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BE Semiconductor Industries N.V. (BESIY) CEO Richard Blickman on Q2 2022 Results - Earnings Call Transcript – July 21, 2022

BE Semiconductor Industries N.V. (OTC:BESIY) Q2 2022 Earnings Conference Call July 21, 2022 10:00 AM ET

Company Participants

Richard Blickman - Chief Executive Officer

Conference Call Participants

Francois-Xavier Bouvignie - UBS

Charles Shi - Needham & Company

Didier Scemama - Bank of America

Marc Hesselink - ING

Robert Sanders - Deutsche Bank

Nigel van Putten - Kempen & Co

Operator

Good morning and good afternoon, ladies and gentlemen and welcome to Besi's Quarterly Conference Call and Audio Webcast to discuss the company's 2022 Second Quarter and First Half Year Results. You can login to the audio webcast via Besi's website www.besi.com.

Joining us today are Mr. Richard Blickman, Chief Executive Officer; and Mr. Hetwig van Kerkhof, Senior Vice President, Finance. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will follow at that time. As a reminder, ladies and gentlemen, this conference is being recorded and cannot be reproduced in whole or in part without written permission from the company.

I would now like to turn the call over to Mr. Richard Blickman.

Richard Blickman

Thank you. Thank you all for joining us today. We will begin by making a few comments in connection with the press release we issued earlier today, and then take your questions.

I would like to remind you that some of the comments made during this call and some of the answers in response to your questions by management may contain forward-looking statements. Such statements may involve uncertainties and risks as described in the earnings release and other reports filed with the AFM.

For today's call, we'd like to review the key highlights of our second quarter and six months ended June 30 and also update you on the market, our strategy and the outlook. First, some overall thoughts on the second quarter.

Besi reported solid first half year results, with revenue and net income of €416.4 million and €143.2 million, increasing by 12.8% and 9.2%, respectively versus the first half of 2021. Revenue development this first half year was influenced by a number of important market trends. On the positive side, it reflected ongoing strength for Besi's computing and automotive end user markets, continuing favorable trends from the second half of 2021. Such strength was partially offset by reduced demand for high-end smartphones, following a large capacity built in last year 2021. It also reflected a 31.4% decrease in revenue from Chinese customers, primarily associated with the reduced shipments to subcontractors for mobile handsets and mainstream electronics applications due to over capacity and COVID related lockdowns.

Net income growth in the first half 2022 benefited from higher revenue levels, stable gross margins of 60.5%, and cost control efforts, which enabled us to keep operating expense margins relatively flat, despite funding 46.8% increase in R&D spending associated with new wafer level product developments. For the quarter, Besi's revenue of €214 million and a net income of €75.6 million grew by 5.7% and 12%, respectively versus the first quarter of this year. Sequential revenue and profit growth were primarily due to increased shipments for high-end smartphones and increase of gross margins to 61% due to a more favorable product mix, a stronger dollar and a 5% reduction in operating expenses.

However, orders of €153.1 million decreased by 25.2% versus the orders received in the first quarter as industry conditions weakened, global GDP growth rates decelerated and customer caution increased. In particular, they reflected lower bookings for high-end mobile and high performance computing applications, as well as lower orders by Asian subcontractors, partially offset by continued strength and demand for automotive end user markets.

In addition, Besi's backlog of €275 million at June 30 remained at higher than typical levels, reflecting ongoing supply chain issues, selective pre-ordering by customers, and to a lesser extent, push outs by some Asian subcontractors given changing market conditions.

Our liquidity position continued to improve at June 30, with net cash of €284 million and total cash and deposits of €601.6 million increasing by 37.4% and 70.6%, respectively versus June 30 of last year. Such increases occurred despite the distribution of €305.7 million to shareholders in the first half of this year in the form of dividends and share repurchases.

Given continued strong cash flow generation and current market conditions, we intend to complete the current €185 million share repurchase program by July 31st of this year. Beginning August 1st, 2022, we intend to initiate a new €300 million program representing approximately 7.5% of current shares outstanding with an estimated completion date of October, 2023. Repurchases under this program will help to reduce dilution related to Besi's convertible notes outstanding and issuances on their employee stock plans.

