

Executive Forum on Microelectronics

“Smart Money”

October 16, 2008

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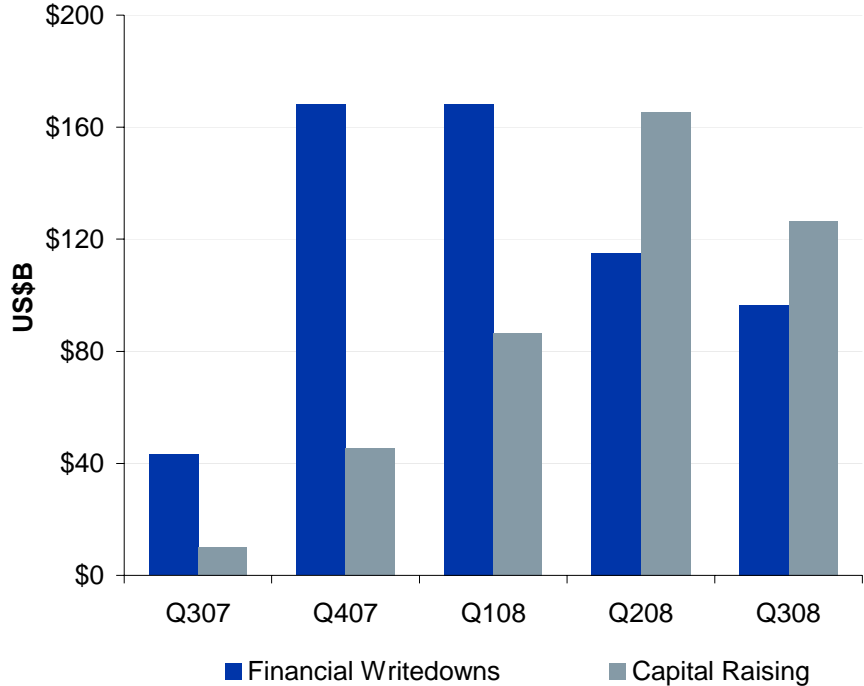


Did You See That Train Wreck?



Bailout of the Global Financial Sector

Global Financial Writedowns and Capital Raising



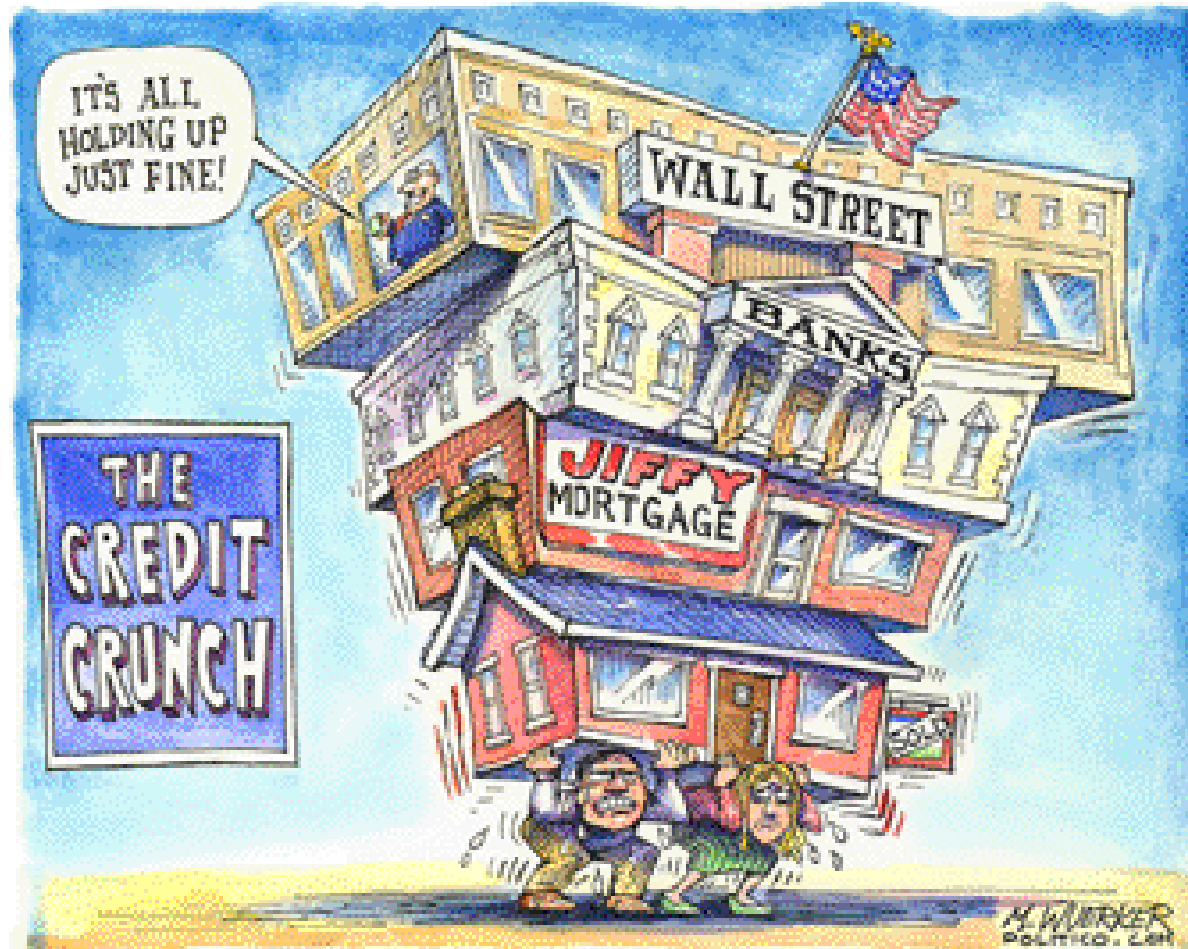
Running Tab on Government Bailouts

Region	US\$
United States	
▪ Troubled Asset Relief Program ("TARP"):	\$700 billion
▪ AIG Bailout:	\$123 billion
▪ Backstop for Bear Stearns:	\$29 billion
▪ Fannie Mae & Freddie Mac:	\$200 billion
Europe	
▪ Backstopping banks:	\$2,300 billion
United Kingdom	
▪ Bailout of 3 largest banks:	\$64 billion
TOTAL	\$3.4 trillion +

