



PRESENTS

**NETWORLD INTEROP**



# Internet Infrastructure ICs - An Investor's Perspective -

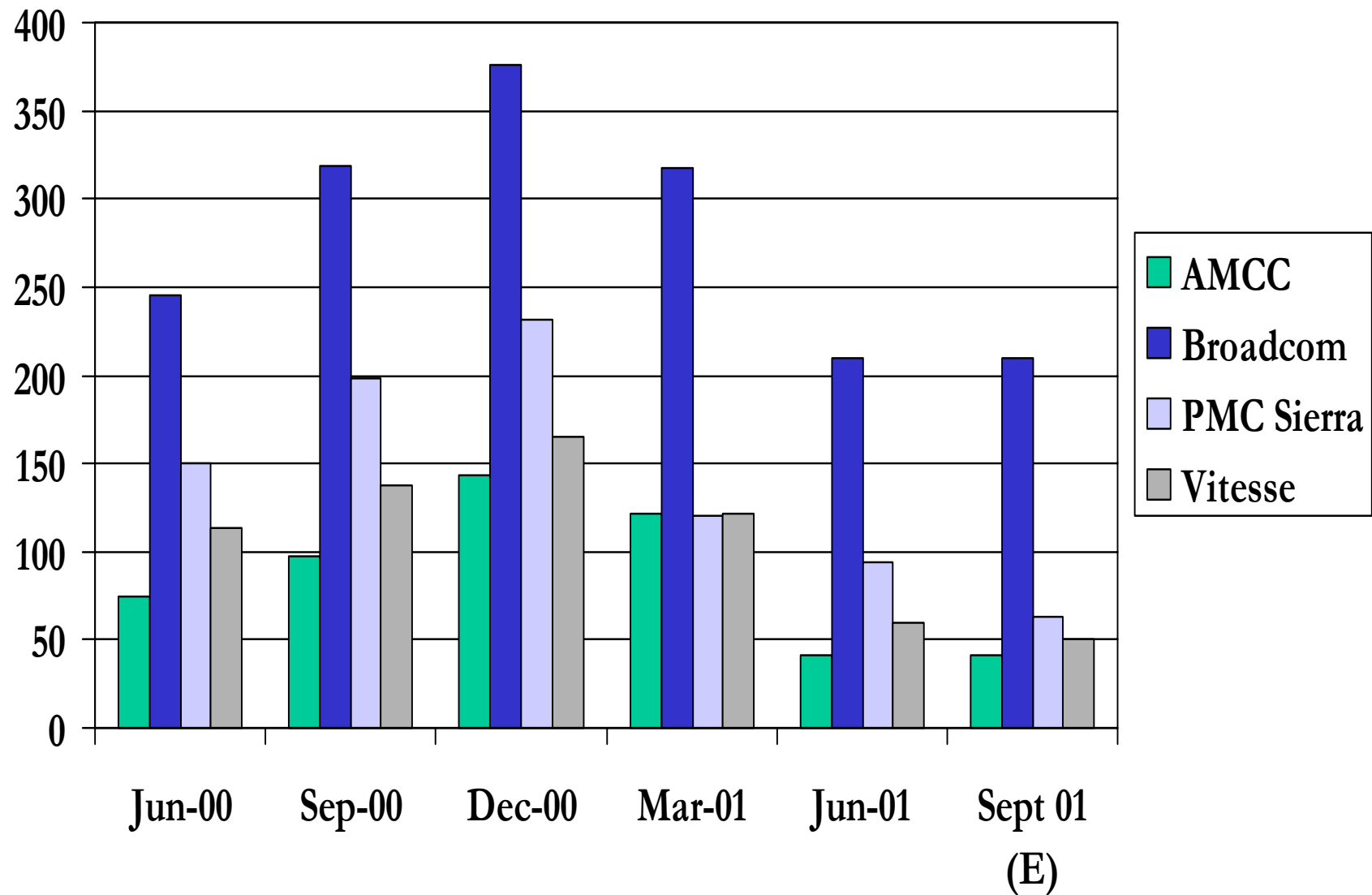
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Jeremy Bunting, Ph.D.

