

10 Tech Trends for 2010

10 Tech Trends for 2010: #8 LED Lighting (CREE)

by Paul McWilliams | January 21st

- Ten High-Yield Stocks for 2010 (BTE, PWE, SSW, EPD, KMP, NLY, HCP)

While the demand expansion for LED lighting is probably the worst kept secret in the tech investing world today, for some reason it was being virtually ignored at the start of 2009. Of course, for long-term investing readers, that was good news — it allowed us to buy shares of sector leader Cree (CREE) in the mid-teens before the rest of the world caught on.

When it comes to the lighting markets, it's important to understand the divisions. The market where I think Cree is and will remain the leader is what is called "high power";

Revenue growth for LED Lamps was, to say the least, uninspiring for nearly a dozen years leading up to 2002. However, beginning in 2002, mobile products began to incorporate larger displays and, with these, the demand for LED backlighting grew quickly. These tiny LEDs were not Cree's strongest suit, but the company enjoyed some modest benefits.

From there, the next leg up started in 2007 and was driven by high brightness applications like scoreboards and other outdoor displays. Cree competed well in those markets as it has more recently in the LED backlight market for LCD TVs (those TV's advertised as LED are really LCD with LED backlight versus CCFL backlight).

However, the real story for Cree is what is known as the "high power" market, which includes ambient and task lighting applications that are currently dominated by various types of incandescent and fluorescent lights. High power LEDs are rapidly gaining ground here, but it will take literally years for them to get beyond a rounding error in the scope of the aggregate market. In these markets there are only three viable competitors and Cree is the clear leader.

You can find a number of good reports on Cree on the Next Inning site by using our search engine to look for the ticker symbol Cree. The short story here is that while we are only beginning to scratch the surface for LED demand, investors with an interest in Cree should be patient and accumulate carefully on weakness.

In a new special report entitled 10 Tech Trends for 2010, NextInning.com highlights ten technology trends that investors will need to know about this year, as well gives opinions on several key tech stocks, including ones that are its favorites for the new year.

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