Source: Bloomberg

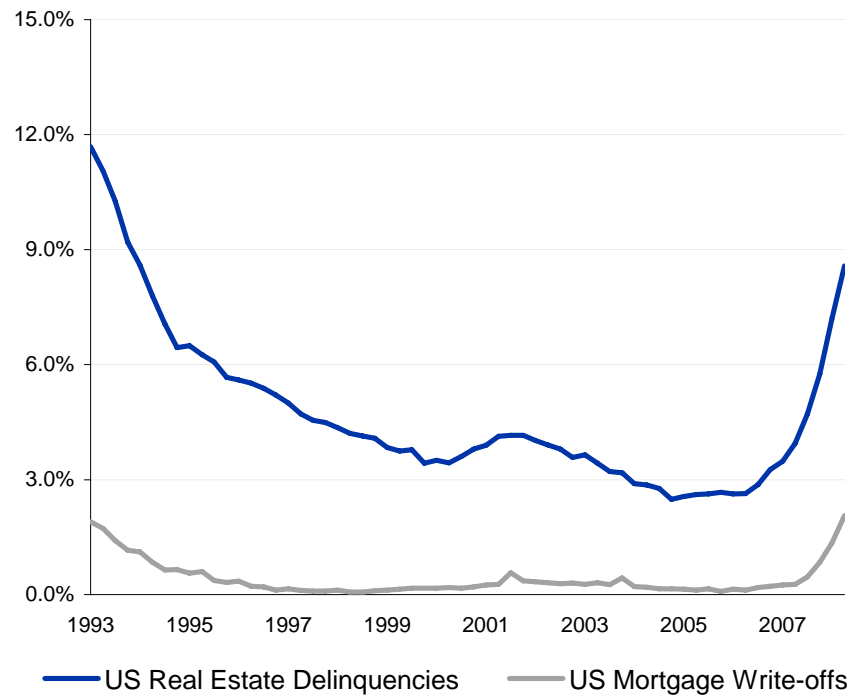
Since summer of 2007 global financial companies have seen over \$500 billion of writedowns

How Long Could the US Consumer Hold the Economy Up?