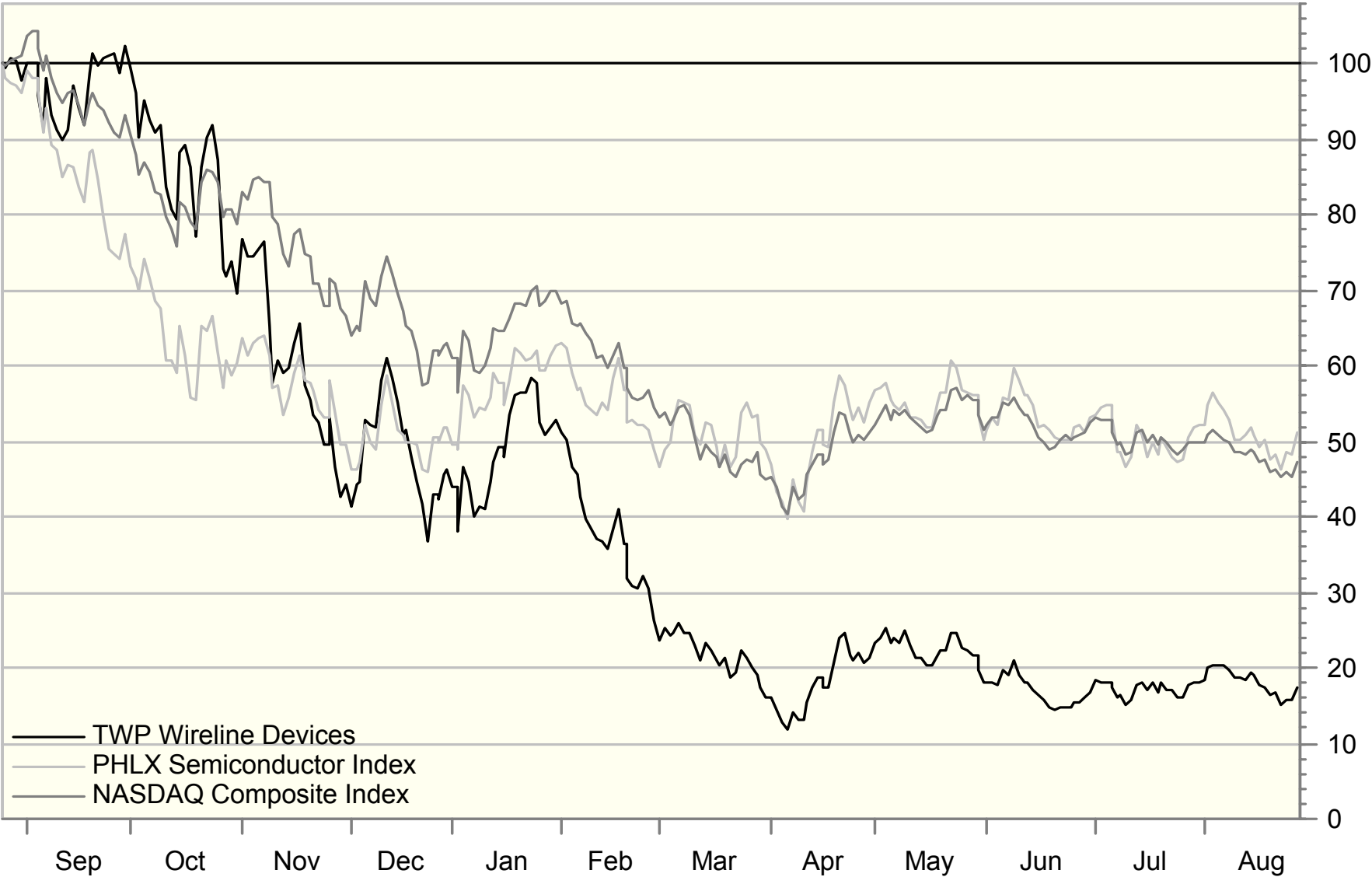
Principal, Analyst, Communications ICs

September 2001

# Revenues – The Rise and Fall...



# And the Stocks Collapse



# Coincidence – Or Pattern

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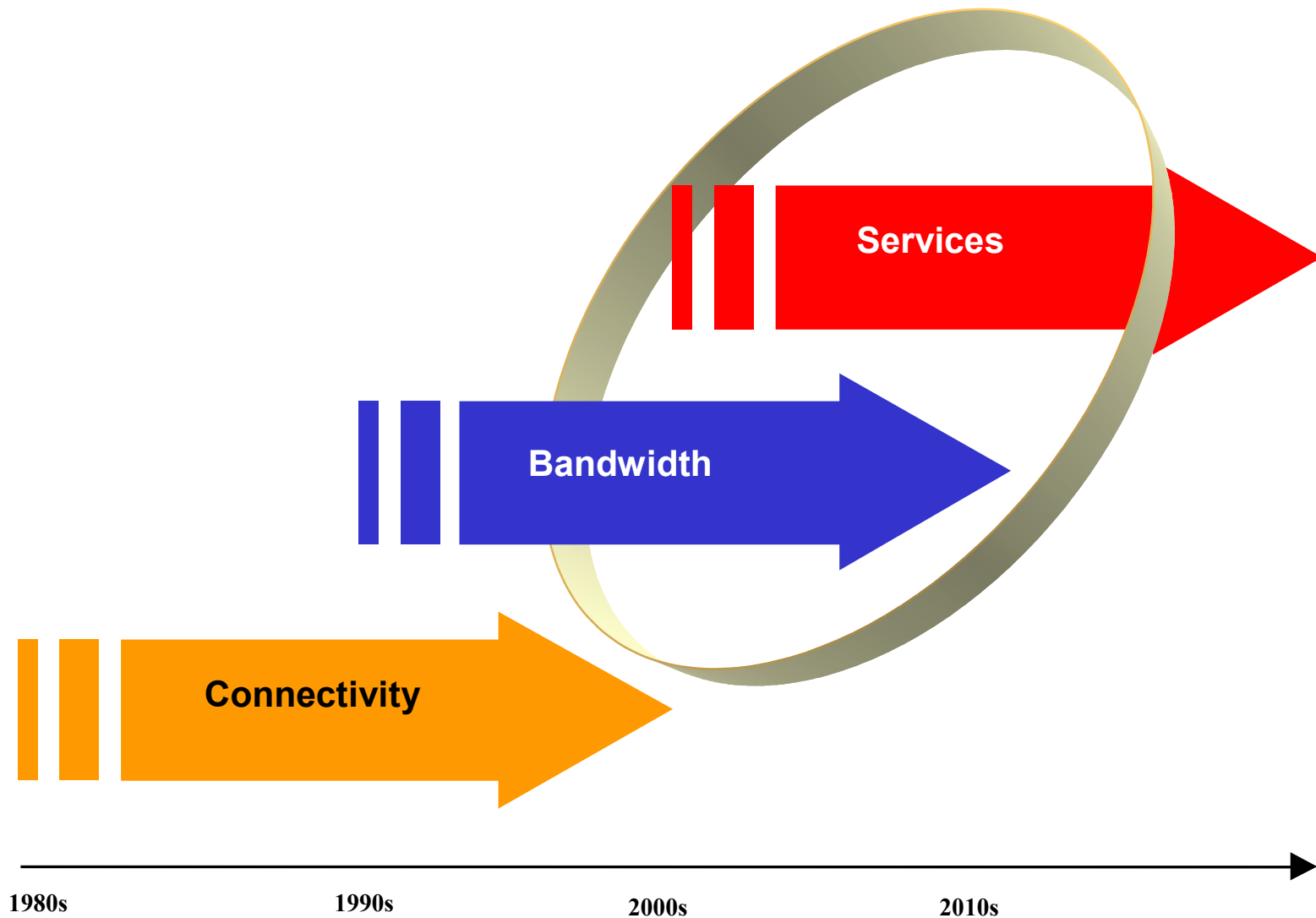
	<b>Q4:00 Revs</b>	<b>Q3:01 Revs</b>	<b>Decline %</b>
<b>AMCC</b>	\$143m	\$41m	71%
<b>Broadcom</b>	\$376m	\$211m	44%
<b>PMC Sierra</b>	\$231m	\$63m	73%
<b>Vitesse</b>	\$165m	\$50m	70%



# 1. Network Trends

# Carrier Spending Focus Will Evolve

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# Addressing Today's Problems

