

LFoundry steers expansion course in competitive market

By Christoph Hammerschmidt

TWO YEARS AFTER its inception by a management buy-out from former owner Renesas, semiconductor manufacturer LFoundry is flexing its muscles. Within its expansion strategy, the company acquired Atmel's Rousset fab, tripling its manufacturing capacities. *EE Times Europe* asked LFoundry CEO Michael Lehnert about his goals – and if an IPO could be an option for the privately held company.

EE Times Europe: To which extend does LFoundry currently depend on former owner Renesas?

Michael Lehnert: We are completely independent of Renesas. The last wafers ordered are shipped. No sales anymore to Renesas.

EE Times Europe: Recently, LFoundry has tripled its manufacturing capacity by taking over the Atmel fab in Rousset (France). How do you plan to utilize this capacity?

Lehnert: Atmel is now our largest customer. We have a utilization guarantee from Atmel for three years. We will also expand our customer base. We already have new customers with orders currently ramping up here in Landshut. Future customers will be served by the Rousset production line.

EE Times Europe: In the semiconductor foundry industry, size is an important factor due to the economies of scale. I am wondering how one can achieve economies of scale with two fabs so far apart in terms of geography and probably also in terms of technology.

EE Times Europe: The fabs are apart just one hour's flight. This is relatively near. Unlike others, we are not forced to travel to the US or Asia. Thus we achieve economies of scale at least when it comes to management capacities. We also have adjusted our corporate structures accordingly. We have established a management holding which bundles design, development, sales and marketing

activities. And we have established a central quality control department. Thus, costs are shared among two fabs.

In terms of technology, both fabs are quite similar. While the Rousset fab is larger, both production lines are working in the technology range between 180 and 110 nanometers. Thus we can run our processes in both fabs and serve our customers to the most possible extend from both lines.

EE Times Europe: Are there investments necessary either in Landshut or in Rousset in order to align the production lines to each other?

Lehnert: For Landshut, smaller investments are necessary to convert production to 110nm in the first place.

EE Times Europe: Atmel achieves a significant part of its sales with customers in the automotive value chain. This requires the respective qualifications of products and manufacturing lines. Which consequences arise from this fact to LFoundry?

Lehnert: Both lines are automotive certified. In Landshut, we already serve automotive customers. We intend to further expand these qualifications.

EE Times Europe: One of your large customers is TDK EPC, the former Epcos, for whom you manufacture RF MEMS. MEMS are also playing a significant role in automotive electronics. Are you planning to focus on MEMS?

Lehnert: We are no pure-play MEMS analog/mixed signal foundry. Our product spectrum is broader than that. We prefer the term 'dedicated foundry'. For us, MEMS are just a complement; their production is integrated into normal IC manufacturing processes. We also can manufacture several other technologies. In our technology and product strategy you'll find everything with the exception of most advanced digital technologies. That is, smaller than 90nm.

EE Times Europe: To which extend are you active in very high frequency technologies?

Lehnert: In Rousset we have equipment and capacities for SiGe production. But currently these activities do not rank very high in our priorities list.

EE Times Europe: Industry watchers predict increasing competition with Asia; some even predict a shake-out in the foundry business. Recently, Korean analog / mixed signal foundry Dongbu has aired plans to expand in Europe. How can LFoundry as a company based in high-salary countries France and Germany remain competitive?

Lehnert: When we entered the market as a new player two years ago, our market entry also contributed to increased competition. We have a clear strategy: We own very efficient analog / mixed signal production lines with significant capacities. We work exclusively with 8" wafers and thus we can work very efficiently. And we will expand the capacity of these already large fabs. Thus, we can keep the fixed cost low. We have comprehensive experience with cost reduction measures since we have been active in very price sensitive markets such as DRAM, SmartCard chips and LCDs, and we will continue to lower our cost.

Certainly labor cost is a factor. But for our business model it is not the decisive factor since we have very high engineering activities. And engineering costs do not differ between Europe and Asia as much as manufacturing costs.

