

## 2Q19 DRAM Revenue Falls by 9.1% QoQ, with 3Q19 Quotes Still Set to Fall, Says TrendForce

2019-08-08 [TrendForce](#)

According to investigations by [DRAMeXchange](#), a division of [TrendForce](#), quote trends for various products, including commodity DRAM, server DRAM and consumer DRAM, fell by nearly 30%, with the exception of discrete mobile DRAM/ eMCP products, whose declines fell within the 10 -20% range. Server DRAM prices suffered the steepest fall, registering a near-35% decline. Observing the market, we see that although 2Q sales bit grew over the previous quarter, quotes kept on falling, causing total DRAM revenue to fall by 9.1% QoQ in 2Q.

Although the Japan-South Korea incident over material exports at the beginning of July caused prices to bounce in the spot market, the scale of the spot market is too small to effectively clear the large inventory levels held by suppliers in 3Q looking forward. Furthermore, end demand was weak, and contract prices kept on falling in July. Judging from the prices set by first-tier PC-OEMs, ASP for mainstream 8GB modules have already fallen to US\$25.5, which is a near-20% QoQ fall from US\$31.5 in the previous quarter, and a MoM fall of around 10% from US\$28.5 in the previous month.

TrendForce points out that despite the ripples in the market formed as a result of the Japan-South Korea incident, contract prices mainly depend on the basic supply-demand dynamics, and since production capacity were not affected substantially, we don't see a significant force keeping prices up. Moreover, contract prices for mobile DRAM and server DRAM, which take up 70% in shipments, remained on a downtrend in 3Q.

Observing revenue performance of various suppliers, we see Samsung sitting steady on the throne in the DRAM industry, while issues concerning 1Xnm server products that emerged in 1Q have already died down, causing Samsung's sales bit shipments to grow noticeably in 2Q and registering a QoQ growth slightly above 15%. But since quotes fell by over 20%, revenue still declined by 2.7% QoQ, arriving at US\$6.78 billion. Samsung also gained an additional 3% in market share, going from 42.7% to 45.7%, on the strength of its recovering shipments in the server sector.

SK Hynix's sales bit shipments grew by around 13%, but falling quotes caused 2Q revenue to come to US\$4.26 billion and gave a 12.6% decline QoQ. SK Hynix's market share stood at 28.7%. Micron, on the other hand, still landed third place, but its sales bit shipment trended flat compared to the previous quarter due to being influenced by the US-China trade dispute, with revenue standing at US\$3.04 billion, a 19.1% QoQ. It also lost some market share, which came to 20.5%.

An observation of the suppliers' profitability shows that DRAM suppliers' operating profit margins all registered declines due to the steep price fall in 2Q. Samsung's operating profit margin declined the least among the top three (from 48% to 41%), but its DRAM gross margin managed to come above 50%. The high costs SK Hynix incurred in plant construction led to minimal cost reduction this quarter, causing its operating profit margin to plunge from 44% to 28%, registering the largest decline among the three. The fall in quotes during Micron's fiscal quarter, beginning from March and ending in May, rival that of Korean suppliers, and thus their operating profit margins fell from 46% last quarter to 35%. Suppliers' profitability will be squeezed further in 3Q looking forward as quotes continue to descend.

Regarding technological development, Samsung will be proceeding more or less with originally planned wafer starts, with the Pyeongtaek plant still set to produce around 60 thousand pieces with Line 17 and the second floor of the Pyeongtaek plant to undergo the transition to the 1Ynm process as scheduled, albeit slowly as inventory levels are still high. For SK Hynix, the proportion of shipments made with the 1Xnm process have already gone past the 40% mark, and the second half-year will see the acceleration of the transition from legacy 2Ynm and 2Znm processes to new 10nm-class processes. As for Micron, Micron Memory Taiwan (formerly Rexchip) has already completed its transition to the 1Xnm process, and plans to skip the 1Ynm process and go on to adopt the

1Znm process, which will have to wait until 2020 to actually contribute to production. Micron Technology Taiwan (formerly Inotera) is already utilizing the 1Xnm process for over half of total production, and has begun to gradually increase its usage of the 1Ynm process this year.

As for Taiwan suppliers, Nanya Tech managed to pull revenue up in 2Q to register a growth of 8.4% QoQ despite falling quotes, thanks to a large 30% leap in sales bit shipments. The large lift in shipments and the relatively small decline in quotes compared to others in the business lessened its fall in profit margins, with gross margin and operating profit margin falling from 40.7% and 26.6% to 34.9% and 22.5%, respectively. For Powerchip, although revenue calculations only included self-produced commodity DRAM products, leaving out revenue from its DRAM foundry business, the high inventory levels held by its customers caused Powerchip's shipments to slide, and revenue slid along with it by 15.3%. As for Winbond, the quotes it gives customers are of a mid-long term nature, allowing Winbond to enjoy a more stable operating performance, with DRAM revenue trending flat more or less compared to the last quarter.

## About TrendForce

TrendForce is a global provider of the latest development, insight, and analysis of the technology industry. Having served businesses for over a decade, the company has built up a strong base membership base of 435,000 subscribers. TrendForce has established a reputation as an organization that offers insightful and accurate analysis of the technology industry through five major research divisions: DRAMXchange, WitsView, LEDinside, EnergyTrend and Topology. Founded in Taipei, Taiwan in 2000, TrendForce has extended its presence in China since 2004 with offices in Shenzhen and Beijing. For more details about TrendForce, please visit [www.trendforce.com](http://www.trendforce.com)

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