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iPhone Orders Seen Making Broadcom Top Apple Beneficiary: Tech  
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By Adam Satariano

Sept. 15 (Bloomberg) -- Broadcom Corp. stands out as one of the biggest beneficiaries from orders from Apple Inc., whose need for parts that go into iPhones and iPads represents a bright spot for a semiconductor industry plagued by weak demand.

Taiwan Semiconductor Manufacturing Co., Broadcom's biggest supplier, last week said third-quarter sales would exceed earlier forecasts because of rush orders from an unnamed customer. Other large Taiwan Semiconductor clients have disclosed disappointing results, suggesting that the customer was probably Broadcom, rushing to meet demand from Apple, according to a supply-chain analysis by Bloomberg.

"Broadcom is the largest link between Apple and Taiwan Semiconductor," said Richard Davenport, a Bloomberg supply chain analyst, in a report. "Broadcom appears to be a likely candidate for Taiwan Semiconductor's rush orders."

As overall electronics demand slows, Broadcom and other suppliers for Apple's iPhone, iPad and iPod Touch may fare better than makers of personal-computer parts. Broadcom reaffirmed its third-quarter forecast this week, while Texas Instruments Inc. and Altera Corp. were among chipmakers that have reduced estimates, citing sluggish economic growth. The contrasting reports highlight how surging sales of Apple gadgets can sweep through the company's chain of hundreds of suppliers.

"The suppliers of Apple are doing well," said Michael Burton, an analyst at Kaufman Bros. in New York. "The mobile space is in a very good place."

#### iPhone, iPad Sales

Karen Kahn, a spokeswoman for Broadcom, declined to comment, as did Steve Dowling, a spokesman for Cupertino, California-based Apple. Elizabeth Sun, a spokeswoman for Taiwan Semiconductor, also declined to comment, citing the Hsinchu, Taiwan-based company's policy not to discuss customers and their orders.

Apple may sell 19.5 million phones and 12.5 million iPads in the quarter ending this month, according to Mike Abramsky, an analyst at RBC Capital Markets. That's up from 14.1 million iPhones and 4.19 million iPads sold in the same period last year.

PC makers and their suppliers are suffering by contrast. Researcher Gartner Inc. last week cut its projection for 2011 PC sales, saying shipments will rise 3.8 percent instead of the 9.3 percent growth it had forecast.

#### Rush Orders

Rush orders are last-minute purchases intended to make up for dwindling inventory somewhere in the supply chain. Amid the current semiconductor slump, such orders can only be coming from a customer

that is big enough to require a manufacturer as large as Taiwan Semiconductor to adjust its resources, Davenport wrote in the report.

"'Rush orders' are likely not from a new or unknown product, but rather imply more needed capacity with a mature product offering," he said.

Anil Doradla, a chip analyst at William Blair & Co., said Taiwan Semiconductor's order also could also have been made by Qualcomm Inc., which may have a new deal with Apple for iPhone chips.

Kaufman Bros.' Burton also said Taiwan Semiconductor's positive news might be related to orders from MediaTek Inc. and Nvidia Corp., which are also customers of Taiwan Semiconductor. Broadcom is less likely because it would have anticipated heavier demand from Apple ahead of the new model of the iPhone or higher sales in China, he said. Davenport also said MediaTek or Qualcomm were possible sources for the rush orders.

#### Broadcom's Forecast

Still, Broadcom reiterated its revenue forecast yesterday, encouraging investors who had said that target might be overly optimistic after other chipmakers had warned of disappointing results, Burton said.

Broadcom, based in Irvine, California, made the comments in its announcement of its purchase of NetLogic Microsystems Inc., a maker of processors used in data networks, for about \$3.7 billion in cash.

The positive reports from Taiwan Semiconductor and Broadcom diverge from others in the chip business. In addition to Altera and Texas Instruments, Fairchild Semiconductor International Inc. told investors its results would be less than earlier forecast.

"Taiwan Semiconductor's data sticks out like a sore thumb," Davenport said in an interview. "We are seeing cuts on almost a daily basis."

Apple, whose sales jumped 52 percent last year, is Broadcom's largest customer, accounting for about 11 percent of sales, according to data compiled by Bloomberg. Apple's biggest suppliers include Hon Hai Precision Industry Co., Samsung Electronics Co. and Quanta Computer Inc., according to Bloomberg data.

#### Expanding in China

Apple is expected to announce a new iPhone by the end of October and will expand its availability in the U.S. to include Sprint Nextel Corp., people familiar with the matter said last week. The company also is expanding in China, where sales grew sixfold last quarter and new retail stores are planned.

Demand from Sprint or carriers in China could result in "an upward revision" to Broadcom's recently reiterated forecast, Davenport said.

Broadcom rose 55 cents to \$34.77 in Nasdaq Stock Market trading yesterday. The company, whose stock has dropped 20 percent this year, may be spared from the struggles of other chipmakers because of Apple.

"Apple could save the quarter for Broadcom," said William Blair's Doradla.

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