

Chris Smart - The F-Word: Funding for silicon start-ups?

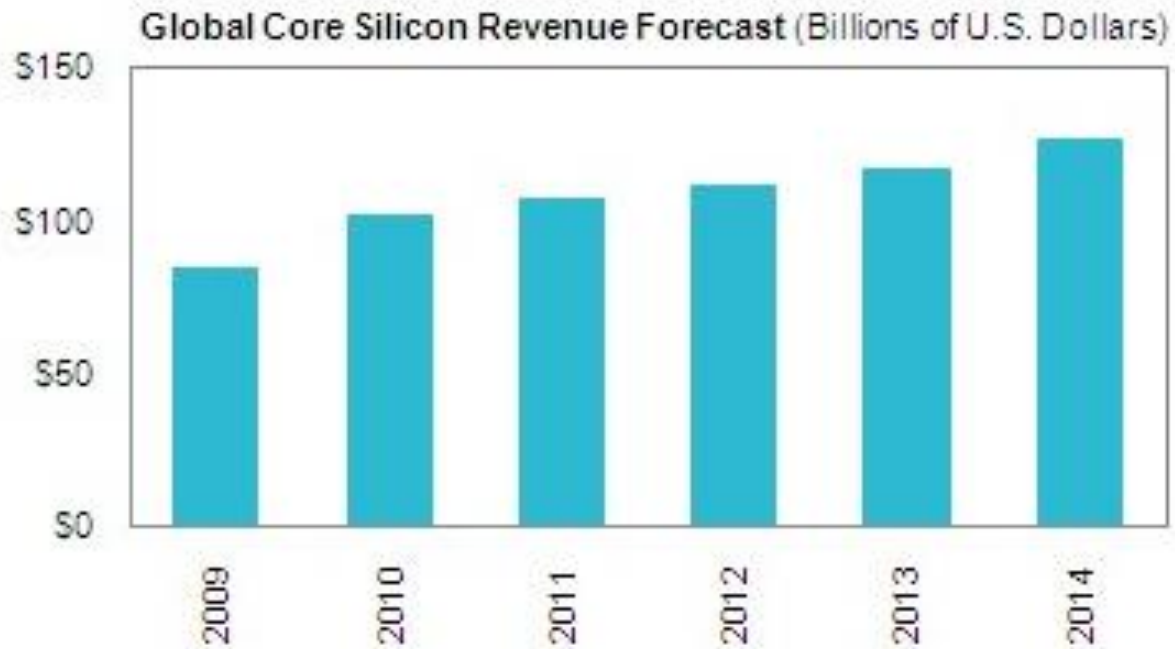
Early Semi perspectives

CDT, Plastic Logic, XMOS, Solarflare, Mirics.