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- Dynamic Provisioning
- Quality of Service
- Multiple Traffic Types
- Value-Added Services

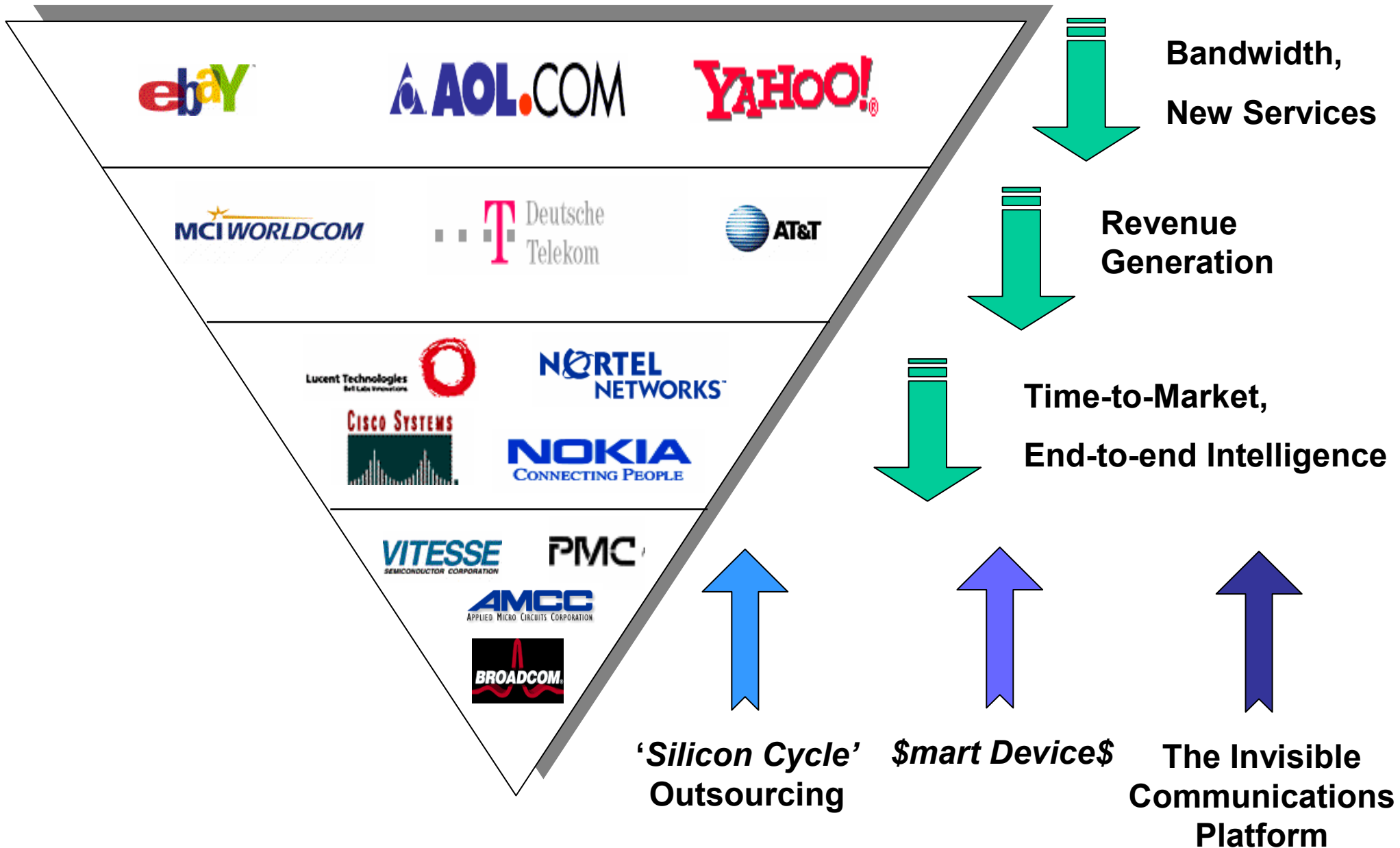
Network  
Intelligence is  
the Key

