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Industry View
Attractive

Taiwan TFT LCD

Computex 2010 Touch Panel Key Takeaways

Quick comment – where we differ: Young Fast's stock price should rebound after its recent sell-down on speculation that Samsung/LGE would cut orders, plus solid May revenue. Young Fast remains the market leader for handset touch thanks to scaled capacity and better yield. Mobile phone applications will remain its key growth driver in 2010. For iPad-like/tablet PC touch applications, we see Cando, Sintek, Wintek, and TPK as likely winners in capacitive touch; eTurboTouch and Liyitec are ahead of others on AMR (Analog Multi Resistive) touch. For AIO (All-in-One) PC touch applications, PixArt and Quanta have penetrated Taiwanese brands (MSI, Acer, Asus) and Nextwindows has better exposure to international (Dell, HP, Sony) brands.

What's new: Touch has become a standard function for AIO PCs and netbooks after Microsoft launched Windows 7 in October 2009. The iPad launch means Tablet PCs are all equipped with touch. Key takeaways:

1) AIO PCs all come with touch: PC OEM makers including Acer, Asustek, and MSI showcased their new AIO PCs with touch functions. MSI demonstrated four models of AIO PCs with optical touch (PixArt/Quanta solution) and one model with resistive touch (Liyitec, eTurboTouch solution). Acer showcased one model of 23" AIO PC with optical touch from PixArt/Quanta. Nextwindow believes ASP for optical touch will decline 30-40% YoY and will hit ~US\$30 in 2011 for 20" optical touch screens (vs. current US\$40-50).

2) iPad-like Tablet PCs are using capacitive touch for better performance. MSI, Asustek, Gigabyte, Malata, and etc. showcased their latest tablets, all with touch function. MSI's 10" WindPad has adopted capacitive touch and expects to launch by end 2010. Gigabyte showcased 10.1" and 11.6" tablets using AMR touch. It will launch a tablet with capacitive touch in 3Q10. Asustek's 10.1" and 12.1" EeePad are adopting capacitive touch from Sintek. The company targets launch in 1Q11. Both MSI and Asustek aim to price their 10" tablet PCs at US\$399-449.

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3) Pixcir Microelectronics demonstrated a 21.6" AIO PC with multi-touch function using Sintek's capacitive touch panel with one-side coated diamond shape ITO patterns. Pixcir's solution includes four sensor controllers and one 16-bit Renesas microprocessor. We estimate 21.6" capacitive touch will cost ~US\$160 when it enters mass production.

Pixcir also showcased a 15.6" notebook (Acer) and a 10.1" tablet PC (Lenovo) with touch sensor from Cando. We estimate mainstream notebook and tablet PC solutions are priced at US\$4/inch for the Cando/Pixcir solution. Management said it is also in discussion with Acer/Lenovo for 11.6" Netbook touch applications.

4) NextWindow's optical touch has been adopted by Dell, HP, Sony, Asustek, etc. It uses two CMOS cameras located at the topmost corners of the screen. We tested NextWindow's solution by drawing two circles simultaneously and found it has solved cross-interference issues by improving its firmware. NextWindow expects 20" optical touch ASP to decline 30-40% YoY, hitting ~US\$30 in 2011 from the current US\$40-50 and 2009 levels of US\$60-70.

5) iDTI showcased 21.5" LCD monitor with in-cell touch technology. iDTI develops TFT array structure and leverages TFT production capability from AUO, CMI, and HannStar. The photo sensors are created on blue pixels during the TFT array process and require a stylus with special wavelength red-light to activate touch functions. iDTI claims incremental cost for in-cell photo sensors is limited and priced its 21.5" LCD touch monitor at NT\$8900 (US\$283) vs. Acer T230H monitor of NT\$12999 (US\$413).

6) Elan's capacitive touch solution has been adopted by HTC HD2. It works with Wintek and TPK for touch sensors and shipped 600K units of touch controllers for HTC HD2 in 2009, 700K in 1Q10 and aims for ~1.2mn unit shipments in 2Q10. Elan will also ship 100K+ units/mth of glass-based touch module to Foxconn for end customers like Motorola and Orange.