Market and VC state of play

Strategies going forward

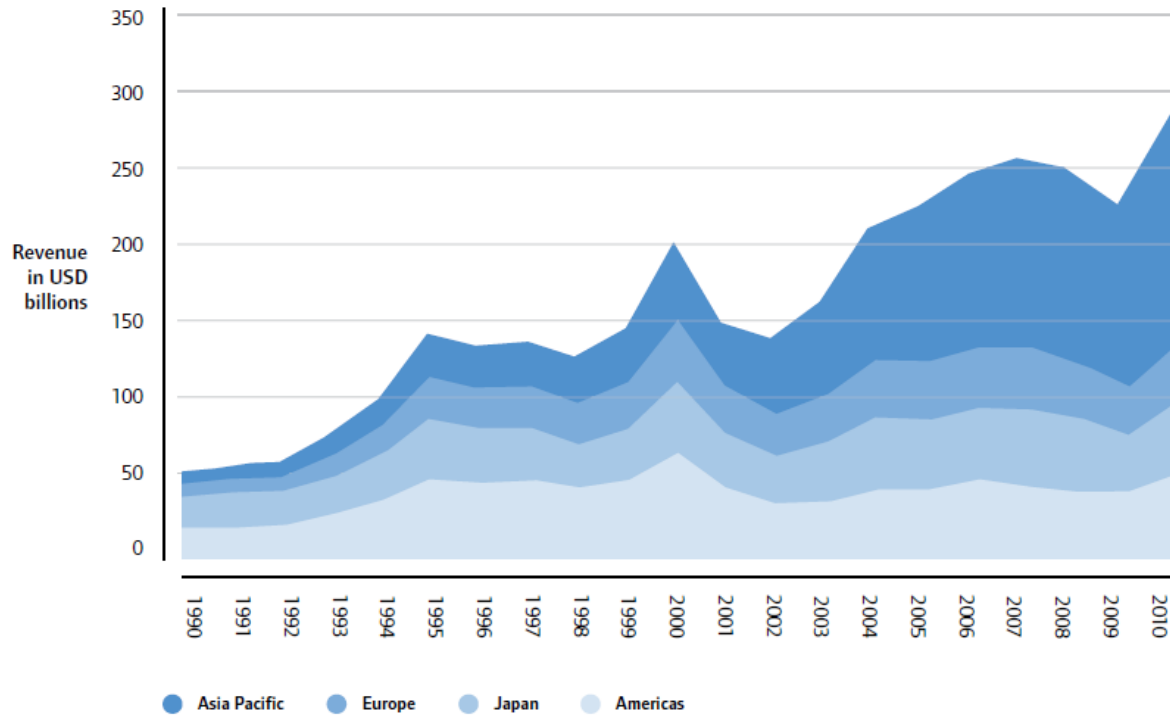




Ref: iSuppli.com

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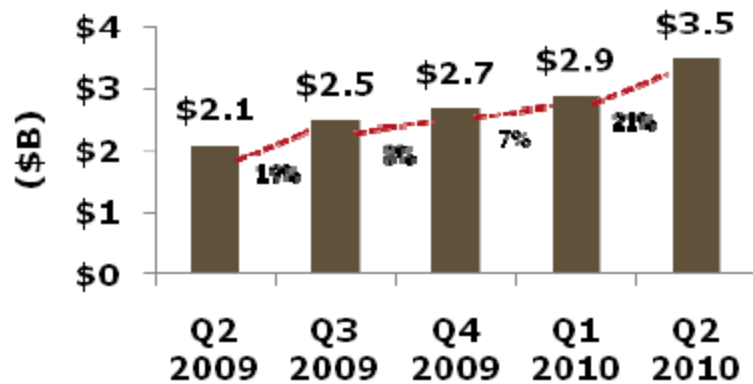
Global semiconductor market by region



Source: OECD data, based on World Semiconductor Trade Statistics (WSTS)

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Top 30 Emerging Semi Sales & Growth by Quarter



Top 30 Emerging Semi Annual Sales Forecast

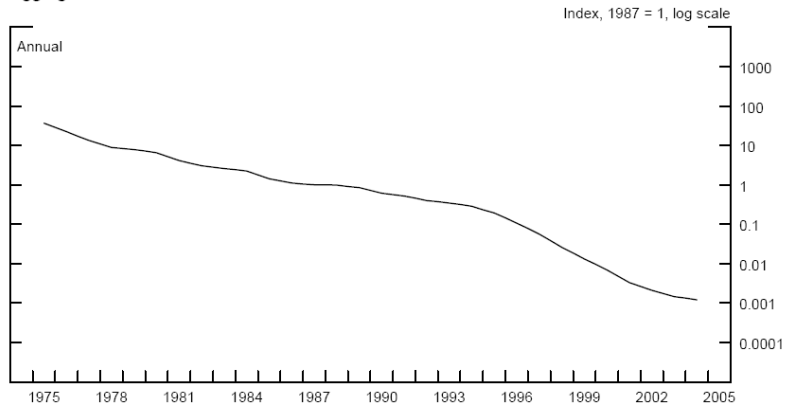


Source: GSA, Company Reports, Investment Reports

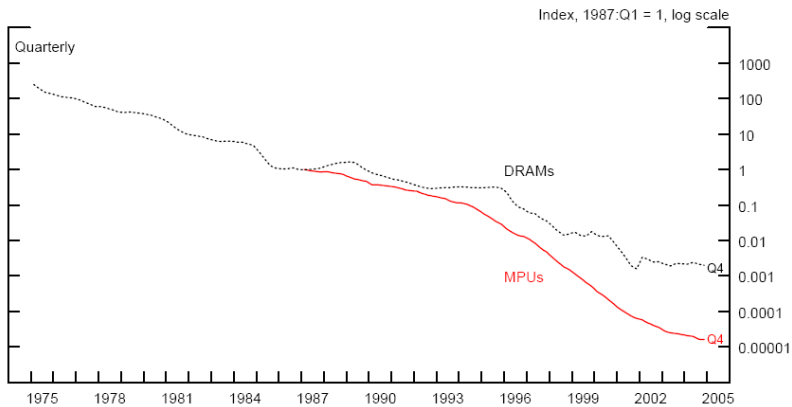
Sales for the top 30 increased 21% QoQ in Q2'10; Sales expected to increase 38% in 2010