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## 2. Comm-IC Drivers



# Service and OEM Pressures Drive Comm-ICs



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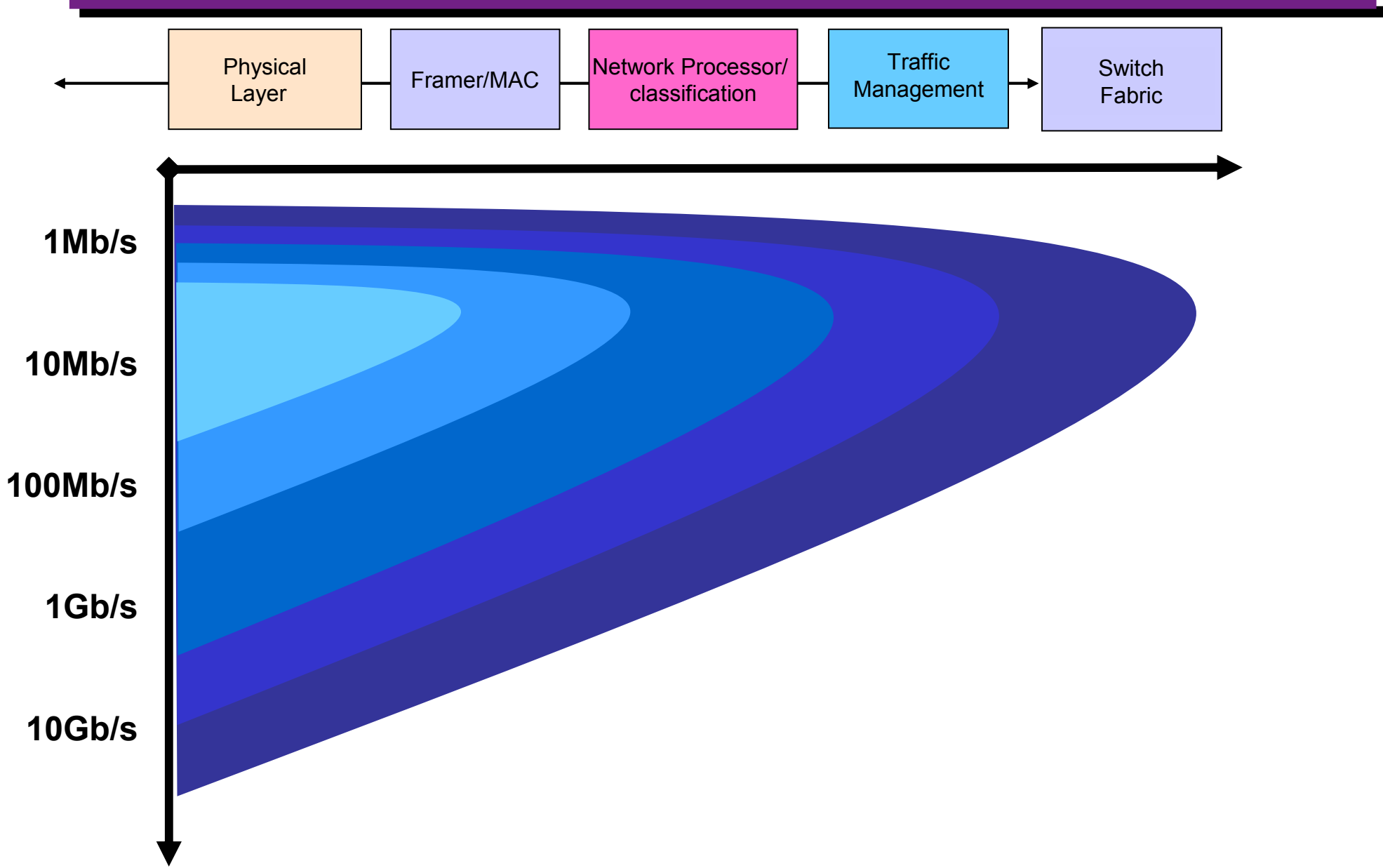
## 3. Trends Through 2001

