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Gartner Says Worldwide Semiconductor Manufacturing Equipment Spending to Decline 8.5 Per Cent in 2013

Softening in the Premium Mobile Device Market Slowing Growth in the Short Term

STAMFORD, Conn., September 19, 2013 — Worldwide semiconductor manufacturing equipment spending is projected to total \$34.6 billion in 2013, an 8.5 per cent decline from 2012 spending of \$37.8 billion, according to Gartner, Inc. Gartner said that capital spending will decrease 6.8 per cent in 2013, due to diminishing 28-nanometer (nm) investment from a softening in the mobile phone market.

"Weak semiconductor market conditions that continued into the first quarter of 2013 generated downward pressure on new equipment purchases," said Dean Freeman, research vice president at Gartner. "However, semiconductor equipment quarterly revenue is beginning to improve, and positive movement in the book-to-bill ratio indicated that spending for equipment will pick up in the remainder of 2013. Looking beyond 2013, we expect that the current economic malaise will have worked its way through the industry, and spending will follow a generally increasing pattern in all sectors throughout the rest of the forecast period."

Logic spending has been the key driver of capital spending in 2013; however, a softening in the mobile phone markets has dampened investment in 28 nm during the third quarter, and this is projected to continue into the fourth quarter of 2013. Memory spending has picked up some of the slack and the total spending in the second half of 2013 should outpace the first half of the year.

Gartner said that capital spending is highly concentrated among a handful of companies. The top three companies (Intel, TSMC and Samsung) account for more than half of 2013 spending. Spending by the top five semiconductor manufacturers exceeds 65 per cent of total 2013 spending, with the top 10 accounting for 76 per cent of the total. 2013 spending will be back-half-loaded, with capacity increases occurring as memory market conditions improve, and Intel prepares for initial 14-nm production late in the year.

Gartner predicts that 2014 semiconductor capital spending will increase 14.1 per cent, followed by 13.8 per cent growth in 2015. The next cyclical decline will be a mild drop of 2.8 per cent in 2016, followed by a return to growth in 2017 (see Table 1).

Table 1
Worldwide Semiconductor Manufacturing Equipment Spending Forecast, 2012-2017 (Millions of Dollars)

	2012	2013	2014	2015	2016	2017
Semiconductor Capital Spending (\$M)	58,742.8	54,768.2	62,485.5	71,107.8	69,134.8	74,637.4
Growth	-11.9	-6.8	14.1	13.8	-2.8	8.0
Capital Equipment (\$M)	37,833.2	34,631.4	40,119.0	46,948.4	44,436.1	49,129.4

Growth	-16.1	-8.5	15.8	17.0	-5.4	10.6
Wafer Fab Equipment (\$M)	29,644.2	26,953.7	30,979.7	37,049.2	35,982.0	39,606.5
Growth	-18.5	-9.1	14.9	19.6	-2.9	10.1
Electronic Equipment Production (\$M)	1,474,834.0	1,512,256.2	1,576,024.1	1,646,942.1	1,714,129.4	1,781,194.9
Growth	3.6	2.5	4.2	4.5	4.1	3.9
Semiconductor Revenue (excluding solar) (\$M)	299,912.4	315,392.8	332,998.9	343,764.0	362,508.7	382,516.0
Growth	-2.6	5.2	5.6	3.2	5.5	5.5

Source: Gartner (September 2013)

"In 2013, the wafer fab equipment (WFE) picture is one of continuous quarter-over-quarter growth as major manufacturers come out of a period of high inventories and a generally weak semiconductor market," said Mr Freeman. "Early in the year, the book-to-bill ratio passed 1-to-1 for the first time in months, signalling that the need for new equipment is strengthening because demand for leading-edge devices is improving."

Gartner predicts that wafer fab manufacturing capacity utilisation will hover in the high-70 per cent to low-80 per cent range during the first half of 2013 and building to the mid-80 per cent range at the beginning of 2014. Leading-edge utilisation will move into the low-90 per cent range by the end of 2013, providing for a positive capital investment environment.

The capital spending forecast estimates total capital spending from all forms of semiconductor manufacturers, including foundries and back-end assembly and test services companies. This is based on the industry's requirements for new and upgraded facilities to meet the forecast demand for semiconductor production. Capital spending represents the total amount spent by the industry for equipment and new facilities.

The WFE forecast estimates market revenue based on future global sales of the equipment needed to produce the wafers on which semiconductor devices are fabricated. WFE demand is a function of the number of fabs in operation, capacity utilisation, their size and their technology profile.

More detailed analysis is available in the report " Forecast: Semiconductor Manufacturing Equipment, Worldwide, 3Q13 Update." The report is available on Gartner's web site at <http://www.gartner.com/resId=2591324>.

This research is produced by Gartner's Semiconductor Manufacturing program. This research programme, which is part of the overall semiconductor research group, provides a comprehensive view of the entire semiconductor industry, from manufacturing to device and application market trends. More information on Gartner's semiconductor research can be found in the Gartner Semiconductor Manufacturing Focus Area at <http://www.gartner.com/technology/core/products/research/markets/semiconductorManufacturing.jsp>.

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