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Semico sees NOR flash profits as NAND leads sector

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TAIPEI, Taiwan — Sales of NOR-style flash memory will struggle to make up lost ground against NAND this year, as NAND rides the rise in popularity of portable digital music players, digital cameras and USB flash drives, according to Semico Research Corp.

Semico said an oversupply for NOR, used for code storage so that machines can boot-strap software at power up, is set to cause revenues to drop 15 percent this year. But the bad times will be fleeting, Semico said.

"Semico expects to see a correction in the second half of 2005 that will reverse 2004's sharp NOR price decline, a decline that started with a mid-2004 supply/demand imbalance," said Jim Handy, Semico's director of nonvolatile memory research. "Unit and megabyte demand are still solid, so 2005's revenue decline will largely be offset by growth in 2006."

Semico expects revenues to be about \$9 billion in 2006, which will build to a peak of more than \$12 billion by 2008. That will tip NOR suppliers, ranging from Intel and Spansion to Atmel and Macronix, into profit as they gain pricing power over OEMs and contract manufacturers. "Such turns are inevitable, and it is critical to properly time transactions around them," Handy said.

NOR accounted for about 60 percent of the \$16 billion flash memory market last year, according to iSuppli. Earlier this year, other market researchers also predicted NAND sales would probably trump NOR sales for the first time this year, driven by prices that were dropping by half each year and a voracious appetite among consumers for portable digital devices using NAND flash memory.

NAND revenue outstripped NOR in the first quarter, rising 16 percent to \$2.05 billion from the fourth quarter, according to iSuppli. NOR flash revenue declined to \$2.02 billion, down 11 percent from the fourth quarter. The role reversal has come on fast. In 2000, NOR was 91 percent of all flash sales.

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