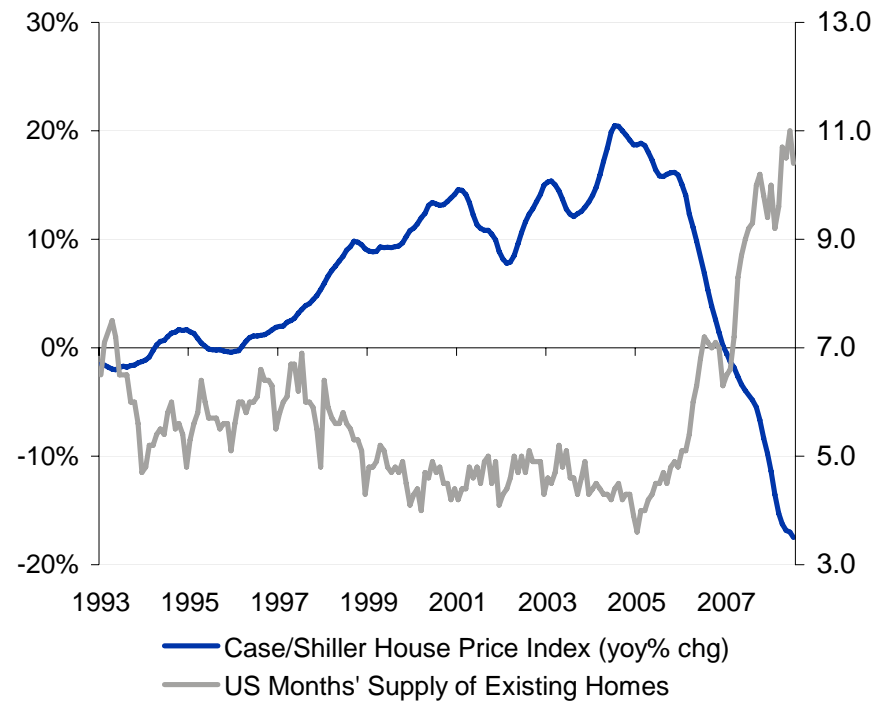
Downturn in the U.S. Real Estate Market

US Mortgage Delinquency & Default Rates



Source: Federal Reserve

House Price Index vs. Home Supply

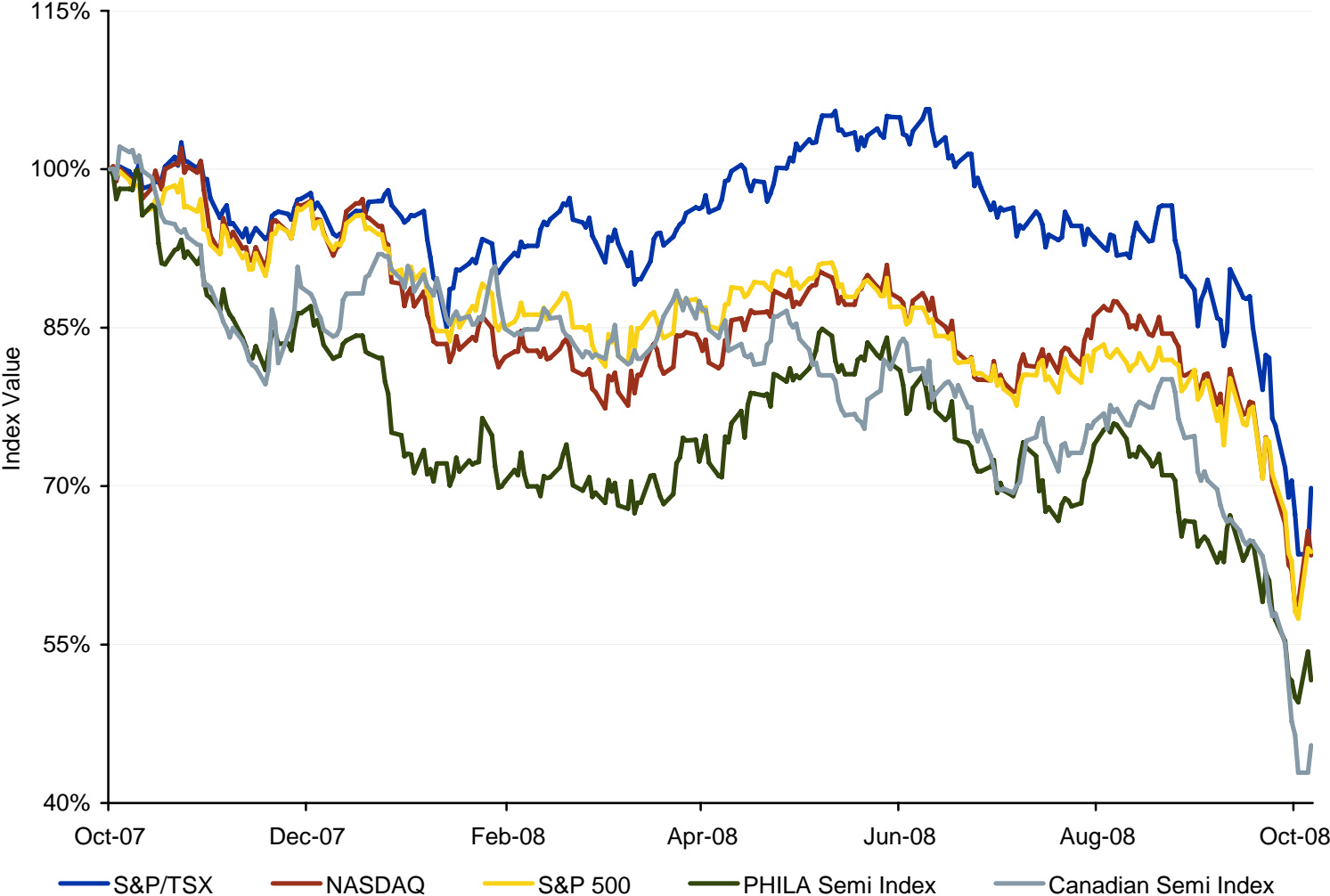


Source: RBC Economic Research

As home prices deteriorate, mortgage delinquencies and defaults rise, thus contributing to excess home supply

Equity Markets Relative Performance

Since S&P 500 Peaked on October 9th, 2007



Stock Performance

S&P/TSX
(30%)

S&P 500
(36%)

NASDAQ
(37%)

PHILA Semi Index
(48%)

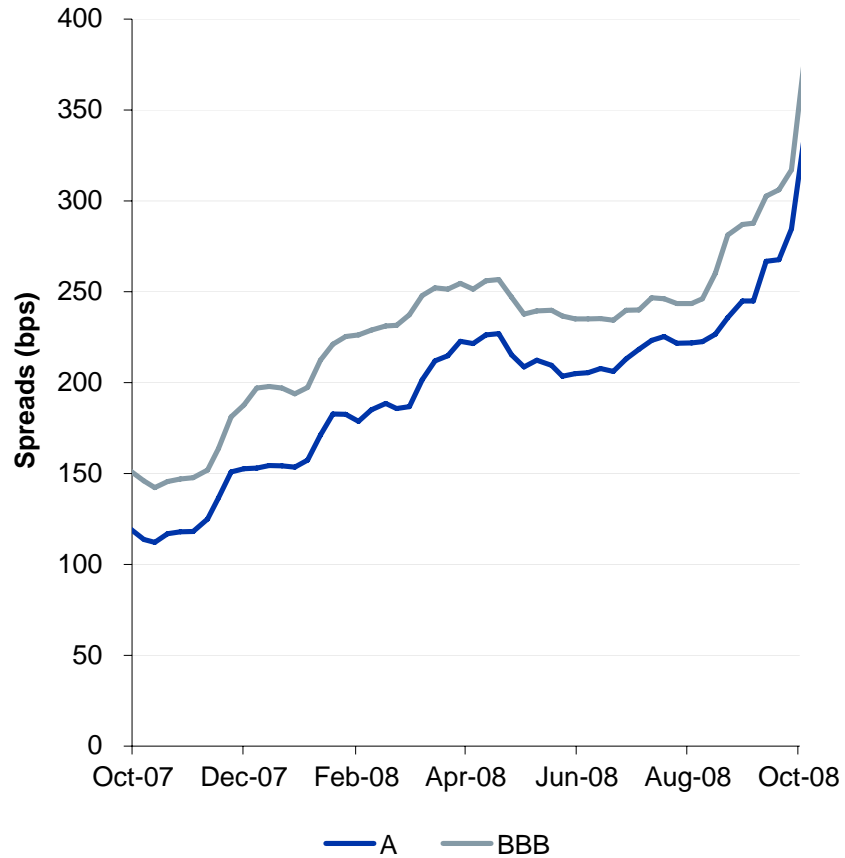
CDN Semi Companies
(55%)

Source: Bloomberg as at October 14th, 2008
Canadian Semiconductor Companies Index includes DALSA, Gennum, MOSAID Technologies, Tundra Semiconductor and Zarlink Semiconductor.

