

# How to weather the supply storm

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Dear Valued Customer,

All signs are set for the perfect supply storm next year. The semiconductor industry is emerging from a COVID19-driven market break down, followed by a consequent reduction of production capacity investments and a dry out of inventory levels in order to brace for the rough ride through the 2020 COVID year.

The market is recovering and the whole industry is preparing for a shortage, maybe even a hard allocation for next year. Leading semiconductor foundries, such as TSMC, Global Foundries, etc. are signalling a full loading for the entire year of 2021. It has yet to be determined, if the customer backlogs are substantial or driven by booking capacity.

This leads to an explosive mix. On the one hand, foundries and other leading semiconductor manufacturers are pushing for NCNR agreements to firm up the near term demand picture they are receiving. On the other hand, the same foundries and manufacturers are pushing for long-term orders until end of 2021, where it becomes more difficult to forecast, of course, not to mention long-term NCNR commitments.

So, the question is how to weather this supply storm?

The key will be a combination of a very strict and thorough short-term planning and a more generous long term backlog. The crucial focus point must be the cleaning phase of long-term backlog becoming short-term demand.

As a rule of thumb, use the months 5-12 for a generous backlog placement with the target to book production capacity. Use month 4 to clean as much as possible in order to show in months 1-3 only the hard demand with a maximum confidence level.



This will help to secure short-term supply by high reliability and long-term supply by a maximized transparency for booking production capacity.

Please do not hesitate to contact us if you have any further question.

Best regards

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