7) eTurboTouch demonstrated two new technologies at this year's omputex. 1) 10-finger multi-touch solution using its AMR technology with MosArt's controller. 2) Z-axis touch force sensing technology. eTurboTouch expects ASP for 21.5" AMR of ~US\$45 to compete with optical touch solution. For netbook applications, its ASP will be within ~US\$25 for AMR touch and ~US\$13 for resistive single touch. eTurboTouch currently supplies AMR touch solutions for Asustek, Gigabyte and Dell netbooks on 20K units/mth shipments. It also supplies Qisda, MSI, and Medion AIO PCs on 20-30K units/mth shipments.

8) Hanvon showcased TouchPad B10 tablet PC with capacitive touch sensor from Sintek and controller from Pixcir. TouchPad B10 is priced at RMB 5999 (~US\$900) as it is equipped with 2GB DRAM, WIFI, and Bluetooth functions. TouchPad B10 is designed for electronic reading (books, magazines) as well as video/audio clips for China and emerging markets on 10K units/mth shipments now. Gross margin of 5%+ as casing is manufacturing by CNC machines given limited volume. Hanvon outsources final assembly to FIC (First International Computer) and plans to launch two other TouchPad models in 2H10 for a total shipment target of 100K units in 2010.

Exhibit 1

Tablet PC with Touch at Computex 2010

Brand	Hanvon	Lenovo	MSI	Asustek	Gigabyte
Model	TouchPad B-10	IdeaPad S10-3t	WindPad	EeePad EP101TC	T1000P
Screen Size	10.1" TFT	10.1" TFT	10" TFT	10" TFT	10.1"
Resolution	1024*600	1024*600	NA	NA	1366*768
Touch panel	Capacitive	Capacitive	Capacitive	Capacitive	AMR
Price (US\$)	~900	549	399-449	399-449	599
Touch Supplier	Sintek + Pixcir	Cando + Pixcir	NA	Sintek + Pixcir	Liyitec/eTurboTouch

Source: Company data, Morgan Stanley Research

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Exhibit 2

AIO PC with Touch at Computex 2010

Brand	MSI	MSI	Acer	Dell	HP	Sony
Model	AE2030/2220 /2400/2420	AE1920	Aspire Z5710	Studio One 19	Touchsmart 300	VA20L
Screen Size	20-24"	19"	23"	19"	20"	20"
Touch panel	Optical	AMR	Optical	Optical	Optical	Optical
Price (US\$)	720-1600	700	1500	599-749	899	1200-1800
Touch Supplier	PixArt + Quanta	Liyitec /eTurboTouch	PixArt + Quanta	NextWindow	NextWindow	NextWindow

Source: Company data, Morgan Stanley Research

Exhibit 3

MSI 10" Tablet with Capacitive Touch



Source: Company data, Morgan Stanley Research

Exhibit 5

Acer 23" AIO PC with Optical Touch



Source: Company data, Morgan Stanley Research

Exhibit 4

Hanvon 10.1" Tablet with Capacitive Touch



Source: Company data, Morgan Stanley Research

Exhibit 6

MSI 20" AIO PC with Optical Touch



Source: Company data, Morgan Stanley Research

Exhibit 7

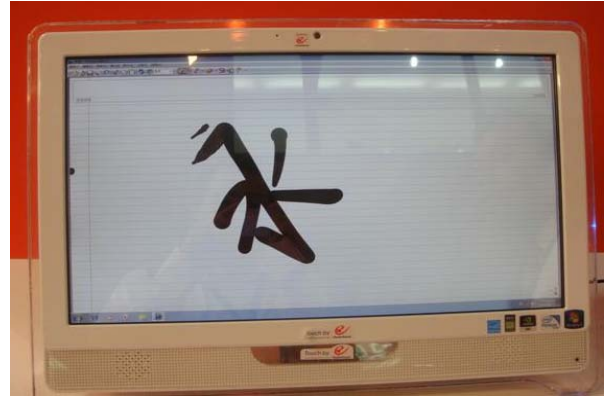
iDTI 21.5" Monitor with In-Cell Touch



Source: Company data, Morgan Stanley Research

Exhibit 9

eTurboTouch's Z-axis Touch Force Sensing



Source: Company data, Morgan Stanley Research

Exhibit 8

eTurboTouch's 10 Finger Touch



Source: Company data, Morgan Stanley Research

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Industry Coverage: Taiwan TFT LCD

Company (Ticker)	Rating (as of)	Price* (06/01/2010)
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