# Trends Through 2001

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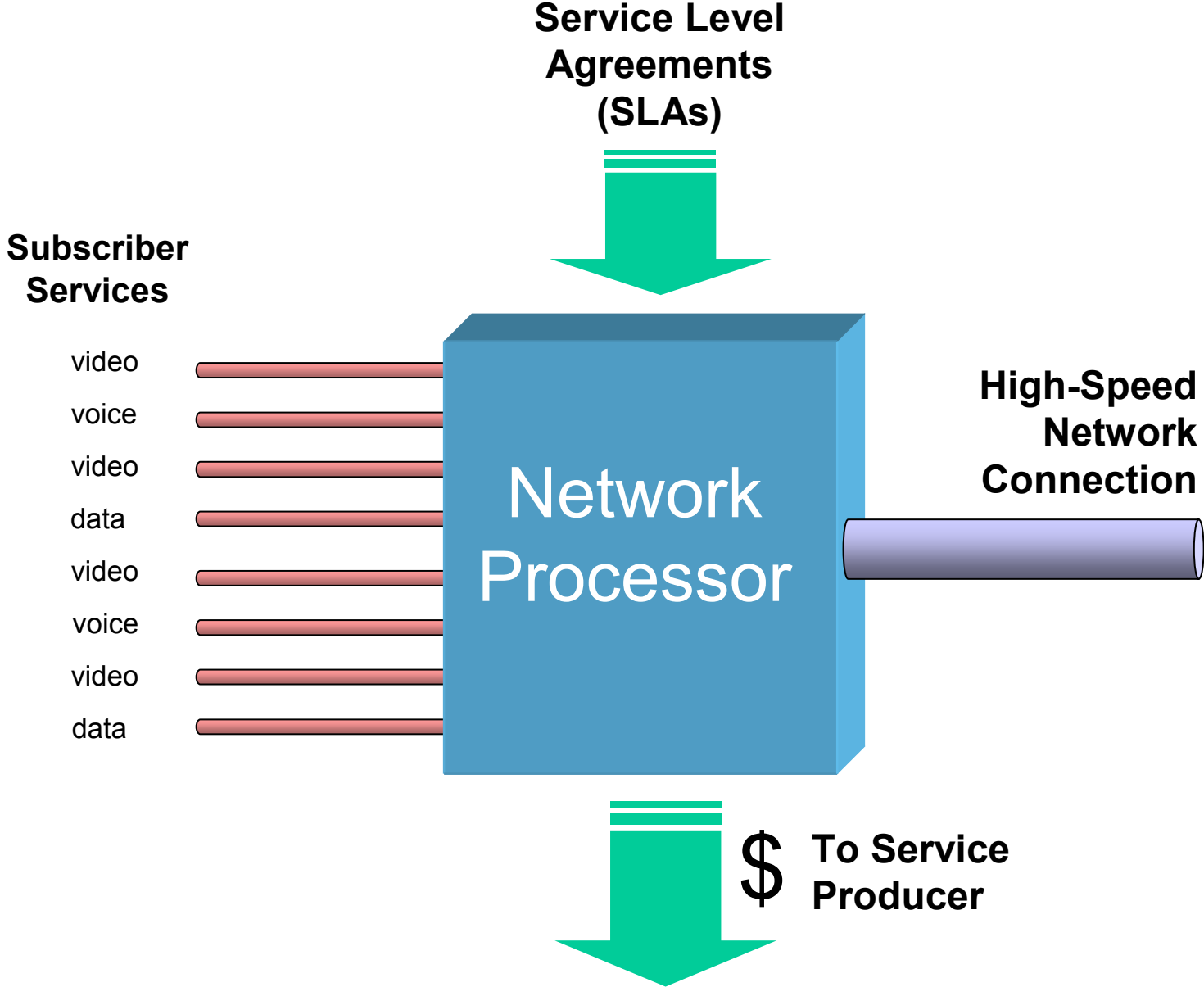
- *Silicon Cycle*
  - Outsourcing: ASICs to Standard Products
  - Higher speeds, Deeper functions
- *Smart Devices*
  - Networks need managing; Operators need revenues
  - Driver for Net Processors
- The '*Invisible Communications Platform*'
  - End-to-End Chipsets
  - Consolidation - M&A

