



## COMMENT

**United Microelectronics Corp. (2303.TW) NT\$7.75**


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## Xilinx to switch a foundry partner at 45nm; maintain Sell rating

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**News**

On February 2, Xilinx announced its 45nm foundry partners. UMC will remain as the major foundry for its high-end Virtex 6 product family at 40nm (12 layers). Samsung will be the supplier for the Spartan product family at 45nm (9 layers). After supplying 90nm and 65nm wafers to Xilinx, Toshiba will no longer be a 45nm supplier. Meanwhile, Xilinx has indicated that its fixed cost should increase from \$34mn at 65nm to \$61mn at 45nm, and potentially \$100mn at 32nm. Our channel checks indicate that Xilinx is still in the process of selecting its 32nm technology suppliers (TSMC is one of the candidates) based on five universal criteria - technology, price, long-term viability, capacity, and a strong customer base to drive the yield curve.

**Analysis**

It is not a surprise to see Xilinx switching foundry supplier (see our report "Foundry competition in 2009 (2): foundry customer's perspective" dated 12/17/2008). Xilinx is likely the only leading semiconductor company that depends on UMC for manufacturing technology. We believe that Xilinx is cautious on UMC's long-term commitment and ability to drive yield curve in light of the escalating development cost. According to its 10K, Xilinx sold its remaining UMC holdings in 1Q08. We would watch closely on who would become the main technology supplier to Xilinx at 32nm. Meanwhile, we note that, five years after inception, Samsung's foundry business has only three leading edge customers - Qualcomm, Marvell, and Xilinx, due to concerns over its IP protection, low yield, and potential termination of foundry business. We believe that Samsung is unlikely to become a meaningful foundry competitor anytime soon for the above reasons.

**Implications**

We view Samsung's win at Xilinx as slightly negative to UMC as Samsung seems to be more determined and price aggressive than Toshiba in winning foundry business. We maintain our current rating and TP on UMC.

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Asia Pacific Sell List

**Coverage View:** NeutralTaiwan:  
Semiconductors

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**Donald Lu, Ph.D**  
+86(10)6627-3123 | donald.lu@ghsl.cn Beijing Gao Hua Securities Company Limited

**Matthew Chuang**  
+886(2)2730-4197 | matthew.chuang@gs.com Goldman Sachs (Asia) L.L.C., Taipei

**Evan Xu**  
+86(10)6627-3176 | evan.xu@ghsl.cn Beijing Gao Hua Securities Company Limited

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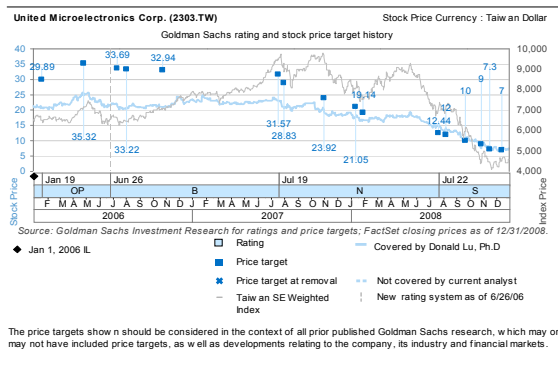
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