Next, I'd like to speak a little bit about the current market environment and our strategy. As seen in this next chart, industry conditions weakened significantly in the recent months, following substantial capacity additions over the past eight quarters. Whether this softness is a temporary pause or more prolonged in duration, it is difficult to tell at present, given the many conflicting economic geopolitical and industry cross currents.

Similarly TechInsights recently reduced their 2022 and 2023 assembly equipment market forecast. They took down 2022 growth from 10.2% to 8.2%, and 2023 from roughly flat to down 5%. We are accelerating investments in Besi's future, particularly for our hybrid bonding and wafer level assembly portfolio as the long-term drivers of our business remain intact and sub 10 nanometer device innovation continues apace. As such, we are deploying greater resources to meet hybrid bonding goals, introducing new wafer level assembly systems, adding development and support personnel and taking occupancy of a new 125,000 square foot leased facility in Malaysia in third quarter of this year, which should lessen capacity constraints for our most advanced systems. Of note, we received three orders for Besi's new embedded bridge die attach in the first half of 2022, reflecting progress in the builtout of our wafer level assembly portfolio.

Now a few words about the third quarter of this year guidance. For the third quarter, we estimate that revenue will decrease by 20% to 30% versus the second quarter, reflecting current market conditions and seasonal trends. However, Besi's gross margin is expected to remain in the 60% to 62% range due to the flexibility of our production model and timely operational actions taken. In this regard, we reduce temporary production headcount approximately by 16% in the latter half of the quarter to better align production with order trends. Further, operating expenses are anticipated to decrease by 10% to 15% versus the second quarter of this year, principally related to lower revenue levels.

That ends my prepared remarks. I would now like to open the call for some questions. Operator?

Question-and-Answer Session

Operator

Thank you so much, Richard. [Operator Instructions]

The first question is coming from the line of Francois-Xavier Bouvignie from UBS. Francois, you are unmuted and you may go ahead.

Francois-Xavier Bouvignie

Hi. Can you hear me?

Richard Blickman

Hi. I can hear you. Yes.

Francois-Xavier Bouvignie

Yeah. Great. Thank you very much for taking the question. So, my first question is maybe on the HPC that smartphone you already mentioned some, weakness last quarter. And I was wondering the HPC, which seems a bit more new, which products and application are you referring to in terms of weakness there? That would be very helpful. And then, Richard, you mentioned that if it's going to be temporary real a bit more [technical difficulty]

Richard Blickman

Your line is dropping. Can you repeat that again, please?

Operator

Francois, we seem to we have lost your audio. Do you mind continue speaking so we can hear you, sorry.

Francois-Xavier Bouvignie

Sorry. Yeah. Can you hear me now?

Richard Blickman

Yeah. I can hear you. Please come again. Repeat your question.

Francois-Xavier Bouvignie

Sorry about that. And the question is on the orders, you said you don't know if it's going to be temporary real fall longer time earlier, that's difficult to say. Do you see any data points already of some recovery of anything that you could fly from the week two orders last to quarters of orders? Do you see anything that makes you more confident or a bit more bearish, just given your experience? I thought it would be interesting to have your insight on that front.

Richard Blickman

Well, let me share some thoughts about how we look at the current market situation and certainly for high-end smartphones in particular. If we look at the Chinese markets, there is widely recognized and publicized weakness already for some time. But then on leading high-end smartphones, it's a question what new features will be included in next year's models?

So, the question is face recognition is one of them. Modules were further adapting the next-generation for 5G and -- sorry. There was an interruption here, but let me continue. There are some articles expecting that may well be included in next year's generation. So that's a positive one. Same like data, datacenter, data processing remains a very, very solid application area. Also to note, which is positive is the front end continued CapEx. So, simply imagine all devices need to be assembled in at some point. So, those are underlying positive trends.

What is negative is as we also, in the press release, have commented is after two very strong growth years, some 20% plus up in 2020, 70% plus up in 2021. And still some lockdown effects in China. You have seen some slowdown in, in particular in China. And the question is, is there an over capacity to an extent which would point to a longer absorption of that capacity?

