

**NOVEMBER 5, 2019**

## Top 5 Share of Semiconductor Industry Capex to Set New Record in 2019 Samsung and TSMC each expected to set new all-time highs in quarterly spending in 4Q19.

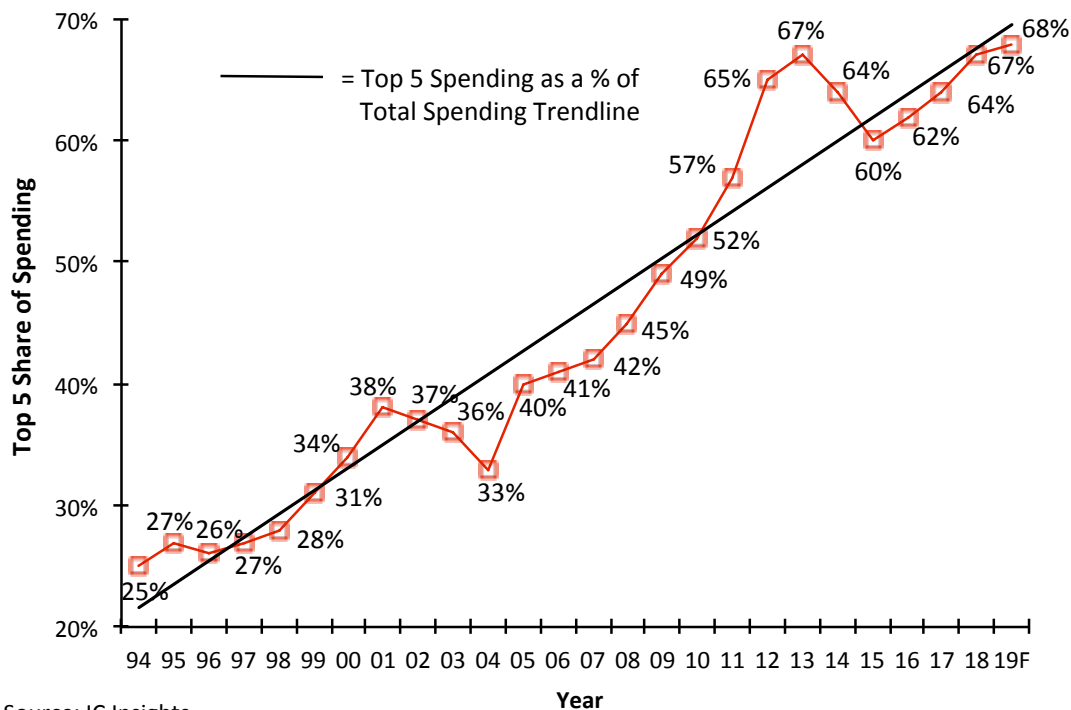
IC Insights' November Update to *The McClean Report 2019* will include a capital spending forecast for the major semiconductor companies for 2019 and 2020. In January of next year, IC Insights will release *The McClean Report 2020* and present its seminars that review the five-year forecasts for the IC industry.

The share of semiconductor industry capital spending held by the top five companies (i.e., Samsung, Intel, TSMC, SK Hynix, and Micron) is forecast to reach an all-time high of 68% this year, surpassing the previous record high of 67% recorded in 2013 and 2018 (Figure 1). With the top five spenders holding only 25% of the total industry outlays in 1994, the trend of the big companies increasing their share of capital spending continues unabated.

### MORE INFORMATION CONTACT

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**Top 5 Share of Total Semiconductor Capital Spending**

