

Great Day At IEF2007

A cracking good first day for the IEF 2007. The sun shone. The hotel was right on the beach. You could get sand under your toes in the coffee breaks.

Loads of old friends turned up. A great Japanese contingent led by Satoru Ito, CEO of Renesas, Tetsuro Higashi, CEO of Tokyo Electron, Susumu Kohyama, CEO of Toshiba Ceramics, Eiji Takeda from Hitachi ULSI and the great Dr Tsugio Makimoto of Hitachi, Sony and 'Makimoto's Wave'.

Also a great US contingent with the CAD guys led by Aart de Geus, CEO of Synposys and Wally Rhines CEO of Mentor, both stirring things up from the floor with some precisely targeted questioning.

And the Europeans naturally put up a good show.

The ambitions of the foundries were treated with great suspicion and there to deal with the issue was one of Asia's most prominent chip men, Richard Chang, president and CEO of SMIC.

That feisty industry legend Rahul Sud, who single-handedly knocked Intel out of the SRAM business, founded Lattice Semiconductor, invented the GAL, ran emerging businesses at ST for a few years and is now a VC, was prowling around looking like a man with a plan.

The irrepressible Malcolm Penn, CEO of Future Horizons, demolished a few industry shibboleths.

1. "Fab-lite doesn't mean fab-lite it means fabless. When these companies say they're going fab-lite at 45nm it means they'll be fabless at 45nm."

2. "When CEOs say: 'The challenging conditions in the XYZ market negatively impacted our overall first quarter results', CEOs actually mean: 'We got it wrong. We positioned ourselves wrong. We executed badly'. You can't blame the market" said Penn, "it's all about markets and positioning. The chip market is always challenging."

3. "When CEOs say: 'We plan to target niche markets with high-growth potential' they're really saying we can't make commodity products, because there's no such thing as a high-growth niche market, all chip products are commodity products."

All in all a great day, and we haven't even had a cocktail party yet. Judging from previous IEFs that won't be the case for long.

Posted by David Manners on May 3, 2007 2:46 PM

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Ear-Wigging Big-Wigs

It's always interesting ear-wigging the big-wigs at industry events and at last night's Forum Fiesta dinner of the IEF2007 conference in Athens, there was a recurring theme to CEOs' conversations - private equity.

And there was a general point of consensus among the big-wigs which I ear-wigged, they thought that the private equity people had too much money.

One CEO over dinner was saying he gets about ten calls a week from private equity people. "They don't propose anything specific. They just say: 'let's talk'", he was saying.

A Japanese CEO said he was constantly talking to the private equity people and, while he found their attentions flattering, was shocked at the valuations they put on their companies they acquired.

The acquisition many CEOs kept retuning to, was the Freescale acquisition which put an enormous, \$17.6bn value on the company.

How can the acquiring consortium, led by Blackstone, ever get its money back on such a staggering investment?

No one could figure it out. The only possible route might be breaking it up and flogging it piece by piece.

The consensus was that the private equity people don't understand the semiconductor industry, and have alighted on it simply because they have so much money which has to be put somewhere other than a bank.

That doesn't bode well for those companies which have succumbed to the offers of the private equity firms, but it might stiffen the sinews of those CEOs who are on the receiving end of such offers, and encourage them to stand firm in repelling them.

Babies In Siberia

A hilarious end to the IEF2007 conference in Athens came with a dust-up between Rahul Sud the designer of the legendary Inmos IMS1400 16K NMOS SRAM and founder and CEO of Lattice Semiconductor and Wally Rhines, CEO of Mentor Graphics.

Sud and Rhines were both on the final panel and Sud proclaimed that EDA tools are far too expensive and that, if they were cheaper, they would result in flourishing of design talent across the world even in such remote places as Siberia resulting in many good economic consequences such as a rise in the birth-rate.

Rhines, naturally retorted that the tools were very expensive to develop, the their cost represented only a small proportion of companies' design budgets, and that "none of us is getting rich doing this stuff."

Sud thought that it would be doing the world a favour if someone bought up one of the EDA companies and made all their tools open source.

Rhines, an old buddy, of Sud, took him to task on what would be a disastrous course for the industry.

Then it turned out from one of the Russian delegates that Vladimir Putin is putting some of his massive oil revenues into 60 design centres in Russia for which all the licence fees for EDA tools will be paid by the government.

In a tender contest between Cadence, Synopsys and Mentor for the contract, Cadence won.

Good news for Siberian babies.