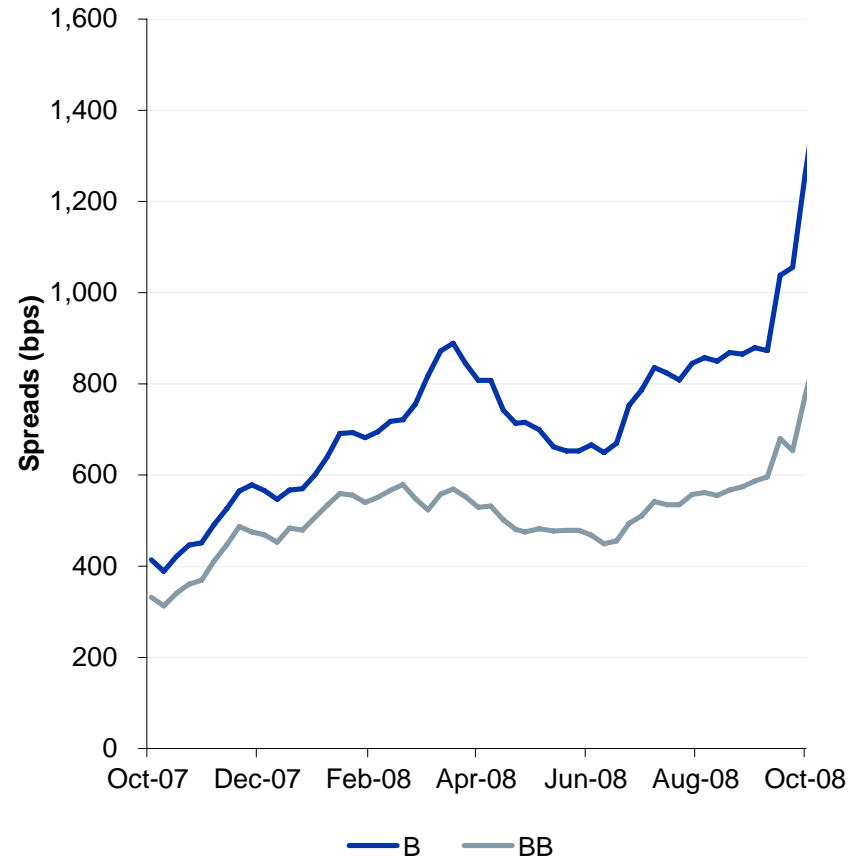
Cost of Credit is Going Up

Investment Grade & Non-Investment Grade Credit Markets – Since October 1, 2007

Investment Grade



Non-Investment Grade



Source: Bloomberg

So Where Does the Economy Go From Here?

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It's pretty clear that the US is heading for negative GDP growth

- *Consumer spending is on the verge of contracting for only the 6th time since 1960*
- *Investment spending is already under significant pressure due to the residential real estate crisis and*
- *Foreign demand, the remaining leg remaining under US GDP growth is now faltering*

Myles Zyblock
October 8th, 2008

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So Where Does the Equity Market Go From Here?

US Bear Markets: S&P 500 Composite

Date of Market Top	Date of Market Bottom	Average Decline (Peak to Trough)	Duration (months)
Mar-00	Oct-02	(49.1%)	31
Jul-98	Oct-98	(19.6%)	3
Jul-90	Oct-90	(20.4%)	3
Aug-87	Dec-87	(34.5%)	3
Nov-80	Aug-82	(27.8%)	21
Sep-76	Mar-78	(19.4%)	18
Jan-73	Oct-74	(48.0%)	21
Nov-68	May-70	(36.1%)	18
Feb-66	Oct-66	(22.2%)	8
Dec-61	Jun-62	(28.0%)	7
Aug-56	Oct-57	(21.6%)	15
Mean		(29.7%)	13

Source: RBC Research

Little Activity in the IPO Market


















U.S. IPO Activity

Issuer	Sector	Pricing Date	Share Price	Shares Offered	Amount Offered	Market Cap ⁽¹⁾
2008 YTD Technology IPO's						
Rackspace Hosting	Internet	08/08/07	\$12.50	12.7	\$187.5	\$1,443.1
ArcSight	Software	08/02/14	\$9.00	6.9	\$61.8	\$278.5
Risk Metrics Group Inc	FinTech	08/01/24	\$17.50	14.0	\$245.0	\$1,011.5
		Mean:	\$13.00	11.2	\$164.8	\$911.0
		Median:	\$12.50	12.7	\$187.5	\$1,011.5
LTM Semiconductor IPO's						
Intellon	Semiconductors	07/12/13	\$6.00	7.5	\$45.0	\$179.7
MEMSIC	Semiconductors	07/12/13	\$10.00	6.0	\$60.0	\$226.2
Entropic Communications	Semiconductors	07/12/07	\$6.00	8.0	\$48.0	\$405.7
		Mean:	\$7.33	7.2	\$51.0	\$270.5
		Median:	\$6.00	7.5	\$48.0	\$226.2

Source: Dealogic, CapIQ, Company Filings and Wall Street Research Reports

(1) Based on offering price. Calculated using post-IPO basic shares outstanding, excluding over-allotment

Performance of Canadian Technology IPOs

Date	Issuer	Performance (IPO to Present) ⁽¹⁾
May-06		38%
Jun-06		34%
Jun-06	 ⁽³⁾	21%
Jun-07		(20%)
Nov-05		(31%)
Dec-05		(42%)
Dec-07		(45%)
May-06		(54%)
Oct-06		(58%)
Apr-07		(61%)
Feb-07		(65%)
Jun-07		(72%)
Apr-05		(76%)
Aug-06		(87%)
Jun-07		(89%)
Oct-07		(94%)
Jun-05		(100%)

