

## Apple halo getting brighter for chip makers

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SAN FRANCISCO (MarketWatch) — Apple Inc. is expected to roll out its latest iPhone this week at a time when the company's so-called halo effect is becoming brighter for the semiconductor industry.



*Apple's popular iPhone is proving to be strong revenue driver for select chip firms.*

Apple [AAPL, -0.64%](#) has become an increasingly important customer for the companies that design and manufacture processors for a range of functions in electronic devices, including data storage, memory, power management, audio controls, radio and Wi-Fi transmission.

“New product launches out of Apple are becoming increasingly important to monitor, as we estimate the company consumes about 10% of worldwide semiconductor content in 2012, which is expected to grow in 2013,” RBC Capital analyst Doug Freedman wrote in a note to clients on Monday.

Freedman estimated that the iPhone 5, which is what the new Apple smartphone is being referred to in the industry, will make up a little over 4% of total semiconductor shipments in the 2013. He said that could translate to \$13.9 billion in annual chip sales into Apple's new smartphone.

Apple is already the world's top purchaser of semiconductor products, and “increasing its buying rate faster than other top firms,” the industry research group IHS said in a July report. The company is expected to spend nearly \$28 billion on chips this year, up 15% from 2011, according to IHS.

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In a note, Craig Berger of FBR Capital said, “We expect the iPhone 5 to be a home run, driving large volumes to critical device suppliers,” adding that 50 million to 52 million units could be built in the fourth quarter of 2012, “well ahead of street estimates.”

That could translate to huge sales for Apple suppliers. But the company typically does not disclose suppliers for specific products, so analysts have been busy speculating on the potential winners in the upcoming launch, partly based on a tear-down analysis of previous products.

Qualcomm [QCOM, +0.55%](#) is expected to remain a key supplier as the provider of the iPhone's baseband chip,

which serves as the device's modem.

There have been concerns of insufficient supply as Qualcomm shifts to a new process technology, but Berger of FBR Capital said he sees Apple getting the supply it needs as Qualcomm "prioritizes Apple over other handset makers."

Freedman of RBC Capital named other potential suppliers, including SanDisk Corp. [SNDK, -0.49%](#) and Toshiba [TOSBF, -0.56%](#) for memory, Broadcom [BRCM, -0.41%](#) for connectivity, Texas Instruments [TXN, +0.25%](#) for touch-screen drivers and Omnivision [OVTI, -0.41%](#) for image sensors.

#### **iPhone 5 could boost GDP**

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The iPhone 5, which Apple plans to release this week, could get credit for something Congress, the White House and Federal Reserve have struggled to do: boost the U.S. economy in a measurable way.

Omnivision has sparked speculation on its possible role in the iPhone 5 after the company issued a strong forecast during its Aug. 31 earnings report.

"After having been excluded from supplying Apple its image sensor to the iPhone 4S, the company's strong October forecast looks to be evidence that it has retaken the socket for the iPhone 5, a feat that not many suppliers are able to accomplish once being displaced," Williams Financial analyst Cody Acree said in a note.

In fact, getting displaced from Apple's list can be painful for a company's stock. That's what happened to Audience Inc. [ADNC, +0.81%](#) which saw its shares lose two-thirds of their value last Friday after the company disclosed that Apple was not using its voice-processing chip technology in the next iPhone.

On Monday, Needham analyst Vernon Essi speculated in a note that Cirrus Logic may be the "likely beneficiary" of the loss by Audience. Cirrus Logic shares [CRUS, -1.08%](#) have jumped 11% over the past month.

Analysts have also focused on RF Micro [RFMD, -1.97%](#) a maker of radio frequency chips, as one of the potentially big winners in the coming iPhone rollout.

Edward Snyder of Charter Equity Research said he sees RF Micro scoring the largest percentage gain with the release of the iPhone. The company has "seen such a rapid ramp at Apple and has tripled its content to \$1.05 from about 30 cents in the iPhone 4S," he wrote.

Acree also cited RF Micro, saying in a note, "We believe the company has a solid line-up of key marquee design wins that should provide strong growth in the December quarter, for both revenue and the firm's share price, Apple's iPhone 5 being at the top of this list."



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