

VC outlook not too rosy for semi startups in '08

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The National Venture Capital Association (NVCA) recently posted their annual VC investment prediction survey results for 2008. Conducted in December of this year, the survey included predictions from more than 170 respondents. Overall, the total amount of investment expected for '08 is in the 20-29 billion dollar range, which is at best a slight increase over '07 and a far cry from the 100 billion dollar level that was reached in 2000. The top three investment regions that VCs are most leery of are South America, China and Eastern Europe. Although VCs seem to be concerned about these regions, it is unlikely that these concerns will be a show-stopper for deals that will take place in these regions, as long as the potential rewards are large enough. As expected, clean technology startups are poised to experience the highest growth in investment, followed by media, biotech and internet startups. Flat to moderate investment growth is expected for medical device, wireless telecom, and software startups. However, a staggering 50% of the respondents expect a decrease in semiconductor investment, with another 37% expecting the investment to stay about flat. On the flipside, VCs also predict that clean technology will be the most overvalued industry in 2008, while semiconductors will be the most undervalued. Even though at first glance the above seems like rather gloomy news for semiconductor startups it is hard to overlook that most of the highest investment growth industries will require significant contributions and breakthroughs from semiconductor suppliers, especially on the low-power side. Thus, it seems not too far of a stretch to surmise that as companies in the currently VC favored industries tackle difficult problems; semiconductor startups will rise to the challenge and assist them in their endeavors. These companies in turn will require venture funding themselves which might lead to an underestimated upswing in semiconductor funding as we progress through '08. On the more general economic front, the VCs also address several other issues such as the sub-prime credit woes, oil prices, dollar strength, and take a shot at the upcoming presidential election in the United State.