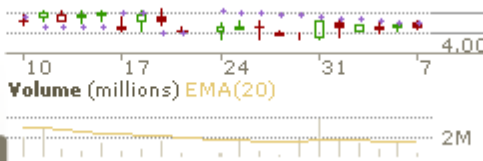


## Determine the movement of Qimonda AG

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# Death Cab for Qimonda?

Alexei Oreskovic

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SAN FRANCISCO -- It's been less than two years since **Qimonda**QI was born in a spinoff from parent company **Infineon**IFX.

Now Wall Street is already preparing the company's epitaph.

At least one analyst predicted the Munich-based chipmaker's days could be numbered, following a particularly ugly quarter.

"We see a very real potential that QI could fail to execute on needed restructuring and be driven out of business -- we recommend that investors avoid the stock," wrote Caris analyst Daniel Berenbaum in a note to investors Wednesday, a day after the company's earnings report.

Shares of Qimonda plunged 13.8%, or 76 cents, to a new 52-week low of \$4.74 in midday trading Wednesday.

The pain of the DRAM chip market has been felt by virtually all participants, as an oversupply of DRAM chips has driven prices to rock-bottom levels with no relief in sight.

Last month, **Micron**IFX said it [was selling DRAM chips below cost](#).

Qimonda CEO Kin Wah Loh said Tuesday that the 40% drop in DRAM prices the company recently experienced was "one of the strongest declines in a December quarter."

The damage was evident on Qimonda's income statement.

In the three months ended Dec. 31, Qimonda's revenue fell 56% year over year to 513 million euros (\$747 million). Qimonda posted a loss of 598 million euros, or 1.75 euros a share, vs. net income of 177 million euros, or 0.52 euro a share, at this time last year.

Loh said the company was slashing 250 million euros from its 2008 capital expenditure budget and putting plans to build a new chip manufacturing facility in Singapore on hold.

That's an encouraging sign for the overall DRAM market, since less manufacturing capacity should help ease the current oversupply of DRAM chips.

Of course, under the brutal laws of the DRAM business, the end of an inventory glut usually means that at least one company has to call it quits.

"In past cycles, there would be a consolidation, and there would be some companies getting out of the business," says Bob Merritt, a memory analyst at market research and consulting firm Semico Research. "There was no other way to take DRAM capacity offline other than for some company to get out."

But Merritt says the memory business has now evolved to the point where taking capacity offline isn't necessarily a death sentence. He notes that Qimonda has partnerships with some foundries that it can scale back before it needs to shut down its own fabs. Some DRAM players can also shift manufacturing capacity from DRAM memory chips to NAND flash memory chips, rather than simply shutting down.

"There are more options this time around than we had in past," says Merritt.

Caris' Berenbaum says that Qimonda's options are narrowing rapidly, and predicts imminent announcements of a restructuring of the company's partnerships with third-party foundries, the sale of some of its manufacturing equipment and new financing deals.

If Qimonda isn't able to come through with any of those plans, then it could be game over, warns Berenbaum.

The memory market has evolved, but there's no guarantee of survival.

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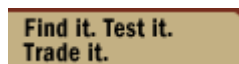
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