

## Chartered-GLOBALFOUNDRIES Marriage to Change Landscape

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SAN JOSE, Calif. -- Abu Dhabi's bold move to acquire Singapore's Chartered Semiconductor Manufacturing Co. Ltd. makes sense and could change the foundry landscape, according to a report.

As reported, Abu Dhabi's Advanced Technology Investment Co. (ATIC) said it has agreed to acquire Chartered for a total of \$3.9 billion, continuing its expansion into the contract wafer production business.

Chartered will be folded into GlobalFoundries, the former manufacturing division of Advanced Micro Devices Inc. (AMD) floated as a separate entity earlier this year by ATIC, which injected funds into the company under a joint venture deal with the microprocessor and graphics IC vendor.

The deal was somewhat expected. In May, Chartered received a \$2.45 billion bid from the government of Abu Dhabi to buy Temasek Holdings' near-60 percent stake in the foundry vendor, according to reports.

But at that time, Chartered denied a report it received an offer for the purchase of majority owner Temasek's interest in the Singapore-based IC wafer foundry. At the time, the company said in a statement it had "not received such a bid from" ATIC, the Abu Dhabi investment company.

In any case, the deal will happen after all. Pooling resources from Chartered and GlobalFoundries will enable the new company to better compete in the tough wafer supply industry with market leader Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) and others. The combined entity will benefit from GlobalFoundries' technology expertise while tapping into Chartered's customer base to boost sales.

"The deal makes sense and potentially meaningfully changes the foundry game," according to HSBC Securities, in a new report. "Prior to this announcement, we had expected GlobalFoundries to not seriously disrupt the existing foundry competitive landscape for at least another 1-2 years as the company was still ramping capacity in Germany and recently broke ground on a new fab in New York."

Now, it's a different story. "Combining GlobalFoundries with Chartered makes them a more formidable threat today based on broadening customer exposure from Chartered, clearer technology roadmap, access to capital (from ATIC) and access to existing capacity (GlobalFoundries for advanced and Chartered's for mainstream)," according to the firm.

"Specific to customers, Chartered has great relationships with AMD, Microsoft (Xbox), Broadcom and Qualcomm while GlobalFoundries has not yet diversified much from its exposure to AMD," according to the firm.

The Advanced Technology cash infusion will allow the Foundry to upgrade one of the Dresden plants so that it can be used to make cutting-edge processors for a wide variety of companies within a year. A top priority will be to adapt the plant to bid for A.M.D.'s graphics chips business. Taiwan Semiconductor Manufacturing, one of the leading contract chip factories, makes those products today.

Down the road, Foundry hopes to leverage a technology alliance with I.B.M. to woo even more customers. I.B.M. has formed semiconductor partnerships with Toshiba, Samsung, Sony and others - all of whom could turn to Foundry for extra capacity.

Traditionally, foundries, which contract to make processors for other companies, have been one or two generations behind the technology in factories owned by companies like Intel that design and produce their own products.

One of Foundry's big advantages will come from inheriting A.M.D.'s manufacturing technology, which is closer to that of Intel than the major foundries.

According to analysts, this recipe could result in a profitable business for Foundry and a technology coup for the Middle East.

“There has been a large weeding-out process in this industry, so this is bringing a core, proven set of technology to the region,” Kevin Cassidy, an analyst at Thomas Weisel Partners, told The Times.

The deal still comes with its challenges both procedural and social. New York State, for example, is reviewing the process for transferring \$1.2 billion in incentives for the new chip plant to Foundry from A.M.D.

In addition, the Committee on Foreign Investment in the United States must approve the transaction for it to be complete.

“We are sure that the federal government will be meticulous and scrupulous,” Gov. David A. Paterson of New York said at a news conference in the State Capitol Tuesday, told The Times. But he said New York had no immediate concerns.