# Silicon Cycle: Outsource Faster, Deeper Functions

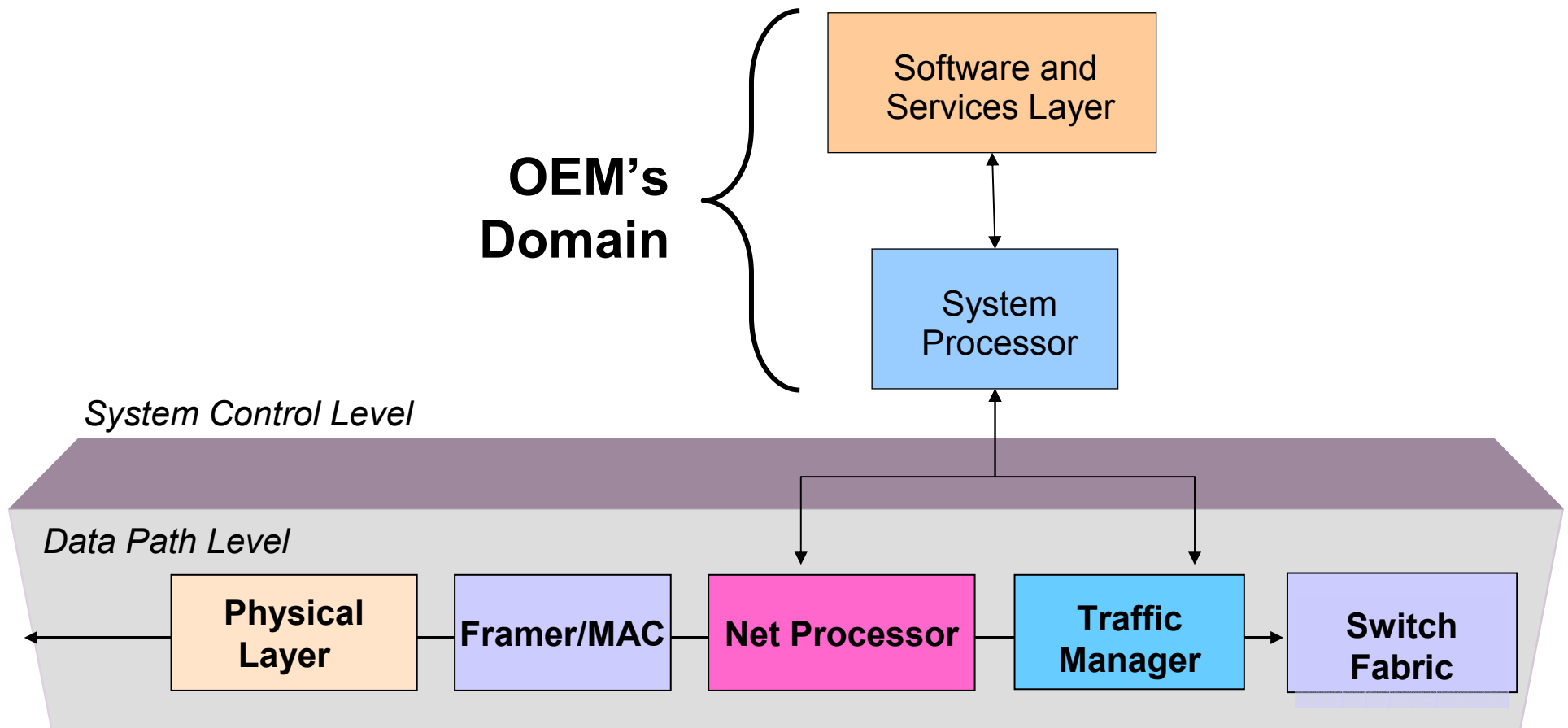


# \$ Smart Devices\$ are Revenue Generators

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# The *Invisible Communications Platform*



# Investment Perspective

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- Few IPOs
  - Market needs to see revenues and earnings growth first
  - Differentiated technologies with steep revenue ramp
  - Acquisitions more likely
    - Marketing and sales coverage; End-to-end platform
- Acquisitions to ramp - Sometime
  - Flow is stalled - Valuations are out of balance
    - Buyers looking for richer currency
    - Sellers looking for higher valuations
    - Valuations will track public company levels
- Look for 'Outsiders' to pick up technologies
- Newly cautious investors and acquirers looking for:
  - Proven track record, Proven technology
  - Differentiated technologies – Key building blocks
  - OEMs signed up