



EE Times: Latest News
Analysis: Uncertain Q4 looms for electronics industry

Spencer Chin
(11/11/2005 12:41 PM EST)
URL: <http://www.eetimes.com/showArticle.jhtml?articleID=173601953>

MANHASSET, N.Y. — With the all-important holiday buying season upon us, will electronics companies reap the gifts of bulging year-end quarter profits?

The recent barrage of quarterly earnings reports paints a mixed picture. Suppliers of consumer electronics continue to face price erosion and pockets of slow growth, dampening earnings forecasts. Semiconductor suppliers are likewise showing restraint in their fourth-quarter forecasts, indicating an underlying nervousness.

PC maker Dell Computer (Austin) lowered its third-quarter guidance on faltering sales in the U.S and the United Kingdom. Dell met its reduced guidance, but the company's fourth-quarter guidance of barely double-digit sales and earnings growth is less than scintillating to analysts expecting higher growth.

The microprocessor companies that supply the PC makers expect a solid fourth quarter, but not what some industry observers expect. Intel Corp. fell short of its third-quarter guidance on charges, and has forecast what some analysts argue are conservative sales gains for the fourth quarter. The company faces stiffening competition from archrival AMD Inc., which in October surpassed Intel in sales of processors to the U.S. PC retail market.

Elsewhere, semiconductor suppliers expect modest fourth-quarter growth, whether or not they had profitable third quarters. For instance, Fairchild Semiconductor International Inc. (South Portland, Maine) posted a third-quarter loss, citing restructuring expenses related to employee severance and certain asset impairments. The company expects fourth-quarter sales to rise 5 percent.

Although Intersil Corp. (Milpitas, Calif.) reported record third-quarter sales and profits, the company likewise expects modest fourth-quarter sales growth of 5 percent.

The semiconductor industry may be delaying gratification until after the holidays. Market research firms such as Semico expect a pick-up in semiconductor sales next Spring.

In displays, booming flat-panel TV sales would seem to indicate a bonanza for display makers. However, market research firm iSuppli Corp. warned that rapidly falling prices are stalling revenue growth for suppliers of liquid crystal displays (LCDs), who have invested hundreds of millions of dollars in next-generation LCD fabs.

Falling prices also face mobile phone makers. Nokia Corp. reported a strong third quarter, but noted that the bulk of its phone sales were in low-end phones whose prices declined sequentially. Nokia expects mobile phone prices to continue dropping.

Communications infrastructure and component suppliers, while continuing to deal with the effects of restructuring and rapidly changing technologies, face a brightening picture.

Broadband and optical components supplier JDS Uniphase Corp. (San Jose), narrowed its September quarter loss on increasing revenue from its communications test business. The company expects solid revenue gains during the December quarter.

Also seeing improved results was Nortel Networks Corp. (Toronto), which a year ago was dealing with the fallout from financial reporting problems.

Nortel narrowed its third-quarter loss on higher sales of carrier packet networks, enterprise networks, and GSM and UMTS networks. The company expects fourth-quarter revenue to jump 13 percent, with gross margin rising sequentially from 38 to over 40 percent.

All material on this site Copyright © 2005 CMP Media LLC. All rights reserved.