



Chandler's Microchip plans 32-bit production

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Chandler chip-maker Microchip Technology Inc. was expected to announce today that it will begin producing a line of more-powerful semiconductors aimed at revitalizing the business, which has been struggling with tepid sales growth.

The move into 32-bit microcontrollers will allow Microchip to enter a broad new market, supplying high-tech customers that produce products requiring the more-powerful chips.

"It puts them on a path that has a higher growth rate," said Tony Massimini, chief of technology at Semico Research, a Phoenix firm that tracks the semiconductor industry.

Patrick Johnson, director and general manager of Microchip's high-performance microcontroller division, said the company has been hiring engineers to support the new products. He said the chips most likely will be produced at its factories in Chandler and Gresham, Ore.

Johnson said that the more-powerful chips are consistent with the products Microchip is currently producing and that their addition won't require a substantial investment in new equipment.

Massimini added that the market for 32-bit processors is about \$3 billion a year and growing faster than that for the simpler 8-bit chips that have been Microchip's bread and butter. Microchip is the world leader in the production of the 8-bit processors.

Microchip Executive Vice President Ganesh Moorthy said a consumer desire for more-engaging electronic products is creating demand for more powerful chips.

Johnson noted that it is a new market for the company and that it could take awhile to develop.

"Eventually, we expect it to be a major contributor to overall growth," he said.

Microchip has annual sales of about \$1 billion and 4,600 employees.

It recently has seen sales of its core 8- and 16-bit microprocessors slow and believes it is a result of the downturn in the U.S. housing market and weakening consumer spending.

A weak sales forecast last month sent the company's share price down more than 12 percent.

Analysts noted that many of the company's chips are in consumer products that are directly or indirectly tied to the housing market. They include appliances, light switches and thermostats.

"The new processors allow us to continue to diversify," Johnson said.

The 32-bit microprocessors run more-complicated products such as industrial controls, security systems and vehicle GPS systems.

Tom Starnes, an analyst with semiconductor research firm Objective Analysis, said, "Microchip brings a new perspective to the ever-growing 32-bit microcontroller market, based on their tremendous success in the 8-bit market."

The new 32-bit chips are built upon core architecture that was developed by MIPS Technologies. By licensing the basic chip design, Microchip can quickly produce its own line of products by adding its own intellectual property to the basic design.

Max Baron, an analyst at Scottsdale semiconductor research firm In-Stat, believes the MIPS (an acronym for microprocessor without interlocked pipeline stages) architecture will do well in the hands of Microchip semiconductor designers.

"Microchip gets a great architecture, while MIPS gets to be part of a series of microcontrollers from a company that is very successful in that market," Baron said. "It's a win-win for both companies."

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