Semiconductor Prices

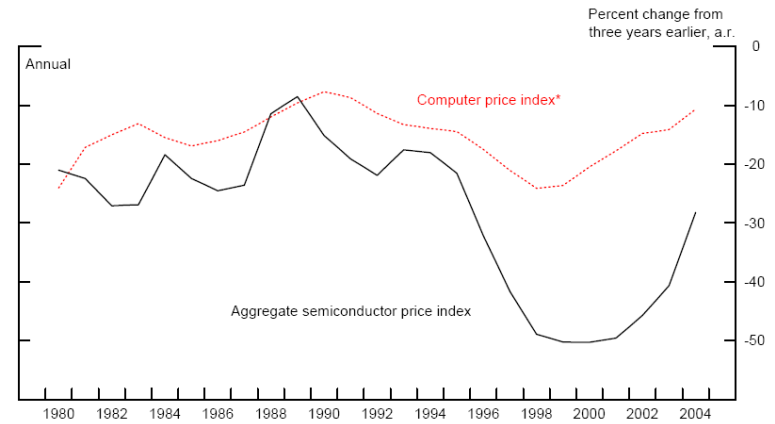
Aggregate Index



MPUs and DRAMs



Declines in Semiconductor and Computer Prices

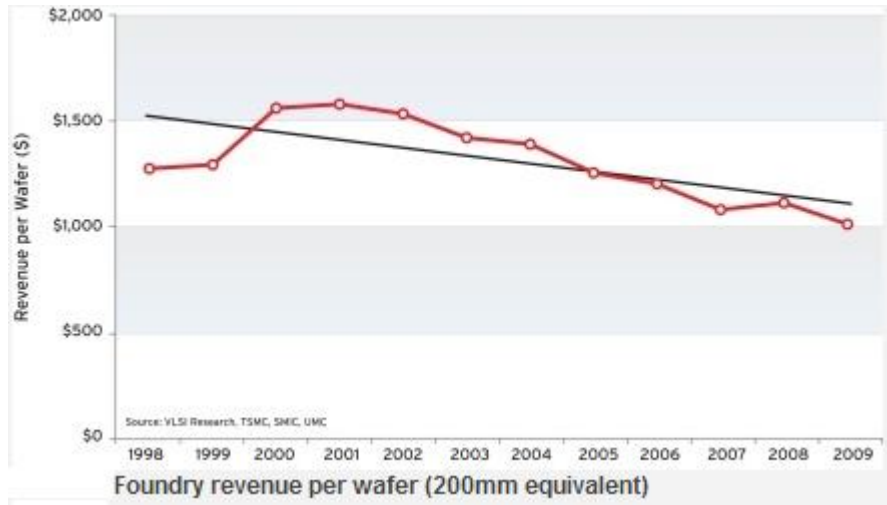


* NIPA chain-weighted price index for computers and peripheral equipment.

