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IDMs Could Top Fabless Semiconductor Company Growth for Only the Second Time in History

Sales of top 10 IDMs forecast to be flat; top 10 fabless companies expected to slip into negative growth this year.

IC Insights will release its new 2016 *McClean Report* late next month. The 2016 *McClean Report* will include a ranking of the top-50 semiconductor suppliers' for 2015 as well as the top-50 fabless semiconductor suppliers. The forecasted "post-merger" top-10 2015 IDM and fabless semiconductor suppliers are covered in this research bulletin.

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Unlike the relatively close annual market growth relationship between fabless semiconductor suppliers and foundries, fabless semiconductor company sales growth versus IDM (integrated device manufacturers) semiconductor supplier growth has typically been very different (Figure 1). ***In 2010, for the first and only time on record thus far, IDM semiconductor sales growth (35%) outpaced fabless semiconductor company sales growth (29%).*** Since very few fabless semiconductor suppliers participate in the memory market, the fabless suppliers did not receive much of a boost from the surging DRAM and NAND flash memory markets in 2010, which grew 75% and 44%, respectively.

As shown in Figure 2, only three of the top-10 IDM semiconductor suppliers are forecast to register growth in 2015 and, in total, the top-10 IDMs are expected to display flat growth this year. Although flat growth by the top-10 IDMs would typically be considered poor performance, it is still forecast to be a much better result than is expected from the top-10 fabless semiconductor suppliers (Figure 3). In order to make direct comparisons for year-over-year growth, IC Insights combined the merged, or soon to be merged, companies' 2014 and 2015 semiconductor sales regardless of when the merger occurred.

As shown, the top-10 fabless semiconductor suppliers are forecast to register a 5% decline in sales this year, five points worse than the top-10 IDMs. It should be noted that essentially all of the decline expected for the top-10 fabless suppliers in 2015 could be attributed to the forecasted decline in Qualcomm/CSR's sales this year. Much of the sharp decline in Qualcomm/CSR's sales this year is being driven by Samsung's increasing use of its internally developed Exynos application processor in its smartphones instead of the application processors it had previously sourced from Qualcomm.

Fabless vs IDM Company Semiconductor Sales (1999-2014)

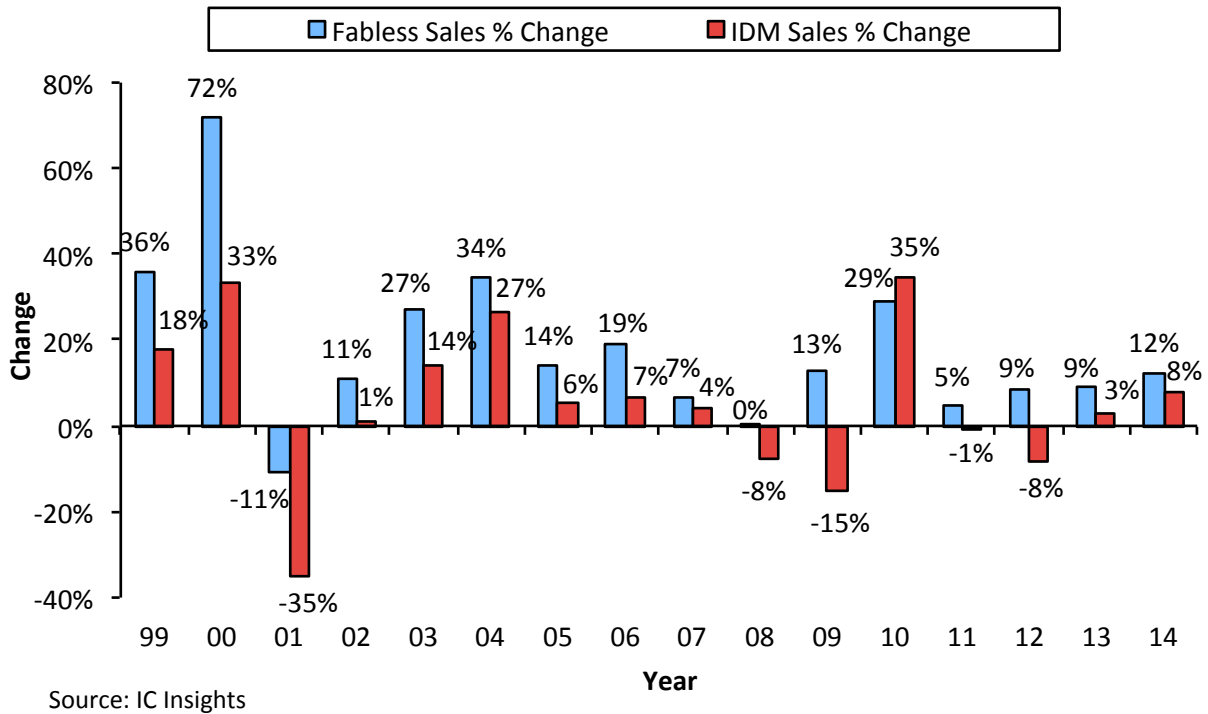


Figure 1

2015F Top 10 Post-Merger IDM Semiconductor Sales Leaders (\$M)

