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1Q09: The "Bottom" of the Current Semiconductor Industry Cycle!

2Q09 semiconductor company outlooks are increasingly optimistic.

In order to compile "real time" evidence that a cyclical bottom was reached in 1Q09, IC Insights gathered semiconductor company financial data from its *Strategic Reviews Online Database* and released the detailed results in its *May Update to The McClean Report*. Second-quarter 2009 guidance from 48 semiconductor suppliers was combined with IC Insights' estimates for 13 "top 25" companies (61 companies in total). It should be noted that, not including the five pure-play foundries, the remaining 56 companies in the research represent about 75% of the worldwide semiconductor market.

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It was very enlightening and encouraging to read the comments from many of the companies in the survey. When reviewed, words and phrases like "stabilizing, improvement, bottom, expansion, inflection point, and better than expected" came up often and lend credence to our opinion that a *turning point* has been encountered in the semiconductor industry. Over the next few months, it will be refreshing to hear the discussion regarding the semiconductor market shift focus from, "where is the bottom?" to, "how strong will the recovery be?"

According to our research, the top 25 semiconductor suppliers are expected to display an 8% increase in 2Q09/1Q09 sales, 4% excluding the foundries. Guidance from the "other" semiconductor suppliers in our survey (i.e., non-top 25) is even more encouraging than that of the top 25 companies. In total, the "other" 36 companies expect to register a strong 13% increase in 2Q09/1Q09 sales! In **all** cases, the 2Q09 expectations for the "other" companies were provided by the companies themselves, there were no IC Insights estimates used.

The "Grand Total" of the 61 companies in our survey shows a 9% increase in semiconductor sales expected for 2Q09/1Q09. Excluding the pure-play foundries, the 2Q09/1Q09 growth rate drops to a still respectable 5%, especially considering that the 1Q09/4Q08 and 4Q08/3Q08 semiconductor markets *declined* by 12% and 23%, respectively.

A further breakdown of the 2Q09/1Q09 semiconductor sales expectations of the 61 companies is shown below.

- **32 IDM Companies:** +4% (\$30.8B/\$29.6B)
- **24 Fabless Companies:** +8% (\$6.5B/\$6.0B)
- **5 Pure-Play Foundries:** +82% (\$3.64B/\$2.00B)

It should be noted that when a range of expectations was given by a company for its 2Q09 outlook, which was the case about 90% of the time, IC Insights incorporated the mid-point of this range. Historically, most companies are very conservative in their stated expectations, since it is much better to beat your guidance than to fall short (this is especially true for publicly traded companies). Thus, given the inherent conservatism in the guidance:

IC Insights forecasts that the 2Q09/1Q09 semiconductor and IC markets will actually register a higher growth rate than the survey's "Grand Total" result of +5%.

Report Details

Additional rankings of the top IC suppliers and details about IC market forecasts through 2013 can be found in the 2009 edition of *The McClean Report*, IC Insights' complete analysis and forecast of the integrated circuit market. Packed with 400 tables and graphs, the report is available in three-ring binder, CD-ROM, and on-line formats, and also comes with free monthly updates by e-mail from March through November. A single copy of the report in CD-ROM or binder format is priced at \$2,890. A bundled CD-binder set is priced at \$3,385. An Internet access password is available as a \$695 option. The report is also available under a multi-user corporate license for \$5,990.

Further details on the top 20 semiconductor suppliers as well as extensive company profiles of more than 220 IC suppliers, including their 5-year sales, R&D, and capital expenditures figures, key management, product/services offered, strategic alliances, process technology, and detailed wafer fab information can be found in IC Insights' *Strategic Reviews Online* database. The online database is undergoing a major upgrade and receives ongoing updates throughout the year. A 12-month, single-user subscription to *Strategic Reviews* is priced at \$2,490. Access is also available under a multi-user corporate license for \$4,190.

About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the semiconductor industry. Founded in 1997, IC Insights offers coverage of global economic trends, the semiconductor market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of end-use applications driving demand for ICs.

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