

## Steady VC Funds in Fabless

By Heidi Elliott -- 9/23/2002  
Electronic News

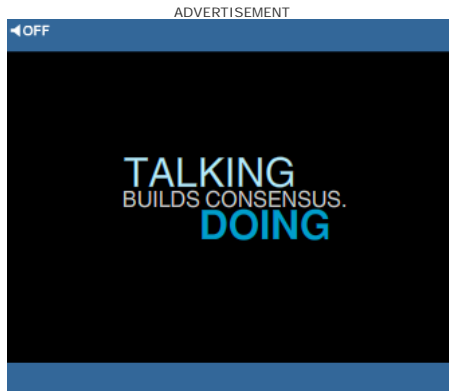
At least someone is spending money in the electronics industry —albeit frugally.

The Fabless Semiconductor Association (FSA) recently released a report on venture capital funding of fabless semiconductor companies in Q2, and while the number of deals increased sequentially, the total amount invested declined. In Q2, 35 private fabless companies raised \$456.1 million, compared to 26 deals in Q1 that netted \$506.4 million. April and June were the biggest months with 14 and 13 deals closed, respectively. May was a lackluster month with only eight funding deals for a total of \$81.6 million invested. Year-over-year deals declined slightly in number and dollars invested.



And while the dollar amount declined sequentially, the FSA was encouraged by these figures – the number of first-round funding venture investments improved, to 26 percent of all deals, up from 12 percent in Q1. "This surge in first-round fundings is a positive industry sign that the fabless model is extremely viable and attractive," said FSA Founder and Executive Director Jodi Shelton.

In the second edition of its quarterly publication, Eric Ross, director of electronics research and lead semiconductor analyst at Investec, said that most fabless companies were able to weather the downturn simply because they were fabless.



Semiconductor companies are more attractive investments because they don't require as much capital as a systems manufacturer, said Irwin Federman, general partner at U.S. Venture Partners (USVP). Semiconductor companies need only semiconductor expertise, while systems companies need that, plus software expertise, systems expertise, a lengthy testing process, and more.

And, for the most part, what venture capitalists look for in a potential investment has remained the same during the downturn. Federman said he looks for a market he can understand; a company that has a pull-product not a push-approach; company executives that understand the technology and company executives that understand their market – though the current market is a bit difficult to call.

### The Money Trail

Venture capital investments in the fabless semiconductor industry (in millions)

	Q202	Q102	Q201	Q101	Q200	Q100
<b>\$ Amount</b>	\$456.1M	\$506.4M	\$468.1M	\$954.8M	\$767.7M	\$154.1M
<b># of Deals</b>	35	26	38	52	45	26

Source: Fabless Semiconductor Association

### Big Deal

Top Five Fabless VC funding deals in Q2

Co. funded	Amt. (\$M)	Investors
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PortalPlayer	\$42M	J.P. Morgan Partners, Investcorp International, Shamrock Capital Advisors, CIBC World Markets, Linear Technology Corp., LSI Logic Corp., the Band of Angel Fund, Thomas Spiegel, Portal Partners
Magis Networks	\$40M	AOE Time Warner Ventures, Hitachi, Motorola, Panasonic, SANYO, Paul Allen's Vulcan Inc., Bay Partners, Crescendo Ventures, WK Technology Fund, China Develop. Industrial Bank
T-Ram	\$35M	New Enterprise Associates, Mayfield, US Venture Partners, Tallwood Venture Capital
QuickSilver Technology	\$25M	N/A
Inphi	\$24M	Walden International Venture Partners, Dali-Hook Partners, Newlight Associates, Parker Price Venture Capital, Wasserstein Ventures

Source: Fabless Semiconductor Association

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