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Xilinx CEO: Venture capital won't return to semis

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(03/10/2009 11:56 PM EDT)

URL: <http://www.eetimes.com/showArticle.jhtml?articleID=215801714>

SCOTTSDALE, Ariz.—Venture capital funding is in short supply and won't return to the semiconductor industry even after the current recession, according to Moshe Gavrielov, president and CEO of programmable logic supplier Xilinx Inc.

Venture capitalists do not want to invest in semiconductor startups because of the amount of money required and the greater-than-five-year time horizon when they can expect their investment to pay off, Gavrielov told an audience at the Semico Summit 2009 event here.

"I predict that VC investment in semiconductor companies will drop precipitously," Gavrielov said. "It just does not meet the profiles they are looking at and they have other places where they can put their money."

Gavrielov mentioned green technology and Internet companies as more attractive options for VCs.

Grant Pierce, CEO of IP vendor Sonics Inc., agreed with Gavrielov, saying it would be difficult for venture capitalists to get a good return on their investments given the time horizons in which they invest.

The dearth of capital is "changing the whole landscape" of electronics, Gavrielov said. Startups seeking additional funding are being told they must figure out how to operate with the cash they already have, he said.

"How can you run a startup without investing money in it?" Gavrielov said. "If it's a good idea you need to invest in it and you need to get to market quickly. The world as we know it is changing."

Gavrielov presented data compiled by the Global Semiconductor Alliance (GSA) saying that Round A funding dollars declined 82 percent from 2000 to 2007. Through the first three quarter of 2008 only two companies received Round A funding, worth a total of \$12 million, he said.

Gavrielov predicted massive consolidation among silicon startups. Seventy-four companies have already failed since October, most of them small companies, he said, citing numbers from GSA.

Gavrielov said he gets calls constantly from companies asking if Xilinx is interested in a strategic partnership, something he said is "code for 'Can you please buy us?'"

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