Source: CapitalIQ, Company Filings

(1) As of October 14th, 2008

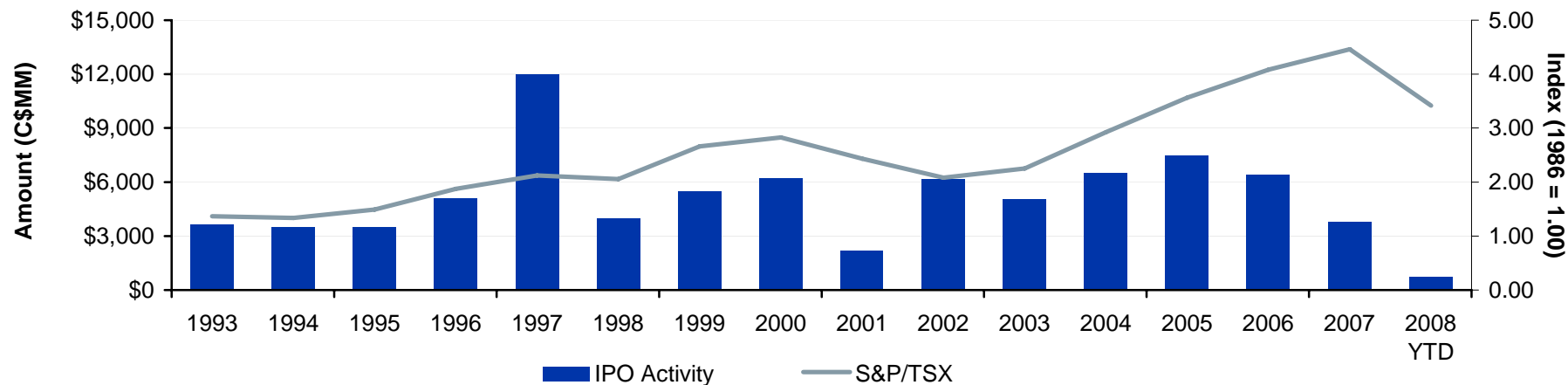
(2) For dual-listed companies, returns are calculated based on TSX trading prices

(3) Teranet performance shown on a total return basis (does not reflect current offer premium)

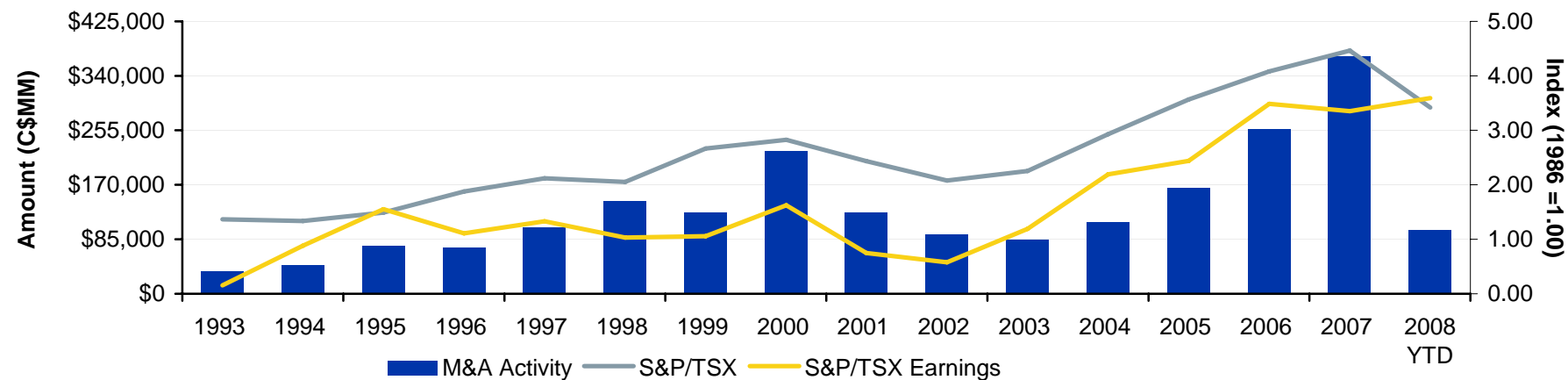
IPO and M&A Markets

Longer Term Liquidity Cycles

15 Year Canadian IPO Trends: 1993 – 2008YTD



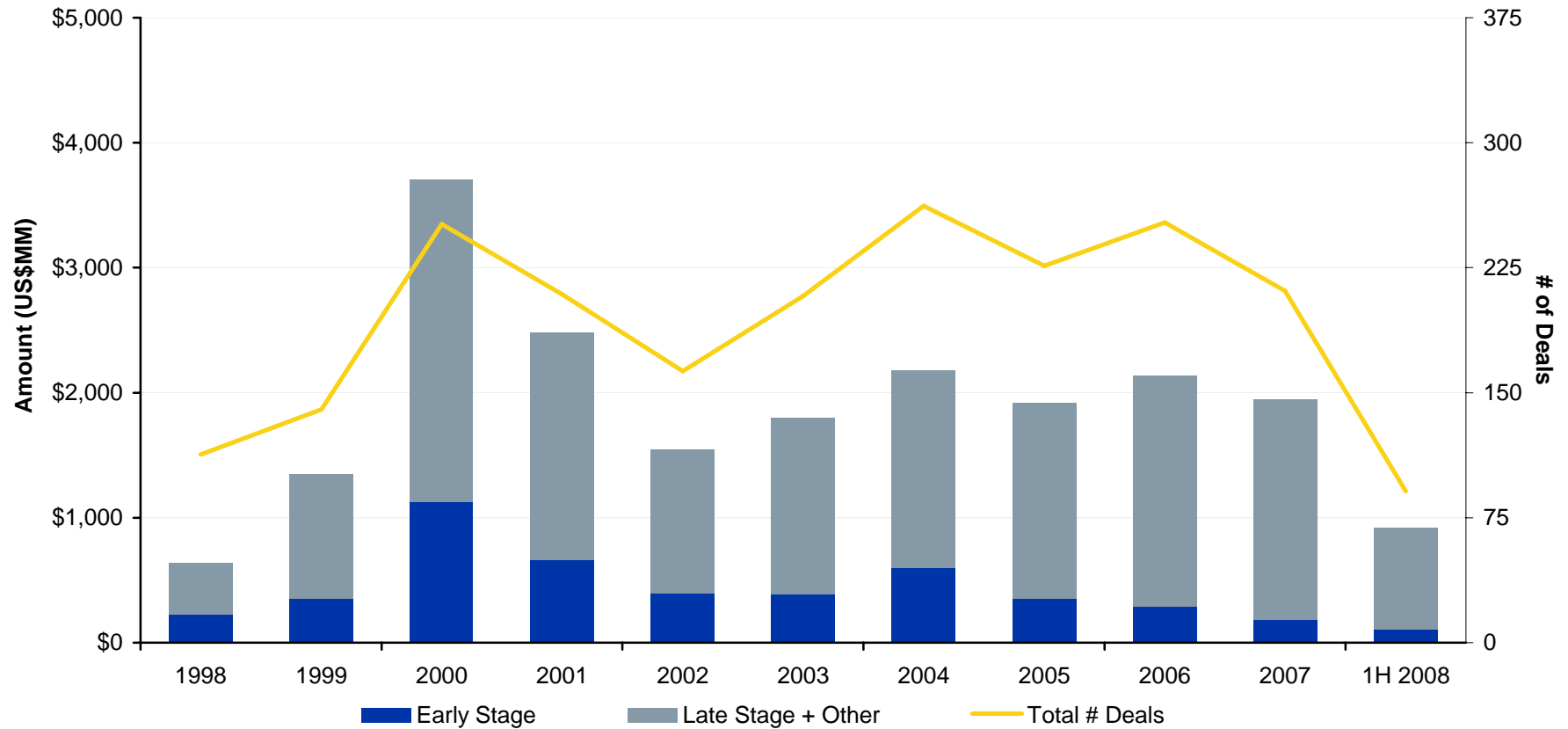
15 Year Canadian M&A Trends: 1993 – 2008YTD