So, there are underlying positive trends. There are some hesitations. You could also say as a hesitation, the overall global economy situation, with China slowing down, with other questions about inflation, et cetera, which could have a negative impact on our business. But the underlying demand for semiconductors and again, confirmed by continued CapEx in the front end is a positive one and new, let's say, components solutions, camera modules, I wanted to say, are particular ones, which could be included in next year's high-end generations, but it is all to be seen. We can ramp up very rapidly. Many of you know that. We can also adjust the cost downward rapidly. So, Besi is ready for any scenario. Does that help?

Francois-Xavier Bouvignie

Yes. Very much, Richard. And on HPC, I mean, what do you see the weakness product and application, because it seems new versus third quarter. So, can you give more details around this weakness there?

Richard Blickman

How do you mean high performance computing? The comment I would simply share here is, is that is an -- let's say, not every quarter is strong, but the underlying growth is very strong. And don't forget if you look at an Intel, for instance, they have major CapEx plans for the next eight years, which is all widely publicized. And so, the -- this is a -- you could say a seasonal effect, but not a structural effect.

Francois-Xavier Bouvignie

Okay. So HPC, just one of basically this quarter for the other weakness.

Richard Blickman

Yeah.

Francois-Xavier Bouvignie

Okay.

Richard Blickman

But if you look in retrospect term in our, let's say, world typically the first half year is very strong, the third and fourth quarter are typically somewhat less. So, this is not unusual. Of course, as -- and reduction by double-digit quarter-on-quarter is something which is significant. But on the positive side, the underlying trends. Also, if you look at our margins, our overall net margins, the product position of Besi is very strong.

Francois-Xavier Bouvignie

Great. Thank you very much, Richard.

Operator

Thank you so much for your questions, Francois. The next question is coming from the line of Charles Shi from Needham & Company. Charles, your line is unmuted and you may go ahead.

Charles Shi

Hey. Good afternoon, Richard. Thank you for taking my question. I want to ask you a little bit more about your backlog, €275 million by exiting the June quarter. My question really is about what you are seeing in terms of your customer's commitment level as of today. I heard you talk about some pushouts. Are you seeing any outright cancellation right now, or how feel about this point? Thank you.

Richard Blickman

Well, it's easy to answer. There are no cancellations, otherwise we would've mentioned them. So, there is some pushout. Some is related to simply our guess is less demand, or immediate demand. Some is related also to logistics infrastructure and COVID in China in particular. But again, that is in comparison to the total backlog, minimal. You could ask the question, how much could our quarter have been more if we didn't have pushouts? I would've expected that question, but there's an easy answer. It's between €15 million and €20 million more revenue. So, anyway. That is -- yeah, a picture which we translate into softer market conditions.

Charles Shi

Got it. Got it. I want to ask a little bit more longer term question here. Hybrid bonding, TSMC, Intel commitment is very clear at this point, it’s well publicized. I want to ask you on the memory side. I know you have given some indication in the past that, is there any -- can you remind us who -- with the level of customer engagement right now, how committed they are in terms of going into hybrid bonding and potentially, having adopting your tools, any color would be great. Thank you.

Richard Blickman

Well, if you look at the progress we've made in the past year, it is significant. So, a year ago, June, it first moved from a development center into production for a first application in a chiplet architecture well publicized in September last year. That resulted in establishing a mainstream capacity, and we are shipping every quarter systems to complete that initial phase. So that went also successfully in the second quarter, and that will continue in the fourth quarter and in the third quarter and party in the fourth quarter.

We also mentioned not just one customer, but also other customers. And it's all related today to CPUs and memory is under development applications. And at this moment, you could say the adoption rate is

continuing at the level, which it was, let's say, three months ago. One could expect still the timelines. So, the roadmaps for CPU. And then memory 2022, as we mentioned in previous calls, initial startup 2023, real production and at multiple two customers. And then, from 2024, 2025 onwards also in the memory space, we are engaged in development of certain devices in initial phase, in the center of excellence in Singapore, in particular, ongoing development programs also at customers. So, you could say roadmap, which continues according to plan. And our machines are getting day-by-day more production capable in many ways meeting yield targets and meeting also higher throughput targets, and that is all according to plan.

