Wanna buy some used 200-mm tools? Don't worry, you'll have plenty to choose from

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Nothing like a forecasted 27X increase in a market over a two-year period to get one's attention: When I saw the news coverage about a report predicting growth from $300 million to $8 billion in the used semiconductor equipment market from 2007 to 2009, I did a double take. Not only is the purported increase massive, but it comes in a sector that doesn't get alot of attention from the market research and analyst community, so it's nice to see someone actually giving the used too segment some love. The story left several questions unanswered though, so I followed up and spoke with the main author of the report, Morry Marshall of the Semiconductor Partners' unit of Semico.

Morry made sure I understood that the huge spurt in used process equipment on the market is "not a forecast of used tool sales, but a forecast of what will become available." So it's not a market forecast per se, although a bigger used tool market will certainly result from the surge. He also told me that the $300 million figure was "too low, a misleading number," so he had decided to remove it from the report. But the big number for 2009---more than $8 billion---remains in the document. "This is a brand-new effort for us," he said, so they're still working out a few kinks.

The researchers also expect the value of available used equipment to reach $5 billion in 2008, $6 billion in 2010, and $4 billion in 2011. Semiconductor Partners base their analysis on a proprietary estimate on how many fabs are expected to close or be up for sale, a number Morry told me was in the "low tens." Many of these older 200-mm facilities belong to Asian memory companies that are moving increasingly into 300-mm processing, although he would not offer any specific numbers or names. There will also be a small amount of 300-mm equipment on the market, since "some companies are refacilitizing their 90-nm fabs," but the "vast majority will be 200-mm tools."

Since Semiconductor Partners bases its estimates on the amount/value of tooling lurking in fabs likely to close or be sold, the report does not specify tools by specific type or process: There's no breakout of the respective dollar amounts attributed to the steppers, implanters, etchers, and CMP systems expected to become available. As a rule of thumb, Morry explained that used tools generally sell for 10-20% of the cost of new equipment, depending on whether the systems have been reconditioned or are sold as-is right off the factory floor. Despite the lower price tags, the opportunity for companies that sell, refurbish, and refinance used tools should grow significantly, "since they still make their mark-up margin," Morry believes.

This flood of used gear will result in a buyer's market, "with more 200-mm equipment coming on the market than an increase in demand" to match it. Potential purchasers from analog, mixed-signal, RF, and MEMS outfits seeking more advanced technology, possibly in the 130- and 90-nm range, companies that have no intention of moving to 300 mm, should have lots of less-expensive tools from which to choose, according to Morry. Better for the potential purchaser, yes, but not so good for equipment companies hoping to sell new tools into these sectors.

Given the sober forecasts of negative growth in the semi tool sector this year, the truckloads of used equipment that Morry and his colleagues expect to inundate the market should bring little joy to those OEMs hoping to score additional 200-mm business among their so-called trailing-edge customers.

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