Source: FPinfomart

Venture Capital Investment Trends

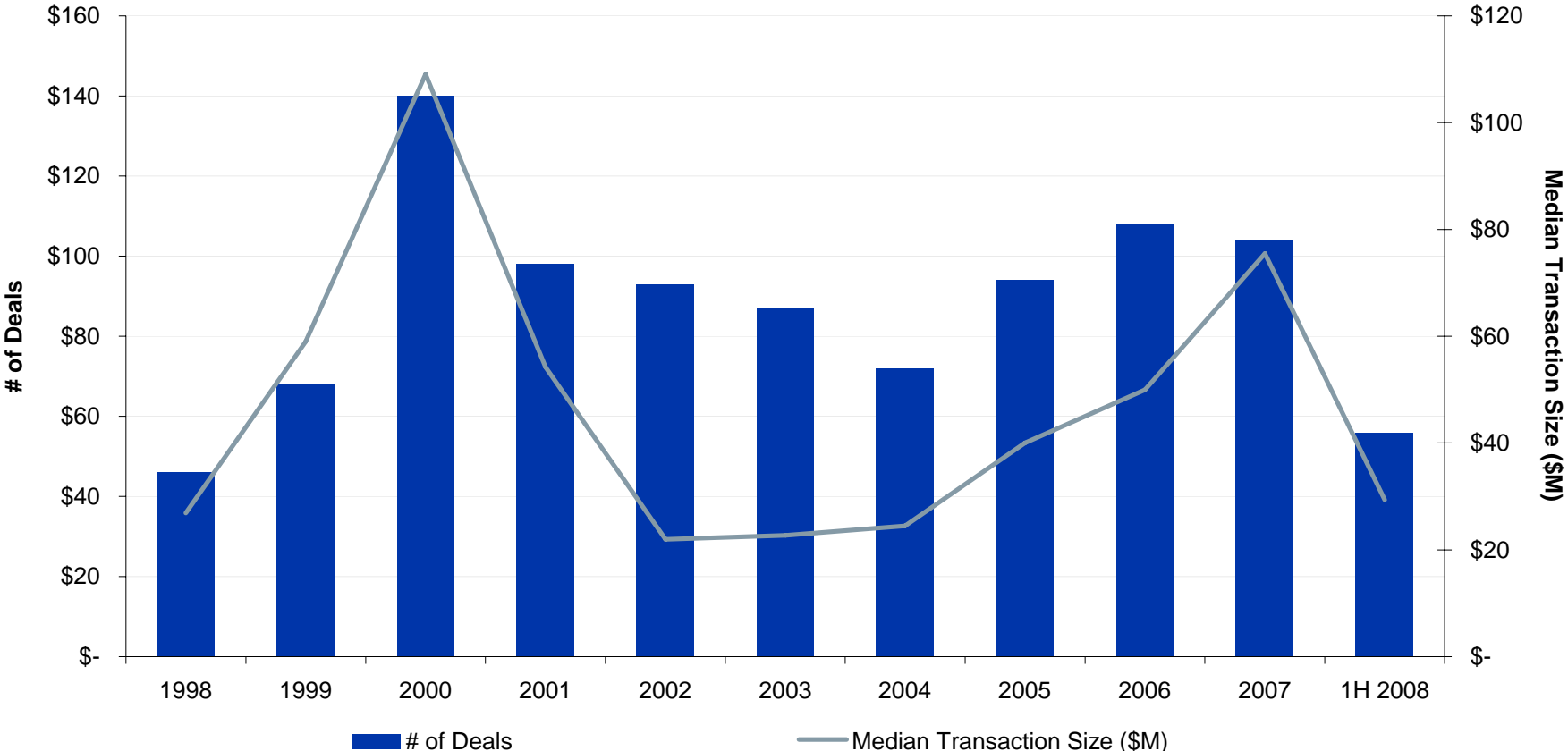
U.S. Semiconductor Private Equity Investment