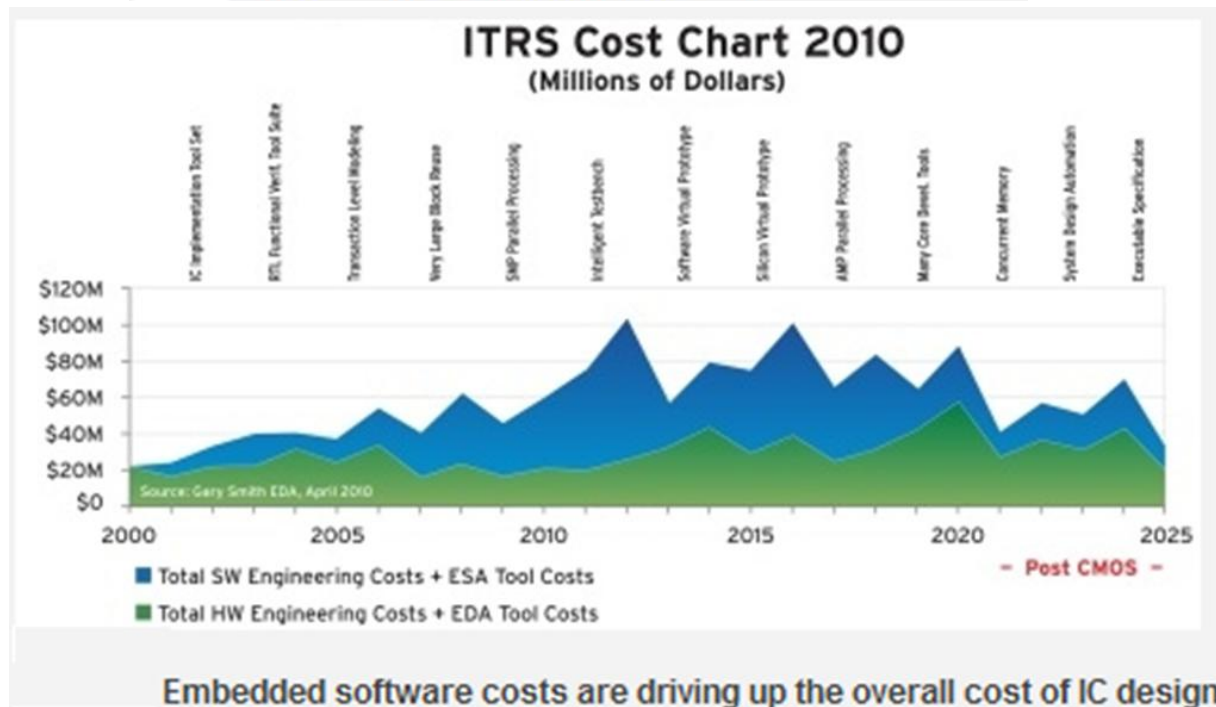
Ref: Federal Reserve Report
2006



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Ref: EE Times 16 July 2010



Embedded software costs are driving up the overall cost of IC design

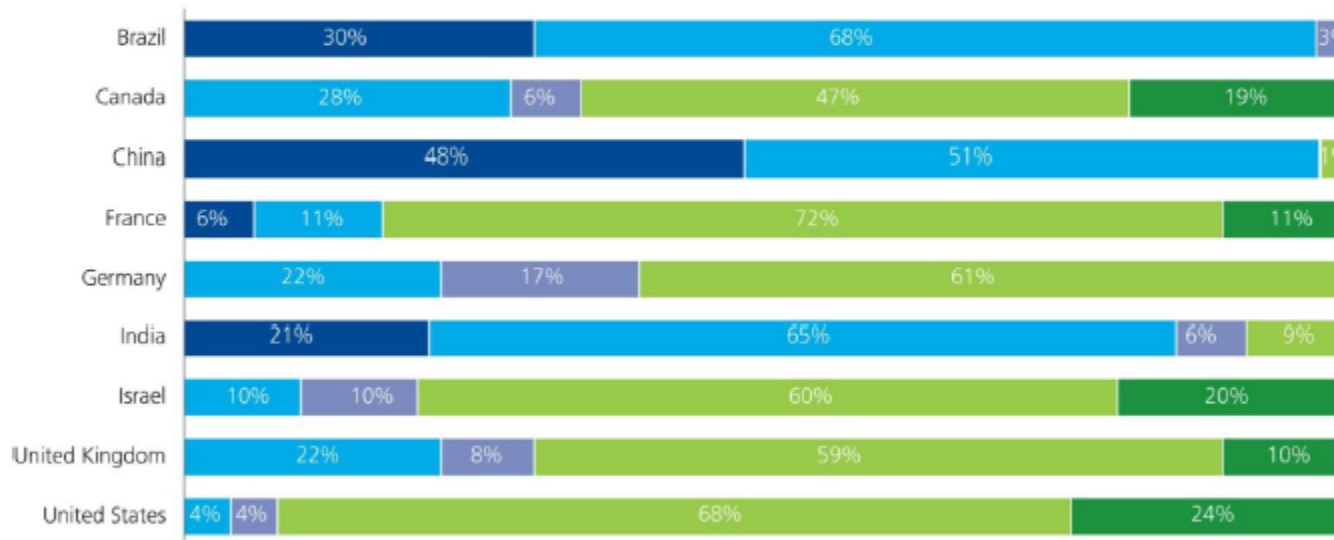
UK investment in semiconductor startups plummets [Q1 2010]

