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Climbing Semiconductor Capacity Utilization Offers Optimism and Opportunity in Early '06, Says Semico

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Semico Research Corp. - October 24, 2005

Semico Research has recently completed a study that demonstrates a relationship between advanced node capacity utilization and capital expenditure including wafer processing equipment bookings. 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 and falling capacity utilization predicts falling capex. However, the study shows that fab capacity decision makers industry-wide are much quicker to delay or stop capex in a downturn (usually capex declines in the quarter following a capacity utilization decline) than to initiate capex in an upturn.

Using proprietary capacity utilization forecast to drive capex and equipment bookings projections, Semico is able to formulate conclusions that point to revenue opportunities starting on the second quarter of 2006. For example, Semico believes that:

Semico projects that capex will rise at a compound annual growth rate (CAGR) of 22% for 2006 and 2007.

As a result of these conclusions, Semico suggests that a significant bookings growth opportunity for equipment and other capex-related companies will occur starting in the second quarter of 2006.

Consequently, Semico does indeed see a translation of rising capacity utilization to rising capital expenditure and equipment orders, and we suggest that equipment companies prepare now to take advantage of this revenue generation opportunity. This will be driven by end market demand that will result in semiconductor revenue growth of 18% in 2006 and in wafer demand that will exceed capacity additions until late 2007.

About the market research report

This study, "Capex Rocks in 2006: Semiconductor Industry Capex and Wafer Fab Equipment Forecast 2005-2009" (Report Number: MA109-05), is available for immediate purchase.