Source: PWC National Venture Capital Association – Money Tree Report

Semiconductor M&A Activity

Worldwide Historical Activity

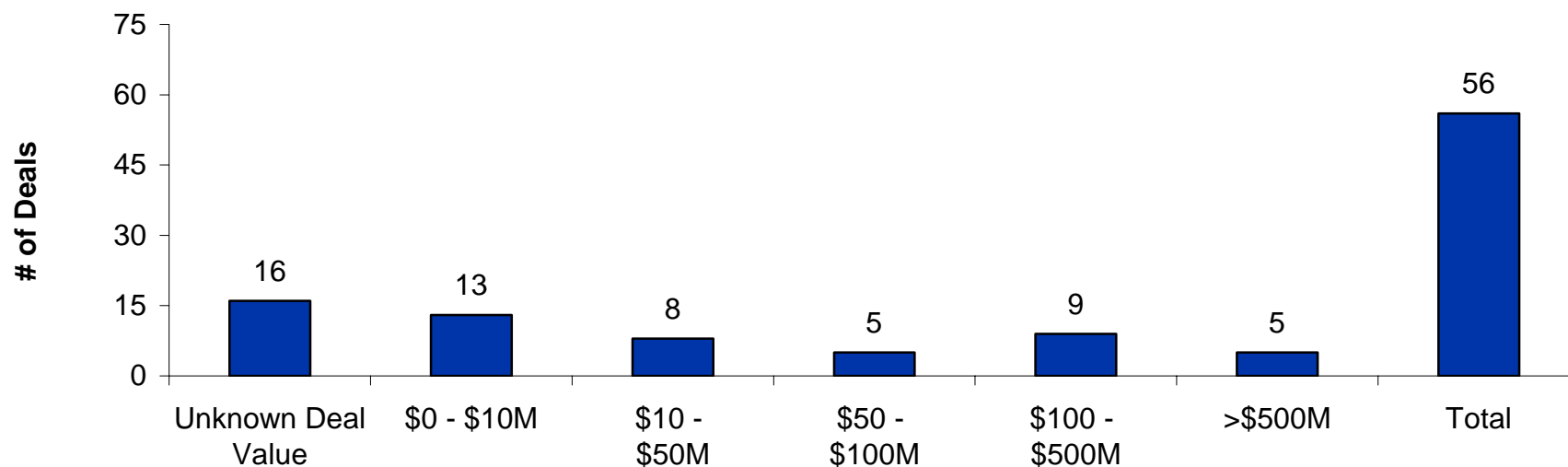


Source: RBC, SEC filings, company press releases, Mergerstat, Capital IQ, and Dealogic.

1H M&A deal volume in line with prior two years

Semiconductor M&A Activity (Cont'd)

By Deal Value – 1H2008



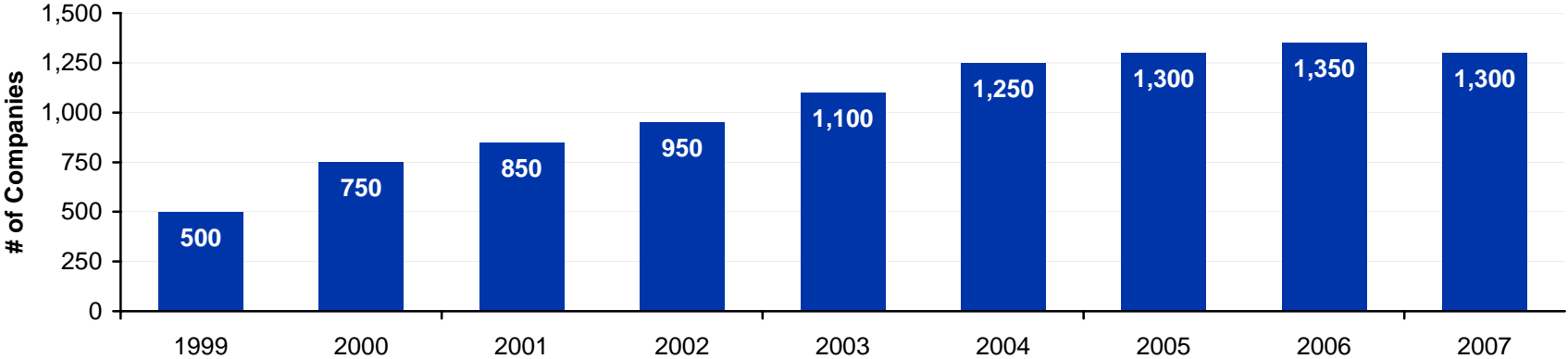
Total Deal Volume (\$MM)	NA	\$68	\$163	\$368	\$1,818	\$5,446	\$7,862
% of Total Deal Volume	NA	1%	2%	5%	23%	69%	100%
Average Deal Size (\$MM)	NA	\$5	\$20	\$74	\$202	\$1,089	\$140
% of Total Deals	29%	23%	14%	9%	16%	9%	100%

Source: Company press releases, SEC filings, Mergerstat, Capital IQ, Dealogic and RBC.

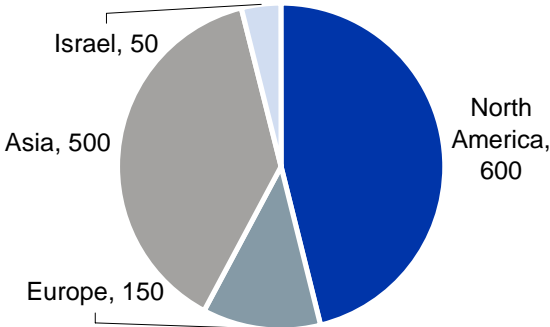
Approximately half of semiconductor M&A deals were < \$100 million in 1H2008

Fabless Companies Worldwide

Growth Worldwide



Geographic Dispersion



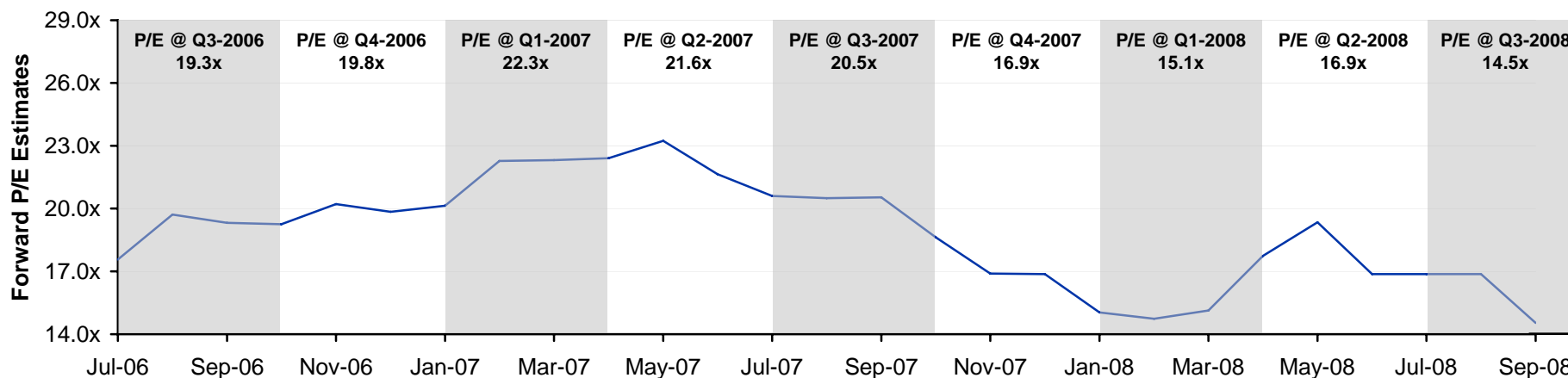
Fabless companies nearly tripled from 1999 to the peak in 2006

