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Interview With UTAC: Shaping 2019

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*Asia Pacific Metalworking Equipment News is pleased to conduct an interview with Asif Chowdhury, Senior Vice President, Marketing & Corporate Business Development at UTAC regarding UTAC's achievements for 2018, the company's aims for 2019, and the trends that will shape the industry in the following year.*



Asif Chowdhury

*1. Can you sum up your company's focus and achievements in 2018?*

2018 has been a very good year for UTAC, especially with respect to winning some key strategic customer engagements which will likely drive revenue for years to come.

For example, UTAC has achieved a very key business win with a major fables company involving WLCSP requiring leading-edge wafer process technology, which we are now in the process of developing and qualifying.

Furthermore, we have had major lead frame business off-load from one of the top Integrated Device Manufacturer (IDM)'s internal facility which was won this year. These are just some examples of the many key engagements that we have with IDMs and Fables Semi companies.

Our automotive as well as industrial business continues to grow and we are in line with increasing our revenue for both of these market segments this year.

In 2018, we are also very proud of our significant market share gain in power packaging, which utilises Cu-Clip technology in our Thailand factory. The demand for these power devices have been growing due to the growth in cloud computing servers and also in the automotive space. We have also made very good progress in increasing our high-end MEMS packaging business with top major MEMS players in Europe. MEMS products continue to grow, driven by the growth in IoT, automotive and mobile applications.

We have also enjoyed the highest number of RFQs, (or Requests for Quotes for new business) in 2018 which is essentially a testament of potential pipeline business. We had a record number of automotive RFQ wins in the second quarter of 2018.

We are very pleased with our higher level of engagement with customers and growth in our focus areas in 2018 and beyond.

*2. What business trends in Asia capture your interest for growth next year?*

The semiconductor sector is a very global business even though many of the activities, especially manufacturing, are focused here in Asia. With the waves of consolidations in recent years, one trend that UTAC follows in Asia is the consolidation of IDM factories located here.

The streamlining of manufacturing activities by IDM factories provides opportunities for OSATs to gain market share. In fact, UTAC's last acquisition was three Panasonic assembly and test facilities in Singapore, Malaysia and Indonesia. We will continue to follow and keep our eye on such trends, particularly in Asia.

Beyond that, we are also following the trade issues between the United States and China closely. With eight assembly and test manufacturing locations in Asia but outside China, we will be focused on taking advantage of or perhaps even help facilitate our customers who are looking to decrease their footprint for assembly and test in China if the tariffs continue.

*3. What do you think is the key industry trend to watch out for 2019?*

As we exit in 2018, there are some concerns about how the semiconductor market will perform in 2019 and also perhaps in 2020. The industry has been enjoying consecutive growth for the past few years with double-digit growth in 2017 and also 2018. However, there is a sense of overall pessimism – which is apparent from the negative performance of many of the semiconductor companies' stocks during the last month.

The memory market is cooling especially from a pricing standpoint both for DRAM and Flash. Additionally, even though the inventory level for IDMs and fabless companies have steadily come down, it is still on the high side. While the Q4 numbers are not out yet, we expect that the average inventory days will still be well over 100 days.

From the semiconductor market performance and overall market chatter, it seems like we might be going into a market slowdown in 2019 – the question is how significant this will be. Our industry is cyclic, however, the amplitude of these cycles has come down significantly since 2014. We are optimistic that even if 2019 turns out to be a down market, it will be a low single digit. We will be watching our customers' forecasts and overall market demand very closely as we go into 2019.

*4. What potential and opportunities do you see in the semiconductor industry next year?*

Despite the possible market slowdown, there will be pockets of opportunities in 2019 and beyond. Analog products continue to show the highest compound annual growth rate (CAGR), in the high single-digit through 2022 driven by demand for semiconductor products in the Automotive, Industrial, IoT market and Power products.

UTAC is well-positioned in all these segments with both packaging and test solutions. Automotive semiconductor products are estimated to grow by over 10% CAGR through 2022, especially with the potential of the proliferation of both electric and autonomous vehicles. Despite the current slowdown, we expect automotive semiconductor demand to continue to be relatively strong.

From a technology perspective, we will be keeping a close eye on the deployment of both 5G infrastructure and handsets towards the end of 2019. UTAC has been investing in the development of packaging and test technologies which are key for the 5G wave.

The server market will also continue to grow in 2019, fuelled by continuous demand in cloud computing. Our Cu-Clip power package solutions are well suited for this as well as automotive power application.

Finally, we are also keeping an eye on wafer technology such as silicon carbide (SiC) which could be a potential growth engine for the semiconductor industry.