

ST May Sell Memory Business

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Given the recent restructuring at STMicroelectronics -- including 3,000 jobs cuts outside of Asia by mid-2006 and a planned \$90 million annual cost savings -- industry reports have speculated the company is considering the sell-off of its memory business.

According to Semico Research Corp., Intel has been taking flash share from ST in set-top boxes, while the overall NOR market has been in decline for the past two quarters making ST's memory group look like a reasonable target for a cut.

On the other hand, Semico's director of non-volatile memory, Jim Handy, would have expected ST to first kill off certain aging technologies like EPROM.

"Although ST once proudly owned that market, and although they originally planned to dominate the market for the rest of its life, they ceded the number one position in 2003 and have allowed Oki to take ownership," Handy said in a research note Monday that referenced a Wall Street Journal story announcing the company's possible sale.

In 2004 ST's share was 26 percent of the EPROM market compared to Oki's 66 percent, Handy added.

Further, "Although the company had aspiration to become an important NAND vendor through a joint venture with Hynix, those efforts unraveled after SanDisk hit them with a lawsuit," he explained.

"We suspect that the original agreement with partner Hynix may have split the world into territories," Handy speculated. "If Hynix gets Asia and ST gets Europe and the U.S., then ST gets all the lawsuits while Hynix can ship freely -- and that appears to be what's happening.

"Hynix shipped 10 times as much NAND than ST in 2004, even though their agreement was to split Hynix' output 50/50. Hynix is particularly strong in China, and IP law enforcement is especially weak there," Handy concluded.

ST could not be reached for comment. Semico said it would continue to monitor developments in this area, but could not be reached for further comment.

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