

## Samsung Buys Its Way Into Foundry Business

By Ed Sperling -- 5/24/2006

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Consumer electronics giant Samsung is about to become a foundry giant, as well.

The Korean-based conglomerate, best known for its brand-name televisions and cell phones -- and more recently for memory -- is about to buy its way into the leading-edge foundry business. Over the next six years, the company will spend \$33 billion in capital equipment and build six new 300mm fabs. The company already has one in the works, bringing the total to seven.

Ana Hunter, VP of technology for Samsung's System LSI Division, said the company will continue acting as an integrated device manufacturer for its own technology. But it also will begin running a merchant foundry business, offering leading-edge process technology and services for its customers.

"We see foundries as the next growth engine," Hunter said. "We will begin offering strategic foundry services starting with 90 nanometers...Lots of IDMs cannot afford to build their own fabs anymore." She noted that Samsung sees the foundry business as a key way of continuing to generate double-digit growth.

Samsung will leverage its joint development project with IBM and Chartered Semiconductor, all of which have collaborated to create a common platform. That also allows Chartered and IBM to act as second sources for Samsung, and vice versa. All have exactly the same processes running internally -- similar to what Intel does for its own fabs with its Copy Exactly strategy.

"This provides benefits to everyone," said Walter Ng, senior director of platform alliances at Chartered. "This is coopetition. Customers are coming to us and are approaching them jointly with our partners. We are collaborating in development. And we are competing. But each company does have differentiators. Some customers will require a pure-play foundry. Others are more independent."

Jim Feldhan, president of Semico Research, said his company has been predicting that Samsung would enter into the foundry business sometime in the near future. "But this is quite a bit larger an investment than we expected," he said.

Feldhan said that Samsung will face challenges of being a competitor to some companies. Nevertheless, he noted that the company has the deep pockets to become a major player, and it's entering the foundry business at a time when capacity is reaching full utilization.

"TSMC is almost at 100 percent capacity on the leading edge," he said. "Another supplier will add a new competitive element."

IBM created its common platform alliance with Samsung, Chartered and Infineon. It also has a joint development alliance for silicon on insulator with AMD, Sony and Toshiba. It remains to be seen whether there is any crossover between those two alliances.