Source: GSA – Fabless Industry Data

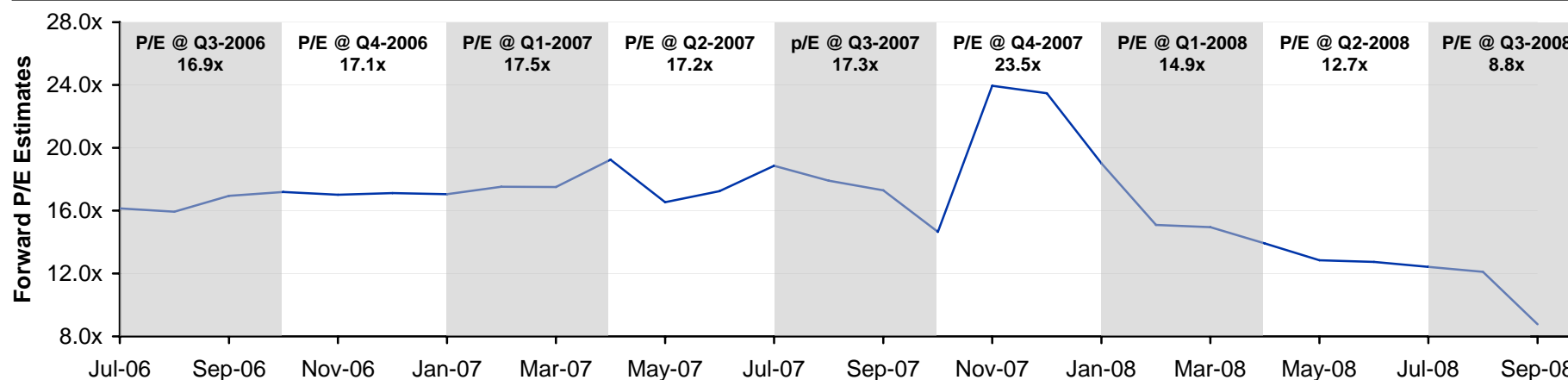
How Are Semiconductor Companies Being Valued?

Historical Forward P/E Multiples

PHILA Semiconductor Index ⁽¹⁾



Canadian Semiconductor Index ⁽²⁾



Source: RBC CM Quantitative Research, Thomson First Call and C.P.M.S.

(1) Based on members and respective weightings of the PHILA Semiconductor Index

(2) Canadian Semiconductor Index includes DALSA, Gennum, MOSAID Technologies, Tundra Semiconductor and Zarlink Semiconductor, market-cap weighted as of October 14th, 2008

How Do We Ride Out This Storm?



Source: Warner Bros and The Internet Movie Database

How Do We Ride Out This Storm?

“

As reported by GigaOm, Sequoia earlier this month summoned portfolio company executives to their Menlo Park offices to discuss what steps they can take to survive what many expect to be a prolonged economic downturn

- 1. Cutting costs is essential*
- 2. Businesses must be cash flow positive*
- 3. Customer adoption of services and technologies will slow*
- 4. The days of VC rounds of \$15 million at \$100 million post-money valuations are over*
- 5. Series B/C rounds will be smaller*

”

The Deal.com – Sequoia Portfolio Company Presentation
October 10, 2008

What's in Store for 2009

- 1 IPO Window is Shut Going Into 2009, but get ready for when it opens
- 2 VC Investment will Continue, with More of a Focus on Later Stage Companies with Visibility on Earnings & Cash Flow
- 3 Bank Credit Will Be Tighter but will Loosen Over Time
- 4 Mezzanine Debt Won't be as Tight as Bank Credit but More Expensive
- 5 Expect M&A Consolidation Activity to Continue
- 6 Private Equity will be an Option for Larger, Profitable Businesses

The subject who is truly loyal to the Chief Magistrate will neither advise nor submit to arbitrary measures. JUNIUS

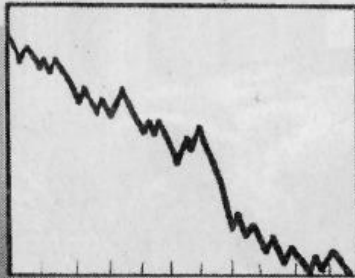
THE GLOBE AND MAIL



The Globe and Mail, Saturday, Oct. 11, 2008

ALL THIS SHALL PASS...

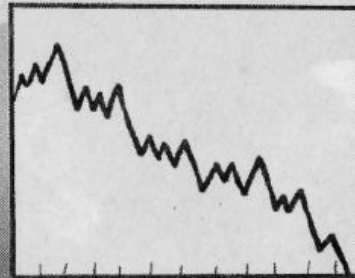
Stocks



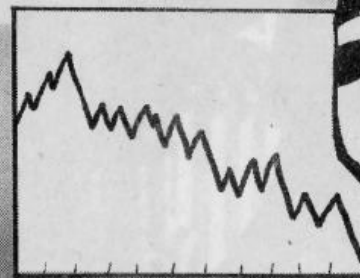
House Prices



The Dollar



Exports



JUNIUS