Technology Launch from Seed Funding to Liquidity Event

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September, 2010

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Intel Capital Overview
- Traditional Venture Funding
- Current Venture Environment
- Pitfalls to Get to Commercialization
Intel Capital Mission

Make and manage financially attractive investments in support of Intel’s strategic objectives

A Stage Agnostic and Long-Term Investor

Technology Focus

**Mobile Internet Client**
Enhance mobile platform capabilities through WiMAX ecosystem enabling, mobile apps & content framework, compute/FoC elements

**Digital Enterprise**
MVS (Manageability/Virtualization/Security), Cloud Computing, Storage & Information Mgmt, vPhn / PES, HPC

**Software and Services**
Application and Infrastructure Services, Internet and Cloud Computing, Software for CMDs, Visual Computing for graphics intensive software

**Digital Home**
Content distribution over IP, digital media, gaming, education, connected home applications

**Consumer Internet**
Web-based consumer apps, services and infrastructures (social, e-comm, search, advertising)

**Manufacturing, Memory and Digital Health**
Advanced Materials, Fab Equipment, EDA Tools, Memory Ecosystem & Disruptive Technologies, Digital Health Apps & Devices

**Clean Technology**
Distributed Generation and Storage, Transportation, Consumption Efficiency, Transmission and Distribution
What Intel Capital Represents

- Among the largest investment organizations in the world
- Global reach, presence, and understanding
- Insights and experience in emerging markets and technologies
- Commitment to company building
- Tradition of risk taking, innovation, and excellence
- Unmatched differential advantages
- Vast access to capital

Intel Capital Investments

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollars Invested</th>
<th>New Investments</th>
<th>International Dollars</th>
<th>Exits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$639M</td>
<td>77, $554M</td>
<td>56% Excluding VMware</td>
<td>11 IPOs, 23 Acquisitions</td>
</tr>
<tr>
<td>2008</td>
<td>$1.59B</td>
<td>62, $436M</td>
<td>62% Excluding Clearwire</td>
<td>2 IPOs, 19 Acquisitions</td>
</tr>
<tr>
<td>2009</td>
<td>$327M</td>
<td>25, $100M</td>
<td>50%</td>
<td>2 IPOs, 13 Acquisitions</td>
</tr>
<tr>
<td>Since 1991</td>
<td>$9.5B+</td>
<td>1,050+ Companies</td>
<td>35%</td>
<td>175 IPOs, 241 Acquisitions</td>
</tr>
</tbody>
</table>
Intel Capital Overview

Traditional Venture Funding

Current Venture Environment

Pitfalls to Get to Commercialization

Life Cycle of a Start UP
(Educational Purposes Only)

- Idea
- Business Plan/Investor Deck
- Seed Capital
  - Bootstrapping, Friends/Family and Angel Funding
- Institutional Funding
  - Venture Capital: Series A – Series ?
  - Venture Debt
  - Bank Loan/Line of Credit
- Liquidity Event = Investors able to get cash back
  - IPO or M&A or shut down

- Institutional Funding -> Liquidity Event ... < 10 years
Venture Capital – Follow the Cash
(Educational Purposes Only)

LIMITED PARTNERS
Pension Funds
Wealthy individuals

VENTURE FUNDS
Kleiner Perkins
Sequoia

START UPS

Allocate: ~5%
FUND = Committed Cash
10 YEAR LIFE

CALL funds
INVEST, with new Lead

LIMITED PARTNERS

PE & VC 10%

$1 BILLION

Monthly $5M Contributions

$100M PE & VC
$100M Real Estate
$100M Intl Equity
$100M Commodities
$100M Hedge Funds
$100M US Equity
$100M Intl Bonds
$100M Bonds
$100M Money Market
$100M Cash

Limited Partners
(Educational Purposes Only)