Charles Shi

Thank you, Richard. Maybe my last question. I want to ask you about your -- what you think about your competitors' recent announcement on their version of die-to-wafer hybrid bonding. It does look like it's actually a different approach from your direct lightweight hybrid bonding. Any comments on that. And what do you think about your competitive positioning relative to their offering there? Thank you.

Richard Blickman

Well, in several ways, the industry is developing certain technologies to accomplish the interconnect. And a TCB process, whether it is using a reflow or not -- or a flux, I should say, clearly, a flux or not, is a reflow process. A hybrid interconnect is a copper-to-copper. Clearly, with ever smaller design geometries, the conclusion is more and more clearly that one needs a hybrid bonding process. But there are many devices which are still connected either with flip chip or TCB, thermal compression bonding process, so using a reflow process. So, there will continue to be, you could say, various technologies use of those three in the advanced structures.

We are recognizing continued, as I explained to your earlier question, adoption of this hybrid bonding. At the same time, we are successful with our next-generation TCB platform with features also addressing the combination of these two processes on a similar platform, which has great advantages to those customers.

So -- and then, as a final comment, it's clear that in this future growth markets, with expectations of significant higher growth rates than the previous CoWoS technology generation, published recently by a major Taiwanese customer in an Investor Day that bodes very well for future growth rates for hybrid bonding technology.

Charles Shi

Okay. Richard, sorry. Thank you for the color, your thoughts on TCB. My question is actually, will you think about the EVG and ASMPT's announcement on their die-to-wafer hybrid bonding tools. It's quite a different approach. But I want to get your thoughts relative to your direct die-to-wafer approach. What do you think about how you differentiate from their offering? Thank you.

Richard Blickman

Well, as you already said, that's a different approach. So far, we anticipate that the direction we follow is the -- is today the expected dominant technology direction. But as I tried to say, in this whole environment of interconnect, there are different solutions being developed.

One of the problems with die-to-wafer and different processes is that you have to understand more clearly which device types, because for some -- or certain devices you need different processes. And the one you are referring to is a different device type, not comparable to the CPUs which we are currently connecting. So, in any case, it is not a one-to-one comparison.

Charles Shi

Thank you very much. That's all my questions.

Richard Blickman

Thank you, Charles.

Operator

Thank you so much for your questions, Charles. And the next question is coming from the line of Didier Scemama from Bank of America. Your line is unmuted and you may go ahead.

Didier Scemama

Thank you. Good afternoon, Richard. I have a few questions on hybrid bonding, if I may. So, number one, if you could give us a sense of your order intake for hybrid bonding machines in Q2, or what your backlog looks like.

Second of all, I think you alluded to that in your previous comment. TSMC said they're going to increase capacity for hybrid bonding by 20x by 2026. So, I wondered whether you could tell us whether your 12 to 15-unit hybrid bonding capacity plan is enough to cover that 20x increase in capacity. And I've got a follow-up. Thank you.

Richard Blickman

Well, first of all, as I already mentioned already to an answer to an earlier question, the rollout so far is on track if you take the roadmaps, which we shared in the Investor Day-Capital Markets Day. Of course, there is always in anticipation of maybe an acceleration earlier, but it takes time for the adoption and also especially the yields which are required for these very high-end devices.

I want to conclude today that, that is on the right track and following expectation at customers. Again, take the timeline, 2022, 2023, 2024, 2025, 2026. A lot of, let's say, the adoption and rollout in larger volumes is expected to start from late 2023, but 2024, 2025, 2026. So, to meet those very strong targets expressed recently, and it's not just that one customer, but also the others, there's an enormous pressure and that's why you see our R&D investment going up. Also the infrastructure we are building is taking more and more shape, anticipating on a major adoption of this technology, resulting in higher volume machines than what we anticipate today.

So, our capacity in place is between 15, 18 machines per month, but we're ready to expand that if that is needed. It may well be that when -- once we have 2023 more clearly and know more about 2024, 2025 that we should review that. But the 20x certainly means more machines than that. But there's still time to go in July 2022.