The UK saw a reasonably healthy growth in investment in technology startups last quarter, except for the semiconductor sector. Analysis by [Ascendant](#) showed a positive trend of 65 companies receiving £153m, up 48% and 32% respectively over Q1 09, from 82 investors. But the average deal size dropped significantly to just £2.4m and there was no venture capital investment in semiconductor or optoelectronics companies at all.

Ref: Nick Flaherty –
Electronicsweekly.com

Number of venture firms expected to decline in traditional markets; expected to grow in emerging markets

Expected Growth in Next 5 Years – Number of VC Firms

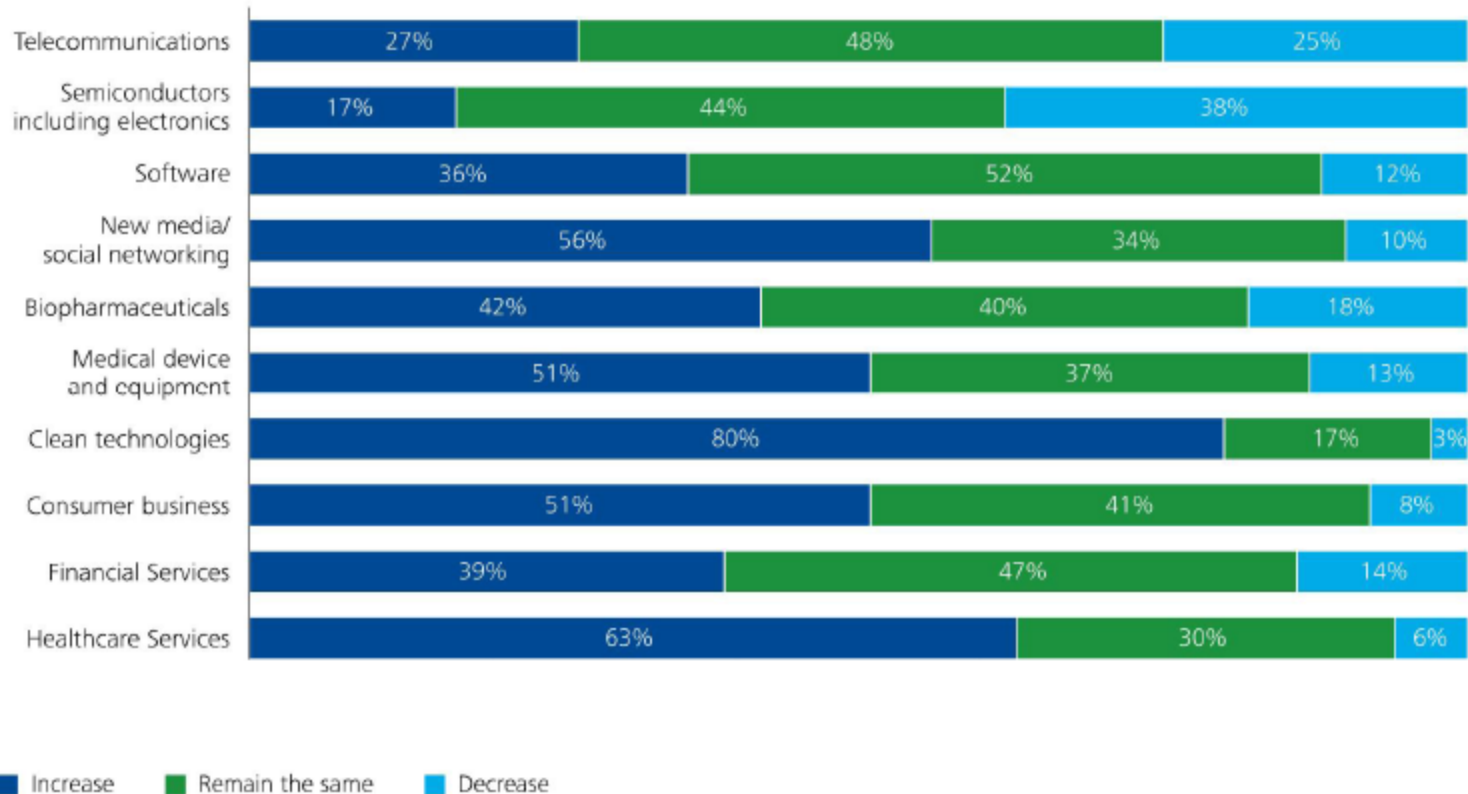


