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Investing in Chip Makers

By: www.ProfitableInvestingTips.com

Supply chain disruptions have slowed the economic comeback from the depths of the still-present Covid crisis. One of those disruptions that affect virtually all products that use electronics is the difficulty in getting computer chips. Car makers can't make enough cars because they can't get chips. If you are thinking of investing in chip makers don't just look at the largest chip producers. This situation has favored older, less well known, chip makers such as Microchip, Marvell Technology, STMicroelectronics, NXP Semiconductors, Onsemi and Infineon. Stocks such as Marvell Technology have gone up four-fold in a year and a half.

Secure Chip Supplies into the Future

As chips became scarce the most attention focused on the giants of the industry such as Taiwan Semiconductor Manufacturing Company and their foundry's. Because the industry giants could not keep up with demand this favored lesser-known chip makers who don't always make the most advanced chips but who make the ones that are the backbones of many industries. The supply disruptions caused by the simmering [trade war with China](#), the Covid crisis shutdowns, and difficulties shipping things from one part of the world to another have highlighted the need for US companies to have sources of chips produced on US soil or at least outside of China. The decades-long rush to outsource everything to the cheapest producers in Asia has come back to haunt US companies. Our belief is that for chip supplies going into the future the less-known US chip manufacturers will remain strong as US buyers hedge their bets against the risks of trade wars and global supply chains.

Chip Companies to Consider for Investment

If you are thinking of investing in chip makers we suggest that you look at the following along with the giants in the industry.

Microchip

Marvell Technology

STMicroelectronics

NXP Semiconductors

Onsemi

Infineon

[Marvell Technology](#) sold for \$18.67 at the depth of the Covid Crash and sells for \$74.58 today. This company has a \$61 Billion market cap and a 0.32% dividend yield. Founded in 1995 and headquartered in Santa Clara, CA, it has current annual revenue of \$2.9 Billion, 10,000 worldwide patents, and more than 6,000 employees.

[Microchip Technology](#) sold for \$29.82 at the depth of the Covid Crash and sells for \$82.68 today. It has a

\$45.88 Billion market cap and has a 1.12% dividend yield. They manufacture embedded security devices, radio frequency devices, analog management devices for thermal, battery, and power uses, microcontrollers, Serial EEPROM devices, and Serial SRAM devices. Its production facilities are in the USA but it has test and assembly facilities in Thailand and the Philippines. Its 2019 revenue was \$5.3 Billion.

[NXP Semiconductors](#) sold for \$73.58 at the depth of the Covid Crash and sells for \$221.26 today. It has a market cap of \$58.84 Billion and a 1.02% dividend yield. This is a Dutch multinational with \$9 Billion yearly revenue that focuses on chips for the automotive industry.

[Infineon](#) is a German company that traded for €11.47 at the depths of the Covid Crash and sells for €43.17 today. Its dividend yield is 0.63% and its market cap is €56.74 Billion. Infineon Technologies is a spinoff from Siemens in 1999, has 46,665 employees and generates €8.567 Billion in revenue a year. They produce motor control ICs, AC-DC power conversion units, isolated industrial interfaces, intelligent power modules, solid state relays, Gate Driver ICs, LED Driver ICs, linear voltage regulators, smart low-side and high-side switches, IGBT, MOSFET, HEMT, and Diode and Thyristor devices. Their main competitors are those companies listed in this article.

[STMicroelectronics](#) sold for \$16.42 at the depth of the Covid Crash and sells for \$51.67 today. This French and Italian company manufactures electronics and semiconductors. They have a market cap of \$46.41 Billion and a dividend yield of 0.51%. They have a large product line of microprocessors and microcontrollers. The company was founded in 1987 and carries a large line of legacy products as well as newer and advanced microprocessors.

[Onsemi](#) is an American semiconductor producer with a billion \$27.29 market cap. It does not currently pay a dividend. The stock sold for \$10.94 at the depths of the Covid Crash and sells for \$63.34 today. On Semiconductor has yearly revenue of just under \$4 Billion and make a wide range of products including power and signal management, logic, discrete, and custom devices for automotive, communications, computing, consumer, industrial, LED lighting, medical, military/aerospace and power applications. They have facilities in North America, Europe, and the Asia Pacific.

All of these “smaller” chip makers are billion dollar companies. In a recent interview on Bloomberg TV the former head of IBM, Samuel Palmisano (2002-2012) was asked about the dilemma US companies have with getting computer chips for their products and keeping their supply chains secure. The interviewer asked if companies like GM and Ford would just as well start their own chip manufacturing operations. His reply was this approach is not feasible as it takes an initial investment in the billions of dollars and increasingly advanced technology to keep up in the field. The better choice would be to support US manufacturers by guaranteeing them a place to sell their products. If this is the route that US companies take, investing in chip makers that we have noted here might not be such a bad idea.

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