It is not our goal to be the cheapest foundry. Instead, we want to maximize the added value for our customers. We can do this by two factors: First, we have an outstanding technology quality, and thus we can offer high integration. Second, we also offer particularly high safety – with respect to technology adaptations and joint developments, delivery performance and speed. All of these factors contribute to competitiveness as much as the price does.



LFoundry CEO Michael Lehnert tripled the company's manufacturing capacities. But will he be able to continue this course?

EE Times Europe: Another topic is qualified manpower. It is said that in particular in the analog segment good experts are rare. How do you satisfy your demand – by in-house education programs?

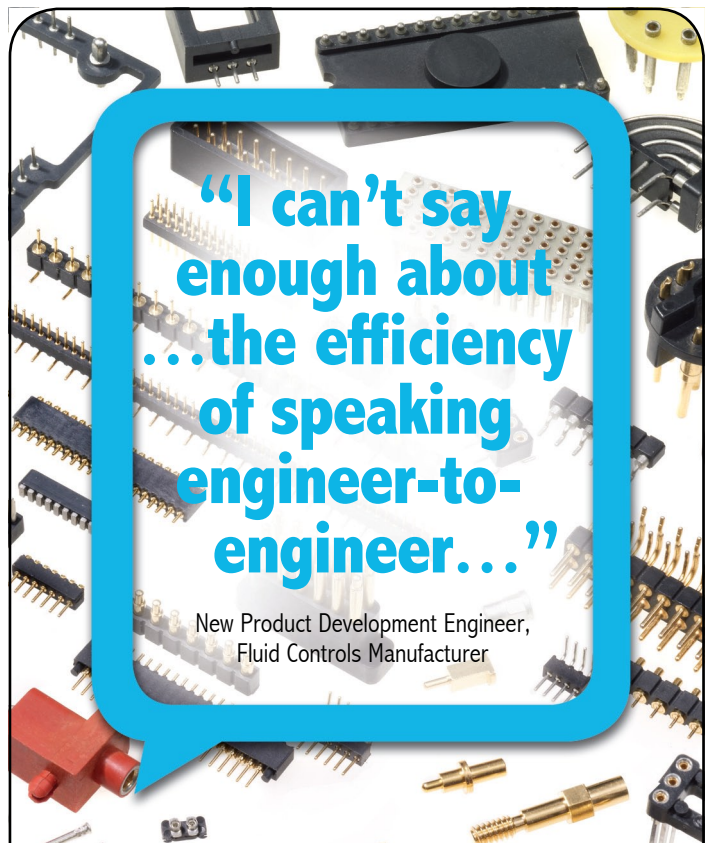
Lehnert: Yes, it is true that analog engineers are difficult to find. We have implemented several training programs and maintain close ties to research institutes and universities. We also have arranged competitions for young chip designers and run further activities to promote young talents. Just these days we have decided to establish a new design center in or around Munich since there are many good designers as well as many of our customers.

EE Times Europe: LFoundry still is a privately held company. In the capital-intensive semiconductor industry this is rather unique. And you have reached a size that certainly would make an IPO an option. Any plans to go public?

Lehnert: I don't see an IPO in the foreseeable future. First, we want to establish ourselves better in Europe. There are still a lot of things left to do. We plan to expand our technology portfolio, we want to offer more options for our customers.

After that, we want to expand in terms of geographies. We already have set up an international sales team for the USA and Asia. We intend to maintain our aggressive expansion speed. We also can imagine takeovers. Our business model provides for restructuring such companies during the utilization guarantee period and converting them to analog/mixed signal foundries.

In the consolidation expected in the foundry market we will play an active role. The competition has become tougher, in particular since Chinese companies have entered the market. But we are aware that we must not sit and wait. Instead, we must continue to go ahead. Of course, we will need additional capital at some point in time in the future. Before we implement further expansion measures, we will consider taking an investor on board. But this investor must fit perfectly into our strategy ■



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