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Book-to-bill holds steady as IC shortages linger

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(09/17/2009 6:39 PM EDT)

URL: <http://www.eetimes.com/showArticle.jhtml?articleID=220000958>

SAN JOSE, Calif. -- Amid a slight rebound in the semiconductor industry--and sudden component shortages--the fab tool business is improving.

In fact, the fab tool book-to-bill ratio remains above parity for the second straight month. North American-based manufacturers of semiconductor equipment posted a book-to-bill ratio of 1.03 in August, compared to 1.06 in July, according to SEMI. This follows a trend of book-to-bill ratios below parity.

"Equipment bookings have increased for five months in a row as market conditions recover from the very low levels reported earlier this year," said Stanley Myers, president and CEO of San Jose-based SEMI, in a statement. "With semiconductor device sales and fab capacity utilization improving over recent months, we expect equipment spending to follow a similar trend during the recovery."

There is also a recovery in ICs. The fab tool market generally lags behind the IC market, but it is still a positive sign for equipment vendors.

What's more, component shortages are suddenly emerging. "We hear component tightness still exists for hard disk drives, LCD panels, power management ICs, and LCD glass, in particular," said Craig Berger, an analyst with FBR, in a report.

"Recent checks into 3Q PC builds with the top five notebook ODMs and top four desktop motherboard makers are again better than our month-ago checks," Berger said.

"Overall, we forecast 3Q PC builds will grow 22 percent quarter-over-quarter (up from 18 percent one month ago)," he said. "Our contacts now expect notebook units to grow 25 percent quarter-over-quarter (up from 21 percent one month ago). Desktop builds are forecast to grow 17 percent quarter-over-quarter (up from 13% quarter-over-quarter one month ago)," he said.

"The positive revision to 3Q notebook builds is due to demand momentum for consumer ultra-low-voltage (CULV) models, new netbook launches (Hewlett Packard, in particular), and, potentially, some stimulative impacts from the upcoming launch of Windows 7. The positive revision to 3Q desktop builds is due to better demand from Europe, thus far, in September," he said.

In addition, the analog market is also improving, especially at one vendor: Maxim. "We think Maxim's calendar 3Q revenues are likely tracking towards the high end of guidance (\$445 million), and likely ahead of the Street estimate of \$433 million due to strength in consumer, computing, communications, and to a lesser extent industrial," he said.

"For calendar 4Q, we think Maxim can guide to slight sequential growth as industrial, computing, and handset shipments grow, partially offset by seasonally lower consumer-related chip shipments. Note that industrial shipments should now be a tailwind to growth, rather than a headwind. A potential revenue guidance range of \$440-\$470 million is possible for calendar 4Q, ahead of the Street estimate of \$445 million, and likely perceived as an investor positive," he added.

This in turn should boost the fab tool market. The three-month average of worldwide bookings in August 2009 was \$599.0

million, according to SEMI. The bookings figure is about 5 percent greater than the final July 2009 level of \$571.8 million, and about 31 percent less than the \$866.8 million in orders posted in August 2008, according to SEMI.

The three-month average of worldwide billings in August 2009 was \$579.9 million. The billings figure is almost 8 percent greater than the final July 2009 level of \$538.0 million, and just over 45 percent less than the August 2008 billings level of \$1.06 billion.

In recent times, Cymer Inc., KLA-Tencor Corp. and Kulicke & Soffa Industries Inc. have raised their respective forecasts.

On Wednesday, Tessera Technologies Inc. said it is raising its third quarter 2009 revenue guidance to range between \$65.0 million and \$66.0 million. Prior guidance, announced on Aug. 4, 2009, was for third quarter revenue to range between \$60.0 million and \$62.0 million.

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