

http://www.thestandard.com.hk/news_detail.asp?we_cat=10&art_id=36141&sid=11742381&con_type=1&d_str=20070116



No iPhone spark for flash chipmakers

Tuesday, January 16, 2007

Apple's new iPhone should be positive for the chip industry in the longer term as rival companies rush out competing memory chip-based devices, but analysts say the new phone by itself will not be enough to bring the flash memory chip market out of a trough in the seasonally weak first half.

"It would be nice to think iPhone would have a positive effect on the price declines we're predicting for 2007, but unfortunately, I don't think it will have a global impact," said Adrienne Downey, a senior analyst at US market research firm Semico Research.

"There is plenty of NAND flash capacity and in fact some inventories remain after the fourth quarter."

Many analysts and company executives predict NAND flash memory chip prices will continue to fall in the coming months as demand tapers off following strong selling in the fourth quarter.

That will likely hit the earnings of major chipmakers Samsung Electronics, Toshiba and Hynix Semiconductor that have been betting on a hit product from Apple to generate greater demand in the NAND flash memory chip market. Apple's iPhone uses NAND flash memory chips to store data rather than a bulky hard disk drive.

Apple plans to sell a four-gigabyte model for US\$499 (HK\$3,892.20) and an eight-gigabyte device for US\$599 in the United States starting in June. The company is targeting the sale of 10 million iPhones for next year.

BNP Paribas analyst Peter Yu said in Seoul the iPhone will not be able to reverse a seasonal downturn in the NAND flash memory market in the first half due to the small volume of phones expected to be shipped.

"Although the flash-based music phones are expected to drive up demand in 2007, the timing will be skewed toward the second half rather than the first half," he said.

Executives at Samsung Electronics conceded that challenging market conditions lie ahead for its NAND flash memory chip business in the first quarter. Samsung is a main supplier of the chips for use in Apple's iPhone.

"Overall, the NAND flash market during the first half will be soft. There will be some seasonal weakness that we will have to accept," said Chu Woo Sik, Samsung's senior vice president of investor relations.

Cho Nam Yong, executive vice president of Samsung's semiconductor business, predicted that the company's average selling price of NAND flash memory chips will fall around 30 percent in the first quarter, compared with the last.

Kim Nam Hyung, an analyst at market researcher iSuppli Corp, said iPhone could bring about a more serious oversupply in the NAND flash memory market in the near term even though the long-term implications are more positive.

Capacity in the NAND flash memory market is growing as makers race to grab more share in an industry where profit margins are becoming razor thin.

Toshiba, which ranks second behind Samsung Electronics, has said that it is aiming to garner together with its partner Sandisk a 40 percent share of the global NAND flash market.

IM Flash Technologies, a joint venture between Intel and Micron Technology of the United States is also planning to boost NAND flash capacity aggressively this year.

According to online chip clearinghouse DRAMexchange, the average spot price of a four-gigabit NAND flash chip fetched US\$5.16 early Monday, down from US\$5.57 a week ago.

DOW JONES NEWSWIRES