Monthly $5M Contributions

2009
$510M

$70M PE/VC
$10M Real Estate
$30M Intl Equity
$50M Commodities
$10M Hedge Funds
$50M US Equity
$30M Intl Bonds
$70M Bonds
$90M Money Market
$100M Cash

Monthly $4M Payout to retirees

Liquidity Issues
Limited Partners
(Educational Purposes Only)

● Told VCs to not ask for money (liquidity issues)
● Then reduced EXISTING commitments (allocation issues)
  - Reduce amount you will send in future
  - Reduce amount you already sent = require VC firms to sell shares in secondary market
● Not making NEW commitments (both liquidity & allocation)

NET-NET: Reduction in $ available for Venture Investing

Start Ups
(Educational Purposes Only)

● Stalled revenue ramp
● New funding difficult
● Lots of Insider rounds... slow painful process
● Cut work force, pay cuts,... worst case, shut down
● Delayed EXITS (IPOs, M&A)
Venture Firms

(Educational Purposes Only)

- Impact from LPs
  - VCs unable to time when LPs would send funds in
  - LPs reduce commitment levels

- Impact from startups:
  - Revenues pushed out, now need cash
  - Alternative funding sources dried up, VCs only place for cash
  - No liquidity events: no cash coming back in to VCs

- Impact from other VCs:
  - No new investors to price/invest large $ in companies
  - VCs unable to support follow on rounds

# VC Firms & VC Capital Raised

Declining

(Educational Purposes Only)


Note: Active venture-capital firms that have raised funds in the last eight years
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Now vs. Tech Bubble

- Current economic situation is worse... as impacts all sectors across everyone around the globe
- Sequoia’s Oct 2008 presentation was a good wake up call... start ups moved faster to cut costs

- Valuation came down on deals given less VC competition
- Competition for start ups reduced as companies went out of business
Fundraising Still Tough, Though Not for Every VC Firm

- “Prospect Venture Partners has secured $180 million... targeted at $250 million... Prospect Venture Partners IV LP would be half the size of its predecessor, which closed at $500 million in 2004.” (VentureWire, 8/18/10)
- “Menlo Ventures...Fund XI, which came to market this summer, has a $600 million target and $800 million hard cap, a steep drop from its $1.2 billion predecessor raised in 2006.” (VentureWire, 8/27/10)
- “Institutional Venture Partners has closed its largest-ever venture fund at its hard cap of $750 million, up from its target of $600 million.” (VentureWire, 8/31/10)

Legacy VC Funds Need Exits...

- “Venture firms are facing ticking time bombs embedded in their fund documents.... The venture industry is reaching the end game on the huge wave of funds it raised during the dot-com bubble. From 1999 to 2001, 1,203 venture funds closed on $178.7 billion, and many of these funds still hold companies that investors think have potential.

U.S.-based venture investors currently have 3,929 U.S.-based companies in their portfolios that received their initial equity investment seven or more years ago, according to Dow Jones VentureSource. That represents 28% of all U.S.-based portfolio companies of U.S. VCs. “ (VentureWire, 8/27/10)
... Many VCs Shifted Focus

- Many VC firms have shied away from high capital required, early stage deals

- “Once known more for semiconductors and systems, Morgenthaler Ventures has been moving more into Internet and consumer technology investing in recent years.” (VentureWire, 9/7/10)

Early Stage Chip Deals

- >$40M funding difficult to do when sector out of favor
- Must be frugal
- Look for alternative funding (SBIR, DARPA, etc.)
- May be required to show working device before Series A (unheard of back in the '90s)
- VCs may want operational experience on mgmt team
- Focus on products with
  - ASP > $5.00 in high volume, understand price erosion
  - Market segment > $500 million
- Focus on 10x technical improvement when in crowded spaces
Novel technology is not itself sufficient to get something to commercialization and a successful liquidity event.
Research vs. Commercialization

