

Intersil committed to joining the leading-5 analog and power IC vendors, says Petrov Group

Original date: 2010/6/21

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Intersil is a medium-sized Power IC company with a corporate commitment to reach US\$1 billion in revenues by 2011. This commitment represents a 64% growth rate or 29% annually from its US\$611 million revenues in 2009. More specifically, Intersil's objective is to catch up and join the leading-five analog and power IC companies – TI, National, ADI, Maxim, and Linear, according to Boris Petrov, managing partner of The Petrov Group.

In 2008 Intersil reorganized its business by consolidating five product lines into two product groups: the Power management group structured by end-market segment into five business units: consumer, computing, industrial and communications, specialty products (military and space), and automotive; and the Analog & mixed-signal group structured by product type into two business units: precision products and speed products.

The new business structure enables the company to target market opportunities from endequipment application and analog performance aspects. Significantly, by 2011 Intersil projects that its computing products, where it has 50% market share in power ICs for notebooks, will decline from 33% to 25% of total revenues.

For years Intersil has been a leader in the analog industry in outsourcing of its wafer manufacturing; it broke away from the traditional "black art" approach to analog technology. In terms of outsourcing, the company looks more like a digital IC vendor than an analog IC vendor; wafer foundries manufacture 84% of all wafers in fiscal year 2009. Its 6-inch fab in Florida manufactures specialty products that require proprietary processes such as light sensors and military/space products.

Together with Texas Instruments and Maxim, Intersil is also in the forefront of the industry transition to power technology platforms – 250nm in volume production and 180nm in development at the TowerJazz foundry. Its analog technology platforms represent the key enablers of the company's future growth; rapid expansion is expected in PWM ICs for handheld equipment, digital power, and plug-in power modules. Integration of discrete power MOSFETs will enable new application-specific strategic components for an increasing pull-through business, said The Petrov Group.

Intersil's power management products could be grouped into eight power domains:

- Analog power conversion domain which is expanding into high integration PWM ICs supported by the Rock Semiconductor acquisition. These PWM ICs represent new strategic components for high-end consumer applications such as smart cell-phones and handheld equipment.
- Digital power domain, a new growth business supported by the Zilker Labs and D2Audio acquisitions which contributed strategic components for high-end computing and consumer applications.
- Lighting and displays domain, a growth business in LED lighting and LCD TV applications.
 Smart power grid domain.
- Four established power domains battery management, power supply support, power distribution, and power actuation

Intersil is positioning itself for aggressive revenue growth despite a fiscal 2009 revenue drop to the 2005 level. The pull-through business is of pivotal importance to Intersil's revenue growth objective. The mission of Intersil acquisitions is to bring into play new strategic components yielding an accelerated pull-through business; Intersil's acquisitions are done in a highly systematic manner.

The essence of the pull-through strategy is moving from the customer execution phase (non-strategic component selection) into the customer proposition and differentiation phase (strategic component selection) of the buying cycle. All leading analog IC vendors use this approach; the pull-through (or solutions) multiplier could be up to 10x the dollar value of strategic components, hence, a significant revenue accelerator. A representative example is the companion power management IC (PWM IC) to an end-system's core processor. In this example Intersil is now expanding its PWM IC business via the Rock Semiconductor acquisition.

The company's portfolio of analog power conversion products has historically been driven by Intersil's focus on PC computing applications. This ecosystem is tightly controlled by Intel. An illustration of the increasing power device competition in a range of high-end portable computing devices including laptops, tablets, and smart phones is the PWM IC chipset for Intel's Atom Z6xx processor. At Computex 2010 Freescale introduced a highly integrated chipset using its 130nm BCD SmartMOS-10 platform.

During the next two years Intersil's emphasis will shift toward high-end computing and consumer applications, which could significantly change the product portfolio profile. It is almost certain that Intersil will achieve its near-term growth objectives in part because of already implemented acquisitions. However, profitability increase will likely remain elusive due to the historic growth-profit barrier of the analog IC business. The growth-profit barrier represents the traditional tradeoff between revenue growth and profitability that has marked the industry since its start five decades ago. Achieving growth while sustaining very high net margins would be an exceptional and unique achievement; however, it requires a different business model from Intersil's, said Petrov.

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