■ Increase significantly (more than 30%)
 ■ Increase slightly/moderately (1% to 30%)
 ■ Remain the same
■ Decrease slightly/moderately (1% to 30%)
 ■ Decrease significantly (more than 30%)

Color Definitions

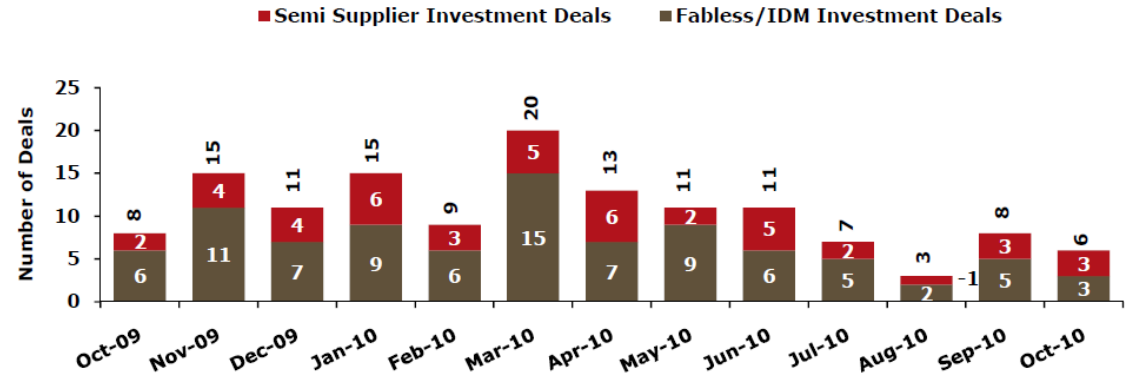
Blue = Increasing
 Gray = Remain the same
 Green = Decreasing

Investment by sector in the next 5 years

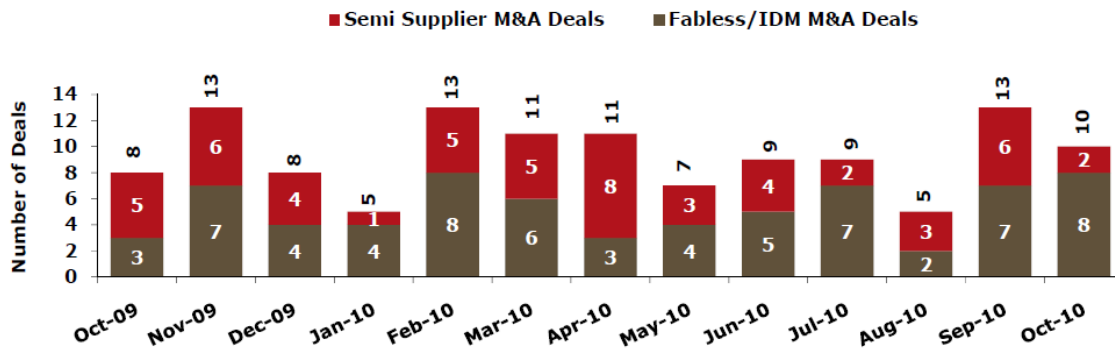




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Source: GSA



Source: GSA; Includes entire company M&As only, not M&As of sectors/product lines and foundry facilities. For M&As of sectors/product lines and foundry facilities see downloadable Excel spreadsheet.



