

OVTI LCOS, CES Day 4

OmniVision (OVTI, \$14.80 +0.41, Buy, Target \$30, FY13: \$1.25 on \$1,407M, FY14: \$2.04 on \$1,456M)

LCOS Display New Product Offering: OVTI announced a whole new product offering with its introduction of an HD LCOS display early yesterday. Originally I was extremely skeptical that an image sensor company singularly focused on capturing light would be able to reverse the process and get into the display business. But after a conversation with management today I think this could very well be a nice adjunct to its automotive offerings.

The OVP7200 is a 0.37-inch diagonal, HD video (1,280 x 720) LCOS display chip (liquid crystal on silicon) used in projection applications along with the OVP921 companion driver and processor. The parts are sampling now and production is expected 2Q13. The capability was attained via the acquisition of Aurora for \$5.6M in March 2010 which has a small home theater revenue stream, and the LCOS manufacturing occurs on the same wafer fab that OVTI uses for its CMOS images sensors and the incremental glass and liquid crystal layers are pretty mature and well understood thanks to the LCD display industry. So OVTI has the technology and there are significant manufacturing synergies.

While pico-projectors in smart phones is certainly a potential application, it turns out OVTI is initially targeting automotive HUDs, or heads-up displays where you can see your dashboard projected on your windshield. And the company is being pulled into this market by the same ODMs it is working with that sell image sensor solutions to car manufacturers, so the marketing channel is identical. And this has been a longer-term strategy (in the fairly slow-moving automotive sector) that goes back to the original acquisition of Aurora. This opportunity for OVTI in the automotive market is similar to that for its image sensors in that it offers significantly higher ASPs and margins, albeit at the cost of lower volumes (around 60M cars sold worldwide each year) compared to cell phones.

Management believes it has an opportunity to undercut pico-projection market leader Texas Instruments with its DLP technology (digital light processor) in terms of price with lower cost, and avoid the behemoth LCD suppliers by restricting itself to the smaller, niche automotive market and the extensive customer support and hand-holding it requires. I am very much buying that automotive is more of a headache than an opportunity for the LCD suppliers and that conventional silicon LCOS is much less expensive to manufacture than TI's MEMs-based DLPs constructed as an array of reflecting micro-mirrors, so am inclined to agree this is very much a viable offering.

The only potential wrinkle is TI announcement this week of its next generation DLP 'Tilt-and-Roll' offering smaller pixels, lower power, higher brightness, and greater efficiency and resolution, as well as its specific focus on automotive HUDs—as well as TI's strategic emphasis on cars as it exits cell phones. While TI may put up more of a fight than OVTI may have anticipated, lower cost is an extremely compelling competitive advantage.

CES Round-Up, Day 4: Below are press releases from companies in the Tokeneke semiconductor Universe posted since mid-day Wednesday organized by ticker symbol with hyperlinks to the documents via Yahoo!Finance.

Interesting post from WSJ's All Things Digital about CES, commenting that the most noteworthy product launches this year are coming from semiconductor companies like QCOM and NVDA rather than actual consumer products like Smart TVs or tablets. I consider this to be very good news for someone like myself . . .

BRCM: [Broadcom Announces ADSL Gateway Solution for Emerging Markets](#)
[Broadcom Announces GPON Home Gateway SoC Solution](#)

CSR.L/CSRE:

[SMK to Demonstrate Bluetooth® Smart TV Remote Controls Based on CSR µEnergy® Platform at International CES 2013](#)

MU: [New Crucial\(R\) DDR4 DRAM Modules Enable Next Generation Enterprise and Consumer Products](#)
[New Micron and Crucial M500 SSDs Offer Affordable, High-Capacity Storage](#)

NXPI: [NXP Connects the Smart, Energy-Efficient Home With ZigBee and JenNet-IP](#)

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