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Projection and Display Technology

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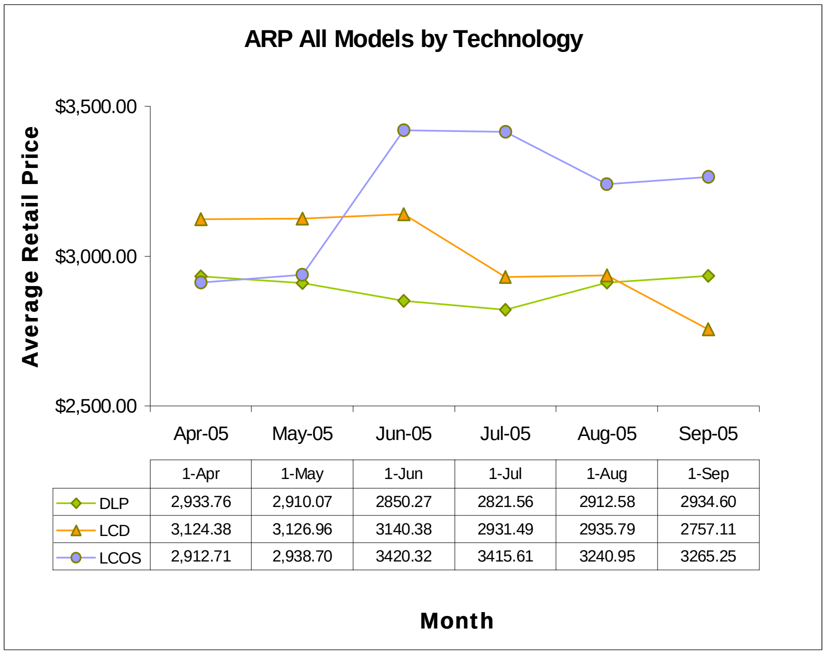
RPT Pricing Resilience in August Driven by New 1080P Resolution Sets; 3LCD Up Against The Ropes?

Our technology consulting partner, Insight Media, has released its September issue of MDTV Retailer. The MDTV Retailer tracks retail prices of RPTV's across manufacturers, retail outlets, technology (DLP, 3LCD. LCoS), screen sizes and geographic regions, among other variables. According to the report, RPTV pricing showed surprising resilience in the past month, particularly "mainstream" RPTV's, with screen sizes from 50-69 inches. We think this is a function of the continued introduction of 1080p DLP and LCoS models. In contrast, continued declines in 3LCD-RPTV, where 1080p resolution is not likely to be introduced anytime soon, weighed on overall pricing to some extent.

We have summarized some of the more investment-relevant topics in the July issue of MDTV Retailer below:

- Toshiba is coming on strong with 1080p DLP. The company has added 11 new DLP sets in the last two months, including 6 with 1080p resolution. Insight Media is surprised at how competitive the pricing is for these new models, citing in particular the 56 inch 56HMX195, selling at around $3K. Samsung and Mitsubishi are also aggressively rolling out 1080p DLP-RPTV's. It is unclear how long 1080p DLP sets will maintain a pricing and margin advantage, given increasing competition. In response to the introduction of 1080p resolution DLP sets, some manufacturers have begin slashing prices on 720 resolution DPL-RPTV's, with prices on some sets falling below $40 per diagonal inch. This likely portends accelerating price declines for DLP and other RPTV technologies in the months to come.
- LCoS prices held up as well, not surprisingly, supported by new models from Sony and JVC. Sony added several new LCoS models, and JVC continued to be a force in the LCoS space. With LG introducing sets at the very high end starting in October, we expect LCoS pricing to remain firm through November. Longer term, 1080p resolution DLP-RPTV should add pressure to LCoS manufactures to keep prices down over time.
- That leaves LCD-RPTV's, which are not keeping pace. Prices continue to fall, as there are few new models and 1080p resolution is not yet available for that technology. Insight Media noted that several LCD-RPTV models have fallen out of the database over the last few months after being dropped from manufacturers' product lines. With 1080p resolution technologies gaining steam in the RPTV space, the future of LCD-RPTV's is uncertain in our view. Sony, one of the main proponents of the technology, appears to be edging away from LCD, moving its high-end LCoS technology into its mainstream models for the first time.



	1-Apr	1-May	1-Jun	1-Jul	1-Aug	1-Sep
DLP	2,933.76	2,910.07	2850.27	2821.56	2912.58	2934.60
LCD	3,124.38	3,126.96	3140.38	2931.49	2935.79	2757.11
LCOS	2,912.71	2,938.70	3420.32	3415.61	3240.95	3265.25

Source: Insight Media

- Interesting MDTV Retailer indicated apparent resiliency of prices in the Specialty Retailer channel. In Circuit City's recent quarterly earnings call, the company noted that weaker than expected gross margins were weak due, in part, to increasing promotional activity in the projection TV space. If that is true, we are inclined to think that the increased pricing noted in the MDTV Retailer may be more a function of the specialty retailers getting a higher percentage of new, high-end RPTV's versus competing channels. This would mask underlying price weakness for RPTV's at specialty retailers. If so, pricing softness should become evident once the current cycle of new model introductions is complete.
- This month's MDTV Retailer included an interesting article about the importance of branding for DTV's. The article takes issue with the common perception that DTV's are becoming a commodity, driven only by price. Instead, the article notes the beginning of a shift in the customer base from Gen X and Baby Boomers, who are perhaps less-brand conscious than in prior years, to Gen Y, which is intensely brand conscious. This may suggest that premium pricing for top brands could continue for longer than people expect. The article points out consumers are choosing styling (form factor) over picture quality, to the determent of MDTV vs. flat screen competitors.

MDTV Retailer focuses on retail pricing trends and sales channel analysis for microdisplay televisions (MDTV) and competing technologies (such as LCD and PDP). Insight media collected a total of 564 data points for the pricing report. The piece will become increasingly useful as Insight Media adds more monthly channel check data. Should you wish receive the complete issue of MDTV Retailer, or discuss the report in more detail, please contact Jamie Townsend at 516-624-2612 or email jamie@townhallpr.com.