



Analog Semiconductor Supply Chain Component Digest – October 2023

Important Disclosures in the Appendix

Cuts to Europe Auto/Energy; Broadening Pricing Impact From TI; No UAW Impact in Americas Yet

Note: This is not the full Insights report, if you are interested in receiving the full report, please reach out to schedule a call to discuss the requirements

What's Changed/What's New?

1. 4Q23/2024 Europe Auto production forecasts cut to +6%/0% from 10%/5% on slowing demand, including for EVs.
2. UAW impact in N.A. surprisingly limited through mid-October; downside impact projected if strike extends beyond mid-November.
3. Renewable energy outlook cut by more than 50% in Europe/Asia, risk to semis from inventory accumulation at the prior forecasts.
4. TI feedback more positive on 2024 share gains via lean inventory, initial wave of peer LTAs rolling over and attractive pricing.
5. TI pricing strategy impact seen broadening, exerting pressure on more peers, mending relations with previously upset customers.
6. ADI yet to see demand stabilization; bookings trend implying Q/Q weakness into Jan-Q; seen furloughing/offering staff buy-outs.

Top 3 Channel Comments:

- *TI is in every auto account saying, "give us a price and we will either match or beat it, the more you give us the better prices you get." Surprisingly every auto customer who swore off TI is now saying "we have a short memory and price matters greatly to us."*
- *Outlooks from renewable energy customers in Europe have been cut substantially in recent weeks. Everyone placed huge orders thinking the market would grow 10x in 2024. But that has been cut to 2x growth as momentum and subsidies have stalled. A customer was planning to build 400k inverters in 2024, now his forecast is 55K and most of his EMS already bought components at the old forecast to start building in 1Q. The German government used to subsidize 40% of the projects, that is down to 10% or zero.*
- *Enphase recently cut its demand forecast by 50%. MPS has 60% share of PMICs at Enphase inverters with the rest split between Infineon /Toshiba. Our 4Q POS will be down double digits Q/Q because of the Enphase pushouts. Also, Seagate was projecting a rebound in 4Q demand for PMICs, but it recently pushed out those expectations to 1H24.*

Other Key Takeaways

7. 3Q industry sales seen in-line with softer disti POP, stable direct demand; Bookings recovery still elusive with timeline pushed out.
8. Industry inventory progress still uneven/slow on continued NCNR shipments and customer pushouts tied to weakening demand.
9. Europe 4Q/1Q outlooks down and sub-seasonal on auto production and renewable energy cuts tied to pullback in subsidies.
10. China feedback still weak; some short-term 3Q demand spur seen from Consumer; green shoots in direct Auto continuing.
11. Ford, GM, Stellantis urging suppliers to keep building despite production losses; suppliers seen replenishing product gaps but growing uneasy with overall inventory build, preparing to cut output if EDI forecasts decline. Risk growing of 1H correction in Auto.
12. TI execution still mixed, clouding 2024 share gain prospects on fab ramp delays, concerns about TI ERP, and op decisions.

Conclusion

Analog semiconductor fundamentals continue to moderate as weakness as emerged most notably from Automotive/Energy related markets in Europe. Outside of the slowdown in Europe, the broader market remains largely weak/sub seasonal as virtually all geos/markets continue to attempt to work through stubbornly high inventory levels. We remain cautious on industry fundamentals through CY23 and early 2024 and continue to believe the inventory overhang will persist well into 2024.

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APPENDIX

We, Kevin Rottinghaus, Sean Muir, Dennis Reed, and Nik Todorov hereby certify that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities referred to in this research report. We certify that no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report. The analyst(s) responsible for the preparation of this report have no ownership stake in this company. Edgewater Research Company provides no investment banking services on this or any company.

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