

Climbing Utilization Points to Opportunity, Semico Says

Online staff -- 10/18/2005

Electronic News

<http://www.reed-electronics.com/electronicnews/article/CA6275320.html?industryid=21366>

A relationship has been demonstrated between advanced node capacity utilization and capital expenditure (capex) including wafer processing equipment bookings, according to recent research by Phoenix-based Semico Research Corp.

Based on historical data, Semico found that advanced node capacity utilization is a primary leading indicator of how and when semiconductor companies will invest in new fabs in both upturns and downturns of the semiconductor cycle.

Not surprisingly, rising capacity utilization predicts rising capex while falling capacity utilization predicts falling capex.

Interestingly, the study also shows that fab capacity decision makers industry-wide are much quicker to delay or stop capex in a downturn, since capex usually declines in the quarter following a capacity utilization decline, than to initiate capex in an upturn.

Based on its proprietary capacity utilization forecast to drive capex and equipment bookings projections, Semico is confident in revenue opportunities starting on Q2 2006.

Specifically, Semico believes that capex will rise at a compound annual growth rate of 22 percent for 2006 and 2007.

Because of its findings, Semico suggests that a significant bookings growth opportunity for equipment and other capex-related companies will occur starting in Q2 2006.

Consequently, Semico does see a translation of rising capacity utilization to rising capital expenditure and equipment orders, and suggests that equipment companies prepare now to take advantage of this revenue generation opportunity.

Opportunities will be driven by end market demand resulting in semiconductor revenue growth of 18 percent in 2006 and in wafer demand that will exceed capacity additions until late 2007, Semico concluded.

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