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Darnell Group

NEWS

Who Killed the DC-DC Modules Market?

Corona, California, August 31, 2006 – Was it an inside job? Or is the dramatic decline in growth in the dc-dc modules market a result of external culprits? All potential suspects were questioned to arrive at the surprising conclusion.

The dc-dc converter module market is now projected to grow significantly less than anticipated just 12 months ago. Darnell Group’s latest analysis, “DC-DC Converter Modules and ICs,” details a series of several culprits that have conspired to “kill” growth in the dc-dc modules market. Those same culprits cast a pall on future growth prospects for this once dynamic market. The report also highlights remaining opportunities for growth and projects future trends.

“The anticipated 12.5% revenue shortfall cannot be explained by declining unit sales. Unit sales for dc-dc converter modules have been almost flat, and we reduced our previous 2006 worldwide forecast by just 2% for the current report (from 104.3 million to 102.0 million units),” stated Linnea Brush, Senior Analyst with Darnell Group. “The real damage to the market has resulted from the rapid erosion in pricing driven by a number of unrelated, and some unexpected, culprits.”

Looking outside the traditional modules market, growing competition is coming from semiconductor makers. Power management ICs and “hybrid” products have recently reached a higher-current “node” and are encroaching on territory that had been the exclusive purview of modules. Module makers have had to trim margins in order to remain competitive. Another potential culprit is the rapid maturing of the Intermediate Bus Architecture (IBA). This technology once drove sales of dc-dc converters, but unit growth has flattened out. The “leveling off” of the IBA, combined with rapid price declines, will also decrease revenue potential for modules.

Further complicating the revenue landscape is the changing competitive environment within the modules market. For example, Delta Electronics has recently brought its competitive, ac-dc power supply pricing model to the dc-dc module world. Mergers such as Emerson and Artesyn will simply reinforce these pricing pressures. These current business factors, combined with external economic culprits, are expected to contribute to lower dc-dc converter revenues over the next few years. External suspects include higher interest rates, the recent housing bubbles in North America and Europe, and even slower growth in China. As a result, the worldwide, five-year compound annual growth rate (CAGR) for dc-dc converter module dollar sales was decreased from 10.5% (in the previous report) to 8.6% (in the current report). This is supported by applications such as servers, which have experienced eight consecutive quarters of declining growth rates.

We have determined whether it was an inside job or a result of external culprits. But, despite falling prices and the concurrent decline in revenue forecasts, opportunities still exist for modules. The business and technology climates are changing, however, and power supply makers need to be aware of these shifts in order to take advantage of the opportunities. “DC-DC Converter Modules and ICs” is a ‘must read’ for all executives involved in the market for dc-dc converters.

“We have analyzed the crime scene, interrogated the potential suspects and identified the killer of the dc-dc modules market,” said Jeremiah Bryant, Senior Analyst with Darnell. “It may have been an inside job. You’ll have to read the Ninth Edition report to get all the gory details,” Bryant concluded.

Darnell Group is the leading source for worldwide strategic information covering the full spectrum of power electronics, energy storage and generation. The company specializes in the economic/business analysis of emerging power markets and technologies. Complete information on “DC-DC Converter Modules and ICs” is available at: http://www.darnell.com/consulting/study.php?mc_id=1