Examples of Hardware Start Ups Founded Out of University

- Analog Devices (MIT, ’65) -> IPO in ’69
- Qualcomm (UCSD, ’85) -> IPO in ’91
- Akustica (CMU, ’01) -> Acquired ’09 by Bosch
- Microreactor (UCB, ’02) -> Acquired ’09 by Pall
- Silicon Clocks (UCB, ’04) -> Acquired ’10 by Silicon Labs
- Solyndra (Stanford, ’05) -> Filed for IPO in 12’09, cancelled IPO in 06’10
In Conclusion

- Tough funding environment
- Real innovation can get funded – dream big
- Be practical -> be frugal
- Good Luck!
### Examples of MEMS M&A

<table>
<thead>
<tr>
<th>Date</th>
<th>Target/Issuer</th>
<th>Description</th>
<th>Buyers/Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug-00</td>
<td>Silicon Light Machines Corp.</td>
<td>Optical MEMS products for display, light modulators, and maskless lithography</td>
<td>Cypress Semiconductor</td>
</tr>
<tr>
<td>May-04</td>
<td>Kavlco Corp.</td>
<td>MEMS pressure / temperature / tilt sensors for automotive, aerospace, military, and industrial applications</td>
<td>Schneider Electric S.A.</td>
</tr>
<tr>
<td>Oct-04</td>
<td>Iridigm Display Corp.</td>
<td>Low power MEMS-based display technology for mobile handsets</td>
<td>QUALCOMM Inc.</td>
</tr>
<tr>
<td>Dec-04</td>
<td>Humirel, S.A.</td>
<td>MEMS humidity / temperature sensing solutions for consumer and industrial applications</td>
<td>Measurement Specialties Inc.</td>
</tr>
<tr>
<td>Dec-06</td>
<td>Reflectivity Inc.</td>
<td>MEMS light valve device for projectors</td>
<td>Texas Instruments Inc.</td>
</tr>
<tr>
<td>Dec-07</td>
<td>Intersema Sensorics</td>
<td>MEMS pressure sensors for consumer, automotive, medical, &amp; industrial market.</td>
<td>Measurement Specialties Inc.</td>
</tr>
<tr>
<td>Aug-08</td>
<td>Infineon BAW Filter Biz.</td>
<td>MEMS high precision RF filtering for wireless applications</td>
<td>Avago Technologies Limited</td>
</tr>
<tr>
<td>May-09</td>
<td>LV Sensors</td>
<td>MEMS tire pressure sensor</td>
<td>Atmel</td>
</tr>
<tr>
<td>Aug-09</td>
<td>Akustica</td>
<td>MEMS microphone</td>
<td>Bosch</td>
</tr>
<tr>
<td>Nov-09</td>
<td>Kionix, Inc.</td>
<td>MEMS accelerometers for consumer market</td>
<td>Rohm Co. Ltd</td>
</tr>
</tbody>
</table>
### Example of IPOs

<table>
<thead>
<tr>
<th>IPO Date</th>
<th>Name (ticker)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-07</td>
<td>MEMSIC (NasdaqGS:MEMS)</td>
<td>MEMS-based inertial sensors</td>
</tr>
<tr>
<td>Filed S-1</td>
<td>Invensense</td>
<td>MEMS-based gyros</td>
</tr>
</tbody>
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### Intel Capital: Investing in Success
Intel Capital: Recent Exits

**IPOs**

- **US**: Intellon
- **China**: Kingsoft
- **Japan**: NetIndex
- **Korea**: MobileTop, Clearwire
- **Taiwan**: LOTES
- **Vietnam**: TLI Technologies
- **Chile**: Chili

**Mergers & Acquisitions**

- **USA**: Navini
- **Israel**: Cloakware, MySQl, Passave
- **India**: Claro
- **Korea**: JUNGO, Cyteg
- **Japan**: Topio
- **China**: Iasonic Technologies
- **Taiwan**: Cloudify
- **Vietnam**: LogMeIn
- **Chile**: Samsung

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