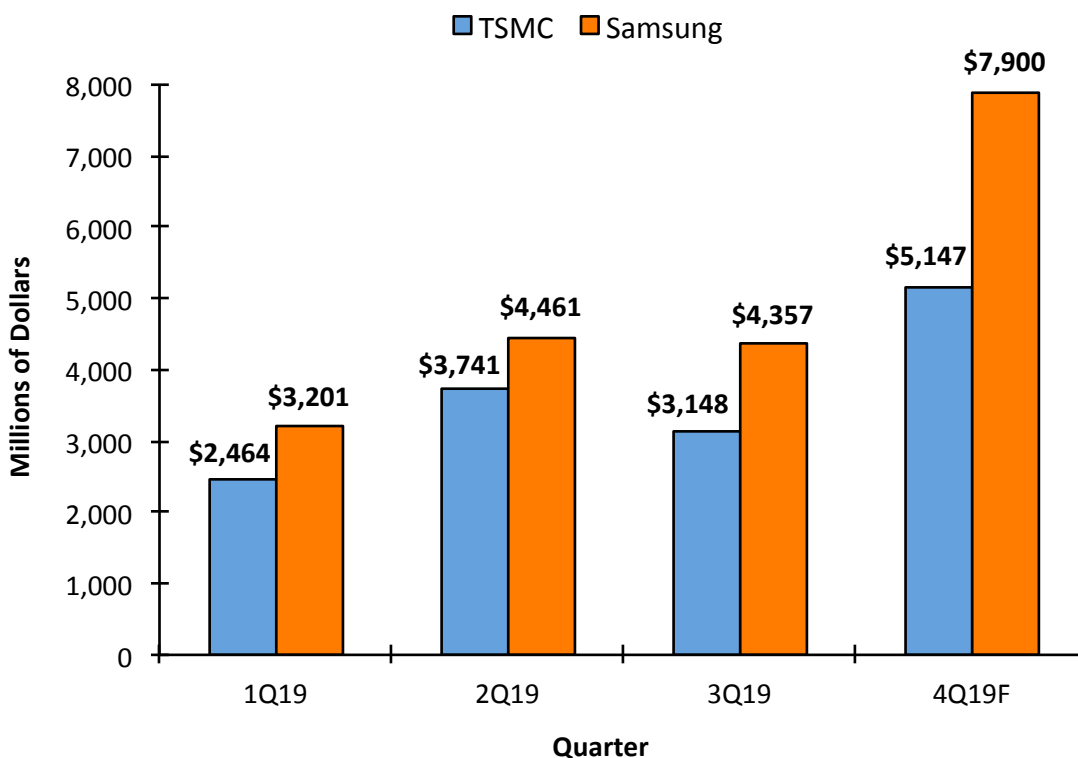


Source: IC Insights

**Figure 1**

Figure 2 shows the 2019 quarterly capital spending trends for Samsung and TSMC using their guidance for 4Q19. As shown, both companies started off the year with relatively low outlays, and then boosted spending in 2Q19 to more moderate levels. Moreover, both companies announced in their 3Q19 conference calls that they plan to ramp up their spending in 4Q19 to record-high levels.

### TSMC and Samsung's Quarterly Capital Spending Trends (\$M)



Source: TSMC, Samsung, IC Insights

Figure 2

For 4Q19, TSMC plans to increase its capital expenditures by 64% to \$5,147 million, compared to 3Q19. At this level, it would represent an all-time high for the company’s spending in a quarter, exceeding its previous record of \$3,799 million in 1Q14 by 36%. TSMC is the only pure-play foundry to offer leading-edge technology and is seeing very strong demand for its 7nm process, which is expected to represent 33% of the company’s sales in 4Q19. Most of its current investment will target adding capacity for its 7nm and 5nm technologies.

Samsung also announced plans to set a new quarterly record high for its semiconductor spending in 4Q19, with “the majority of the 4Q19 capital expenditure earmarked for building memory infrastructure to address mid- to long-term demand.” The company plans to increase its 4Q19 outlays by 81% as

compared to 3Q19 to \$7,900 million. This level would exceed Samsung's previous quarterly spending high of \$6,877 million in 4Q17 by 15%.

For all of 2019, Samsung's semiconductor capital expenditures are expected to be \$19.9 billion, down 8% from its outlays in 2018. **However, the company's combined 2017, 2018, and 2019 capital expenditures for its semiconductor group are expected to be \$65.8 billion, 53% more than Intel, the next highest spender over this same timeperiod!** Moreover, Samsung's \$65.8 billion in 2017-2019 in semiconductor capital expenditures would be more than double the \$30.8 billion spent by all of the indigenous China semiconductor suppliers combined over this same timeperiod. It appears that the company is very serious about staying well ahead of the new China memory startups and competing with TSMC at the leading-edge of logic technology.

### **Report Details: *The McClean Report 2019***

Additional details on the IC market are provided in *The McClean Report—A Complete Analysis and Forecast of the Integrated Circuit Industry*. A subscription to *The McClean Report* includes **free** monthly updates from March through November (including the 200+ page *Mid-Year Update*), and **free** access to subscriber-only webinars throughout the year. An individual-user license to *The McClean Report* is priced at \$4,990 and includes an Internet access password. A multi-user worldwide corporate license is available for \$7,990.

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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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