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Year-Qtr	Amount	% of Total	Deals
Q1 1995	\$49M	0.22%	16
Q2 1995	\$63M	0.28%	16
Q3 1995	\$42M	0.19%	14
Q4 1995	\$48M	0.22%	14
Q1 1996	\$83M	0.37%	18
Q2 1996	\$66M	0.29%	13
Q3 1996	\$87M	0.39%	18
Q4 1996	\$64M	0.28%	19
Q1 1997	\$134M	0.60%	26
Q2 1997	\$127M	0.57%	22
Q3 1997	\$196M	0.87%	34
Q4 1997	\$111M	0.50%	28
Q1 1998	\$129M	0.57%	24
Q2 1998	\$186M	0.83%	27
Q3 1998	\$136M	0.61%	33
Q4 1998	\$168M	0.75%	28
Q1 1999	\$155M	0.69%	25
Q2 1999	\$204M	0.91%	30
Q3 1999	\$380M	1.70%	39
Q4 1999	\$550M	2.46%	44
Q1 2000	\$519M	2.32%	52
Q2 2000	\$840M	3.75%	63
Q3 2000	\$1123M	5.01%	69
Q4 2000	\$1061M	4.74%	69
Q1 2001	\$658M	2.94%	53
Q2 2001	\$599M	2.67%	56
Q3 2001	\$576M	2.57%	55
Q4 2001	\$559M	2.49%	45
Q1 2002	\$449M	2.01%	43
Q2 2002	\$404M	1.81%	43
Q3 2002	\$400M	1.79%	43
Q4 2002	\$249M	1.11%	38
Q1 2003	\$464M	2.07%	50
Q2 2003	\$441M	1.97%	50
Q3 2003	\$370M	1.65%	49
Q4 2003	\$489M	2.18%	61
Q1 2004	\$536M	2.39%	59
Q2 2004	\$619M	2.76%	79
Q3 2004	\$382M	1.70%	43
Q4 2004	\$591M	2.64%	76
Q1 2005	\$436M	1.95%	59
Q2 2005	\$430M	1.92%	57
Q3 2005	\$579M	2.59%	59
Q4 2005	\$477M	2.13%	54
Q1 2006	\$504M	2.25%	65
Q2 2006	\$586M	2.61%	57
Q3 2006	\$537M	2.40%	66
Q4 2006	\$474M	2.12%	62
Q1 2007	\$506M	2.26%	47
Q2 2007	\$490M	2.19%	60
Q3 2007	\$630M	2.81%	60
Q4 2007	\$455M	2.03%	50
Q1 2008	\$627M	2.80%	53
Q2 2008	\$362M	1.61%	43
Q3 2008	\$387M	1.73%	55
Q4 2008	\$265M	1.18%	40
Q1 2009	\$179M	0.80%	24
Q2 2009	\$170M	0.76%	27

The problems with semi's for VC

- Increasing competition on time to market
- Increasingly complex designs
 - *Design costs increasing – tools, IP, services, shuttle runs = higher costs*
- Standards result in a lot of competitors
- Downwards pressure on price and margins
- Volumes increasing for profitability
- Customers only appear when the chips are available
 - *Increasingly Capital intensive to breakeven = risk*
- When small its hard to get foundry time and good wafer pricing
- Don't provide a whole solution – have to be designed into someone else's product
- Compared to s/w takes a long time to market
- Much of the semi market can be done in cheaper locations
 - *Decline in local VC*



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- ❖ There are some interested in supporting the innovation engine !
 - ❖ Those who sell “picks and shovels” to the semi ecosystem need to find, nurture and attach themselves to early stage opportunities that can be future growth drivers before others do – EDA, IP, Services, Foundry.
 - ❖ But how to make that work effectively?
 - ❖ Europe is innovative
 - ❖ Many examples of European technology driving growth
 - ❖ To connect growth companies effectively with industry needs coordination and support
- 

European Microelectronics Academy

A Microelectronics Members Network

WITH A SINGLE PURPOSE: TO CONNECT INNOVATIVE COMPANIES WITH INDUSTRIAL AND FINANCIAL SUPPORT



Network of Entrepreneurs & Knowledge Based Partners

New Ventures

- New enterprise
- Joint ventures
- Spin-out.

Industrial Partners

- Microelectronic ecosystem.
- Access to starter resources

Blue Chip Partners

- Access to business opportunities.

Financial Partner

- Access to early stage funding.
- Network of follow on funding

THE F – WORD ?

“FUNDAMENTALS”

Get the fundamentals right!