So, yes, we are on top of that. We are with the right customers, the leaders. We have the right solutions, but then, there's still a lot which has to happen.

Didier Scemama

Okay. Thanks for the call. Maybe another question on hybrid bonding for me would be that to what degree the fact that your current machine is supporting seven and to a lesser degree 5-nanometer design is a problem. What I mean by that is one would have expected the new designs by the major fabless customers or even IDMs to focus on the 3-nanometer node. And so, to some degree, does that limit the near-term appetite for hybrid bonding at the seven and 5-nanometer, or am I of off-beat here?

Richard Blickman

No, no. No, no. A very important question. As we also announced earlier, we now have a system which can accomplish 150 nanometers. But in actual, let's say, use -- it is around 200 nanometers, which is sufficient in current generation. But early next year, we have to install the machine, which can reach the 100-nanometer, which then is tied to 5 nanometers and for some 3-nanometer applications already. And two years further down the road 2025, we have to be ready for 50. So, it's not just a number of devices produced in the current machine. But there's a technology roadmap, which is -- yeah, a more simple way to understand is that the machines have to be capable to go also in tighter accuracies following this design geometry of the semiconductors. Whether that will limit the -- let's say, current is not to be expected, because there's a very broad range of applications already feasible today. Also think about the chiplet architecture. And there are many devices connected, which do not even need the 150-nanometer generation, which can be done with maybe even 500-nanometer. So, it's not only the highest accuracy which is required. But I would recommend look at our Capital Markets Day presentation on the hybrid bonding roadmaps, and there you see more details.

Didier Scemama

Brilliant. Maybe just one last question. Since the China lockdowns were lifted, have you seen any pickup in activity or anything that would make you a little bit optimistic? It doesn't sound like it, but I just wondered if you could share anything with us.

Richard Blickman

Well, as we mentioned, not at this very moment. Whether we had some pushouts in June. Yeah. The key question is how this will develop. Will it be a soft landing, some people -- and I repeat what I said earlier. The ongoing CapEx in front end is simply addressing an ongoing demand to be expected in the next years. And for that, you also need your assembly equipment. So, if front end starts to slowdown, then you have a more clear picture of what is happening.

It is hard for us to, yeah, be conclusive. And we rather stay on a more cautious stance than that we sort of try to portray a picture, which is on the opposite -- on the more positive side. So -- and again, with all what's happening in the world, we are more cautious than that we are very optimistic.

Didier Scemama

Yeah. You are cautious, but you're banging back your stock more aggressively. Thank you very much.

Richard Blickman

Thank you.

Operator

Thank you for your questions. [Operator Instructions]

The next question is coming from the line of Marc Hesselink from ING. Your line is unmuted and you may go ahead.

Marc Hesselink

Yes. Thank you. Can you talk about what you are seeing now in the supply chain? A few quarters ago you were constrained by the supply chain. Is that now completely away because of now a bit slower pace?

And also related to that supply chain, if you look at the risk of significant overcapacity and the fact that not only you, but the entire industry was not able to supply the demand that the clients had, is that going to have a significant impact on how much digestion there needs to be done?

Richard Blickman

That's again an excellent question. First of all, in the supply chain, there are certain components which are still short in supply. And what are those components are typically devices which are used in controllers. That's number one. That is the ongoing, let's say, battle to either get from different sources or redesign. That is the most difficult at this moment.

Many others, let's say, short supply components have relaxed. So, the world definitely has improved from the number of issues, but there are some still critical in, yeah, receiving those. But that's not just for basic equipment. That's also for other equipment. And that's also one of the reasons why certain deliveries have been delayed pushouts.

You could argue at some point there are certainly safety stocks being built. We also, in our backlog, have orders with longer delivery times, simply customers anticipating ongoing supply chain, let's say, critical issues. So, as compared to pre-COVID, our lead times are not shorter. Some are longer, and customers simply order earlier. That's why not the whole backlog ship in the third quarter. So -- and overall, the picture has improved, but there are some components, which are still very critical.