2015F Rank	Company	Headquarters	2014 Tot IC	2014 Tot O-S-D	2014 Tot Semi	2015 Tot IC	2015 Tot O-S-D	2015 Tot Semi	2015/2014 % Change
1	Intel	U.S.	51,400	0	51,400	50,305	0	50,305	-2%
2	Samsung	South Korea	35,759	2,051	37,810	39,366	2,240	41,606	10%
3	SK Hynix	South Korea	15,798	488	16,286	16,437	480	16,917	4%
4	Micron	U.S.	16,720	0	16,720	14,816	0	14,816	-11%
5	TI	U.S.	11,431	735	12,166	11,370	742	12,112	0%
6	NXP/Freescale*	Europe	7,718	2,477	10,195	7,775	2,425	10,200	0%
7	Toshiba	Japan	9,385	1,655	11,040	8,469	1,265	9,734	-12%
8	Infineon/IR*	Europe	4,380	2,696	7,076	4,131	2,746	6,877	-3%
9	ST	Europe	5,468	1,916	7,384	5,020	1,820	6,840	-7%
10	Sony	Japan	1,122	4,170	5,292	840	5,045	5,885	11%
Top 10 Total			159,181	16,188	175,369	158,529	16,763	175,292	0%

*Includes both companies' sales for all of 2014 and 2015.

Source: Company reports, IC Insights' *Strategic Reviews* database

Figure 2

2015F Top 10 Post-Merger Fabless Semiconductor Sales Leaders (\$M)

2015F Rank	Company	Headquarters	2014 Tot IC	2014 Tot O-S-D	2014 Tot Semi	2015F Tot IC	2015F Tot O-S-D	2015F Tot Semi	2015/2014 % Change
1	Qualcomm/CSR*	U.S.	20,066	0	20,066	16,032	0	16,032	-20%
2	Avago/Broadcom*	Singapore	12,957	1,115	14,072	13,922	1,460	15,382	9%
3	MediaTek	Taiwan	7,032	0	7,032	6,504	0	6,504	-8%
4	Nvidia	U.S.	4,382	0	4,382	4,628	0	4,628	6%
5	AMD	U.S.	5,506	0	5,506	3,988	0	3,988	-28%
6	HiSilicon	China	3,220	0	3,220	3,830	0	3,830	19%
7	Apple/TSMC	U.S.	1,460	0	1,460	3,085	0	3,085	111%
8	Marvell	U.S.	3,733	0	3,733	2,875	0	2,875	-23%
9	Xilinx	U.S.	2,429	0	2,429	2,175	0	2,175	-10%
10	Spreadtrum	China	1,340	0	1,340	1,880	0	1,880	40%
—	Top 10 Total		62,125	1,115	63,240	58,919	1,460	60,379	-5%

*Includes both companies' sales for all of 2014 and 2015.

Source: Company reports, IC Insights' *Strategic Reviews* database

Figure 3

Application processor sales to fabless/system house Apple from pure-play foundry TSMC are included in the fabless company sales ranking under the "Apple/TSMC" moniker. Application processor sales supplied to Apple from IDM-foundry Samsung are included as part of Samsung's logic IC sales.

As mentioned in the title of this Research Bulletin, 2015 could end up being only the second year ever, after 2010, in which the IDM semiconductor suppliers outpace the fabless semiconductor suppliers with regard to year-over-year growth. Whether this actually takes place will be revealed from IC Insights' extended compilation of the IDM and fabless semiconductor company rankings for the 2016 *McClean Report*.

Report Details: The 2016 McClean Report to be released in January

IC Insights will release the new 2016 edition of *The McClean Report—A Complete Analysis and Forecast of the Integrated Circuit Industry* in January. A subscription to *The McClean Report* includes **free** monthly updates from March through November (including a 200+ page *Mid-Year Report*), and **free** access to subscriber-only webinars throughout the year. An individual-user license to the 2016 edition of *The McClean Report* is priced at \$3,890 and includes an Internet access password. A multi-user worldwide corporate license is available for \$6,890.

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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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