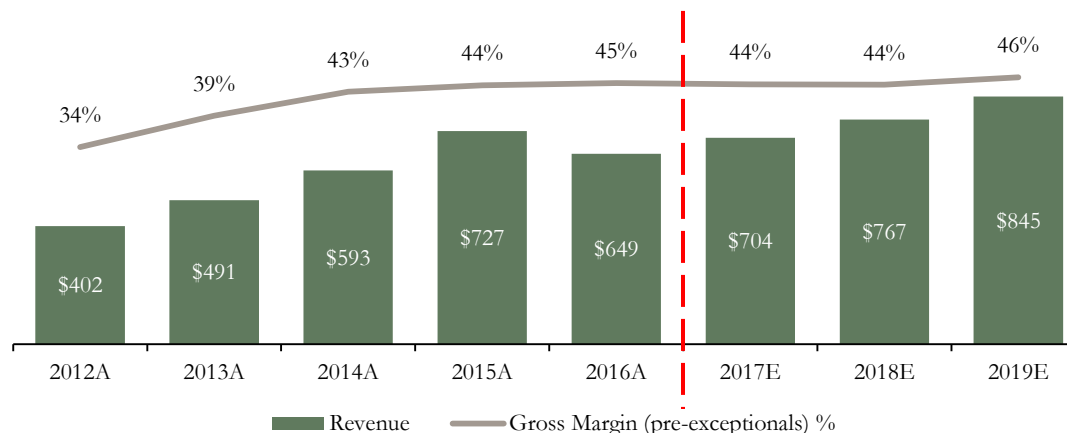
ASMPT represents ~70% of the total value of ASMI's stock. By not selling at these valuations ASMI shareholders are taking on significant stock price risk in a business with limited visibility and little or no influence.

V. *ASMI's Front End Business Can and
Should Stand Alone*

Front End Business is Strong and Self-Sustaining

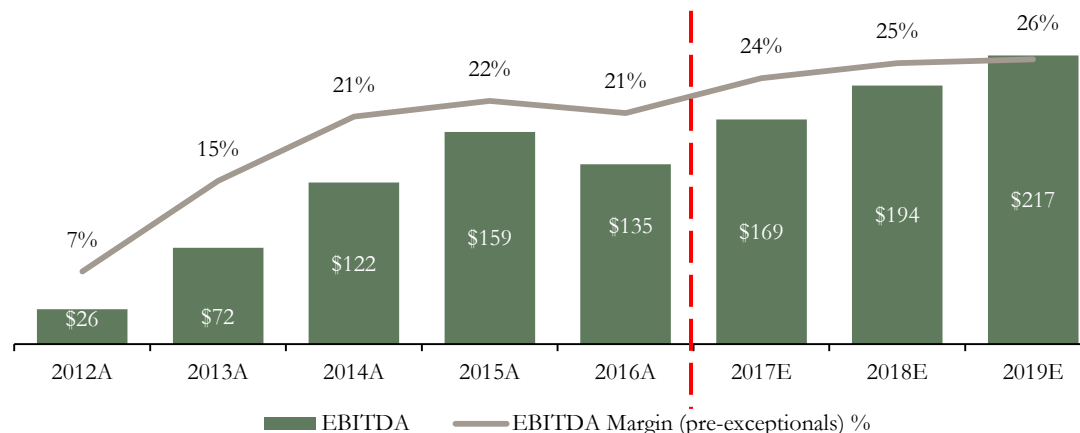
5 Years of Strong Revenue Growth and Improving Gross Margin

(\$ in millions)



EBITDA and EBITDA Margin

(\$ in millions)



In addition, the Front End has \$400mm+ of cash on the balance sheet and is projected to generate \$100mm+ of free cash flow annually.

Technology Matters More Than Scale in This Industry

- **Lam Research and Varian Semiconductor provide historical precedents of smaller companies with market leading technology that created value in the semicap industry**
 - In 2003, both companies had a smaller revenue base than ASMI's Front End business today

Lam Research

	2003	2016	2003 – 2016 CAGR
Revenue	\$653mm	\$6,626mm	20%
EBITDA	\$49mm	\$1,685mm	31%
Market Capitalization ¹	\$2,452mm	\$13,637mm	14%
Share (Etch)	30%	48%	18% cumulative gain

Varian Semiconductor

	2003	2011 ²	2003 – 2011 CAGR
Revenue	\$328mm	\$963mm	14%
EBITDA	\$27mm	\$303mm	35%
Market Capitalization ¹	\$1,078mm	\$3,228mm	15%
Share (Implant)	31%	72%	41% cumulative gain

Source: CapitalIQ as of 3/23/2017

1. Represents yearly averages

2. Varian was acquired in 2011

VI. Recommendations

Recommendations

- **Given the significant and persistent undervaluation of the Front End business we recommend a split of ASMI from ASMPT**
- **Eminence believes a multi-year plan to exit the ASMPT stake via multiple block trades creates the most long-term shareholder value**
- **The first step should be a block trade of 33% of the ASMPT stake combined with a special dividend paid to shareholders which would be free from corporate level tax**

Appendix

Front End Peer Valuation

Trading Comparables

<i>(\$ in millions, except per share amounts)</i>											
<i>As of 03/23/17</i>											
Company Name	Stock Price	% of 52 Week High	Market Value	Enterprise Value	Trading Multiples						LT EPS Growth Rate
					TEV / Revenue		TEV / EBITDA		P / E		
					CY17E	CY18E	CY17E	CY18E	CY17E	CY18E	
Front-End											
ASML	\$130.54	99.7%	\$52,791	\$52,030	6.1x	5.4x	20.0x	16.9x	29.7x	23.8x	18.9%
Applied Materials	38.85	97.6%	41,951	41,129	3.1x	2.9x	11.3x	10.0x	14.8x	13.2x	21.6%
Lam Research	125.35	98.2%	23,224	20,134	2.5x	2.4x	8.8x	8.3x	13.5x	12.7x	15.4%
TEL	103.09	94.8%	16,945	14,436	1.8x	1.8x	8.3x	7.7x	14.9x	13.8x	17.3%
KLA-Tencor	95.23	98.8%	14,925	15,312	4.3x	4.2x	11.2x	11.7x	16.1x	15.2x	12.0%
Average		97.8%			3.6x	3.3x	11.9x	10.9x	17.8x	15.8x	17.1%
Median		98.2%			3.1x	2.9x	11.2x	10.0x	14.9x	13.8x	17.3%

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