

Semiconductors

Infineon Hastens Spinoff

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Infineon Technologies (IFX:NYSE ADR) will spin off its memory chip business as a separate company on May 1 -- two months ahead of schedule. But the German chipmaker has still not determined whether the memory business will float shares to the public.

At a press conference in Munich on Friday, Infineon confirmed earlier reports that it was ahead of schedule in its plan to carve the memory unit into a separate company. Infineon said the new company would be dubbed Qimonda and will initially remain a wholly owned subsidiary of Infineon.

"It is the clear intention of Infineon to launch an initial public offering of Qimonda as the preferred next step," the company said in a statement. Infineon did not indicate where a potential listing of Qimonda might take place.

Infineon credited the quick progress it has made in separating the organizational and technical levels of the memory division from the rest of the company for the accelerated schedule. The company initially set a July 1 target date to separate the memory business.

Infineon announced in November that it would spin off the memory business, the world's fourth-largest producer of DRAM memory, and focus on logic chips for the industrial, automotive and communications markets. The memory business accounts for roughly 40% of Infineon's revenue but is highly volatile. In its most recently completed quarter, Infineon posted a roughly \$225 million loss due to falling prices for DRAM chips.

The different processes involved in manufacturing logic chips and memory chips also make it increasingly difficult for companies to produce both products.

"There aren't many very good examples left of companies that can do both logic and memory successfully," says Semico Research DRAM analyst Bob Merritt.

Kin Wah Loh, who has headed the memory division within Infineon, will be the CEO of the new company, which will have about 12,000 employees worldwide. Qimonda plans to diversify into mobile communications, graphics and consumer markets, in addition to its traditional business of providing memory chips for PCs and server computers.

Qimonda will operate five research and development facilities and will have access to five manufacturing facilities spread out over five continents. Much of this capacity will be outsourced through third-party chip manufacturers like China's Semiconductor Manufacturing International (SMI:NYSE ADR), says Merritt.

The accelerated spinoff and the large commitment to manufacturing capacity suggest that Qimonda plans to be a serious player in the memory business.

There was some question as to whether the spinoff announcement signaled Infineon's intention to withdraw from the memory business, says Merritt. "This appears to me that they are definitely intending to aggressively compete and remain within the top three to five participants."

Shares of Infineon were up 0.4% to \$10.29 in midday trading Friday.