Redesigns take time. We have succeeded in several redesigns. There are some components where still suppliers offer you a lead time of over 20 weeks, which can be critical if you don't have an alternative. But that picture, again, is in the total supply chain. Customers are helping us. The major customers also have a big impact on certain suppliers. So, all of us do receive support from major customers. But that has not been resolved in total.

Marc Hesselink

Okay. Thanks. And the impact of that -- earlier you could not have mechanism [ph] because of the supply chain, does it impact the amount of digestion that need to be done, or you don't look at it that way?

Richard Blickman

You could imagine that the whole world due to all the logistics issues, as said, are building safety stocks, which could in the end have an, let's say, an overall major overcapacity situation, but that's not clear today. I would say, today, it's more a natural pattern. We have eight quarters of very strong demand overall. And usually, that's the length of an upcycle. And then you have a digestion phase.

What's different this time is, number one, continued strong front end CapEx. And what is also different is automotive remains very strong. And those are tied to economic situations in the world if we look in retrospect. So, there's still some positive underlying trends, and there are some which are simply overcapacity. So that's why we always say these are crossroads. But anyway. It is what it is.

Marc Hesselink

That's great. And then, maybe a final shorter question. On the new applications for mobile, in the past you also talked about the micro LED option. And is that something that could also come to the -- in the more near-term? And how do you see that opportunity for Besi?

Richard Blickman

Not that we recognize that in this -- we always said 2024, 2025, that there's still ongoing development, definitely, but mainstream application, not yet.

Marc Hesselink

Okay. Thanks.

Richard Blickman

Thanks.

Operator

Thank you for your question. And the next question is coming from the line of Robert Sanders from Deutsche Bank. Robert, your line is unmuted and you may go ahead.

Robert Sanders

Yeah. Hi. Good afternoon. I had a question relating to one of your competitors, ASM Pacific. The way they are talking about hybrid bonding, chip to wafer hybrid bonding, is more in terms of it being relatively immature and that the customers in the nearer term are choosing to go with chip to wafer TCB. And in fact, they signed a $100 million order in H1.

I guess, my understanding is that these are more complementary approaches. But is there a scenario where customers feel that the whole hybrid bonding adoption is just not quite there with the ecosystem and all the different front end tools and yield, et cetera and that they end up alternatively going to chip to wafer, what they call, ultra fine pitch? Or is that not the right way to characterize it?

Richard Blickman

Well, two comments. Number one, it's down to one customer who has, let's say, a two-track strategy. But it's more and more clear that for the -- let's say, below seven or 10 nanometers designed jointly, but then for certain devices, of course, there is no way to have the interconnect accomplished without a hybrid bonding process. So, this two-way approach will continue, because in the end, these fives and 3-nanometer, they have to be connected.

As I responded to an earlier question, we don't see any slowdown or change in roadmaps so far. And there's also not, let's say, reasons which have to do with yield improvements which are not achieved that you would have a delay in the adoption. The delay in -- or let's say, the adoption rate is more in the end customer designs, what we hear. So, that's the status today.

So, we do not read in those comments what's happening. We are very much pressured to make things work more rapidly. And so, there is an enormous positive pressure on us to make it work better and better.

Robert Sanders

Got it. So, in your view, the long pole in the tent, if there is one, is nothing to do with your bond -- the accuracy of your bond and the throughput of the bond or anything to do with AMAT's contribution to this process? The long pole could be 3-nanometer delay designs, 2-nanometer delays to cable around that kind of stuff is what -- is perhaps stuff that is out of your control. Is that right?

Richard Blickman

Well, don't be -- we are not the only one in this process. One of the, yeah, key issues is, of course, the copper bad sum, when it becomes a little smaller and smaller. It's not just the placement accuracy, but also the materials.

As you referred to also the cleanliness, zero particles. So, there's more processes supporting the final placement of this die to something. But there are no roadblocks as we know of today which are going into a direction -- in an opposite direction, let's put it very directly. No, we see continued adoption. We see continued major expansion in the memory market, in the development, which is according to earlier roadmaps. So, for us, it's more and more homework.

