

## Gartner Says Worldwide Semiconductor Revenue Declined \$29 Billion in 2009

### *Semiconductor Revenue Declines in the First Quarter Made 2009 One of the Worst in 25 Years*

STAMFORD, Conn., December 17, 2009 — The semiconductor industry will post a revenue decline for just the sixth time in the last 25 years, with worldwide revenue totalling \$226 billion in 2009, an 11.4 per cent decline from 2008, according to preliminary estimates by Gartner, Inc.

"Revenue dropped precipitously in the first quarter of 2009, continuing a deterioration which started in the last quarter of 2008," said Stephan Ohr, semiconductor research director at Gartner. "A small up-tick, noted toward the end of the first quarter, led to significant quarter-over-quarter growth in the periods that followed."

However, 2009 still goes on record as one of the worst years for the semiconductor industry since the burst of the dot-com bubble in 2001 — and the first year the semiconductor industry posted declines two years in a row. Worldwide semiconductor revenues declined 4.4 per cent in 2008, a consequence of the worldwide economic recession, which began in the fourth quarter.

"With the market emerging from recession, semiconductor vendors need to track end users' spending patterns through 2010 to detect any disruptions in demand — or additional demands that outstrip capacity," Mr Ohr said. "Neither the recession nor its recovery was felt equally by all semiconductor vendors. The PC segment was the first to spring back, followed later in the year by other segments reflecting consumer sentiment, like cell phones and automobiles. Corporate spending was most deeply impacted by the recession and remains slow to recover."

Some semiconductor vendors experienced the recession worse than others. Japanese semiconductor vendors, for example, were very hard hit, first by the world recession, which curtailed orders, and second by the strong Japanese yen, which made Japanese products more expensive than American and European devices.

Intel held the No. 1 position for the 18th consecutive year, despite revenue declines, and it increased its market share to 14.2 per cent in 2009 (see Table 1).

**Table 1**  
**Top Ten Worldwide Semiconductor Vendors, Preliminary Ranking by Estimated Revenue (Millions of US Dollars)**

2008 Rank	2007 Rank	Company	2009 Revenue	2009 Market Share (%)	2008 Revenue	2008-2009 Growth (%)
1	1	Intel	31,990	14.2	33,814	-5.4
2	2	Samsung Electronics	17,827	7.9	17,391	2.5
3	3	Toshiba	9,749	4.3	10,601	-8.0
4	4	Texas Instruments	9,576	4.2	10,593	-9.6
5	5	STMicroelectronics	8,428	3.7	10,270	-17.9
8	6	Qualcomm	6,503	2.9	6,477	0.4
9	7	Hynix Semiconductor	6,150	2.7	6,010	2.3
7	8	Renesas Technology	5,670	2.5	7,081	-19.9

11	9	Advanced Micro Devices	4,820	2.1	5,361	-10.1
6	10	Infineon Technologies	4,530	2.0	8,461	-46.5
		<b>Others</b>	<b>120,750</b>	<b>53.4</b>	<b>138,951</b>	<b>-13.1</b>
		<b>Total</b>	<b>225,993</b>	<b>100.0</b>	<b>255,010</b>	<b>-11.4</b>

Source: Gartner (December 2009)

Only three of the top ten semiconductor vendors saw revenue growth in 2009; two of them were memory manufacturers, Samsung and Hynix, whose revenue grew primarily because of the long-awaited firming of memory prices. Qualcomm grew slightly by capturing market share among cellular baseband processors. Outside of the top ten, but within the top 25, Taiwan's MediaTek grew 21.4 per cent, due its strong position among off-brand Chinese cell phone makers. It was the only company within the top 25 to show double-digit growth.

Four of the seven companies in the top ten showing revenue declines experienced double-digit declines. Infineon's precipitous 46.5 per cent drop was a consequence of the failure of its memory business unit, Qimonda, and the sale of its wireline communications business. If one subtracts wireline component revenue from Infineon's 2008 revenue to facilitate a "like for like" comparison in 2009, Infineon's revenue drop is only 27.2 per cent.

The memory segment deserves attention, since much of what happened in 2009 appears contrary to what happened in other segments. After seeing revenue declines in 2007 and 2008, the memory market was due to see a recovery. Memory vendors had slashed capital spending in the previous years, and supply constraints effectively elevated pricing. NAND flash moved into an undersupply condition at the start of 2009; DRAM followed late in the second quarter of 2009, sending prices soaring. However, the bankruptcy of Qimonda and near collapse of some of the weaker Taiwanese players meant that most of the major DRAM vendors were able to pick up market share at the expense of these companies and even report revenue growth. Overall, memory revenue declined in 2009, but by significantly less than the entire semiconductor industry.

Additional information is available the Gartner report "Market Share Analysis: Preliminary Total Semiconductor Revenue, Worldwide, 2009." The report is available on Gartner's website at <http://www.gartner.com/resId=1256115>.

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