Robert Sanders

Got it. Just last question would just be comparing this sort of downcycle to other downcycles. I think in the past, downcycles have been six, maybe eight quarters, depending on -- I mean, back to 2018, 2019, your orders corrected significantly in Q2 2018, And then it sort of picked up maybe eight quarters later. I guess -- I know it's very difficult to predict, but is it fair to say that your revenue is likely to bottom out at a much higher level than the last cycle just because of a baseline of revenue, whether it's replacement, installed base driven, whatever it is versus the last cycle?

Richard Blickman

Well -- and the question is -- could be more precisely why would it be at a higher level, because in 2019, you did not have a major technology change. So, that is different this time. What's also different is our overall market position.

If you simply analyze where is our revenue coming from and orders, we have a broader market position. You could also argue -- you can see that in the margin structure, in the cost structure. Whether the world, but that's another question. The world was in better shape in 2019 than it is today. So, there's an overhang in dark cloud, which could spoil that model in a way which we have not seen in 2019. But then let's focus first on where is Besi. I think, it's fair to say what I just tried to summarize.

Robert Sanders

Got it. Thank you, Richard.

Richard Blickman

Thanks, Rob.

Operator

Thank you so much for your question. And the final question for today is coming from the line of Nigel van Putten from Kempen & Co. Nigel, your line is unmuted and you may go ahead.

Nigel Van Putten

Thanks. Hi. Good afternoon. I had a question on the new facility in Malaysia. Besi, if I read the press release correctly, to improve capacity constraint for advanced systems, could you elaborate a little bit on that? Because I think, if I understand correctly, the hybrid bonding capacity is in place. So, should this facility be more for TCB and a better bridge die attach, and I assume high-end flip chip as well, or is that not correct?

Richard Blickman

Now, let me explain. We currently have three facilities in Malaysia, three. We have the original facility. Our -- let's say, where we started back in 1994. And we have two additional facilities. The 1994 facility is our major facility where we also have installed the cleanroom in that same building. We were struck by this flooding December 2017. So, what we have decided to do -- and we also, I should mention the €1 billion plus-plus model.

So, there are two ways which, let's say, the expansion was already in our plan for the next round, but then on top of that, we have to protect that -- in case the next flooding comes, that we have less risk. So, the new facility will enable us to integrate two of the three facilities into that new facility, ample space. And at the same time, we have the possibility is when we move out other products out of the first facility to expand the cleanroom in the existing facility. We're going to protect the existing facility that's already on the way with -- and complete high wall around the building with a lock. Simply, in case water comes, we can close that completely. So, that's fully protected. And the new facility will give us in the next, yeah, six to 12 months. We will move, for instance, the stock, also packaging equipment, also many die attach machines into the new facility with ample room to expand in the next upcycle to meet our € trillion plus-plus model. Does that answer your question?

Nigel Van Putten

Yes. That's clear. Thanks. And a follow-up on these initial orders for the embedded bridge die attach. I -- well, I sort of assume those are initial orders. Could you elaborate a bit on that? And also, TCB wasn't explicitly mentioned in the press release. We talked about it briefly in Austria. But is that still on track to be released by the end of the year?

Richard Blickman

Yeah. Yeah. TCB is definitely on track. There's an enormous customer pressure on that because of many unique features, which should put that at the first position for the next-generation. So, that's well on track.

Yeah. There's certainly -- on the bridge attach, this is just the start, but that looks very promising. That can be a vital element in further development of the chiplet architecture. And that completes our total offering. So, if you take those bridges, you take the -- of course, the hybrid bonding and then the TCB platform, chip to wafer platform that can address the complete scope.

Nigel Van Putten

Okay. That's very clear. Thank you very much.

Richard Blickman

Thanks Nigel.

Operator

Okay. Thank you everyone for your questions. There are no further questions in the queue. So, I will hand back over to your host to conclude today's conference.

Richard Blickman

Well, thank you all for attending and the good questions. I wish you a good summer and especially healthy, stay safe. And any further questions, don't hesitate to contact us. Bye-Bye.

Operator

Thank you everyone for joining us on today's call. You may now disconnect your handsets. Please stay connected.

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