

Financing Landscape in the Semicon World

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Agenda / List of Questions...

- Where are we in the Semicon Cycle?
- What's the situation with the World Economy?
- Who Borrows, Who don't?
- Who Lends, Who Lease, Who Invest?
- What's the Cost of Money?
- What's Next?

Where are we in the Semicon Cycle?

- U-shape, V-Shape.... L-shape?
- When will it hit the Bottom?
 - Optimist: Q2, 2012
 - Pessimist: Q4, 2012
 - Extra-Pessimist: mid-2013
- When will Capacity Increase tends to Zero...
 - No 450mm capacity to threaten 300mm production for a while
 - Retiring 8" in Memory Segment
 - Conversion of Memory Capacity to Foundry, Specialized Memory, etc.

Semicon Demand Movers

	Increasing	Decreasing
Products	Ultra Books Tablets Smartphones	Desktop PCs Laptop PCs
Impact on Memory (DRAM, Flash)	More at Cloud Level Flash replacing Hard Disk Drives	Less at Gadget Level
Margins	Sub 30nm Foundry limited by ASML1950NXT and NGL	DRAM LCD LED Solar (Taiwan call it 3D-1S)
Utilization	Apple-related Manufacturers	Almost all segments down

Semicon Cycle is DOWN or Going Further Down!

What's the Situation with the World Economy?

- European Debt Crisis: NOT OVER YET!
- US: Unemployment Rates Lowered? Increase in Jobs? Nov Election
- China: Cooling.....Or Re-Boiling?
- Asia: Growing Affluence & Demand in the Most Populous Continent (Over 50% of World Population!)
- Rest of the World: No WAR is GOOD News!
 - North Korea: More Likely Opening Up & Modernizing
 - Middle East Uprising – oil supply may be affected
 - US (esp. if Republican president) may be looking for another war!

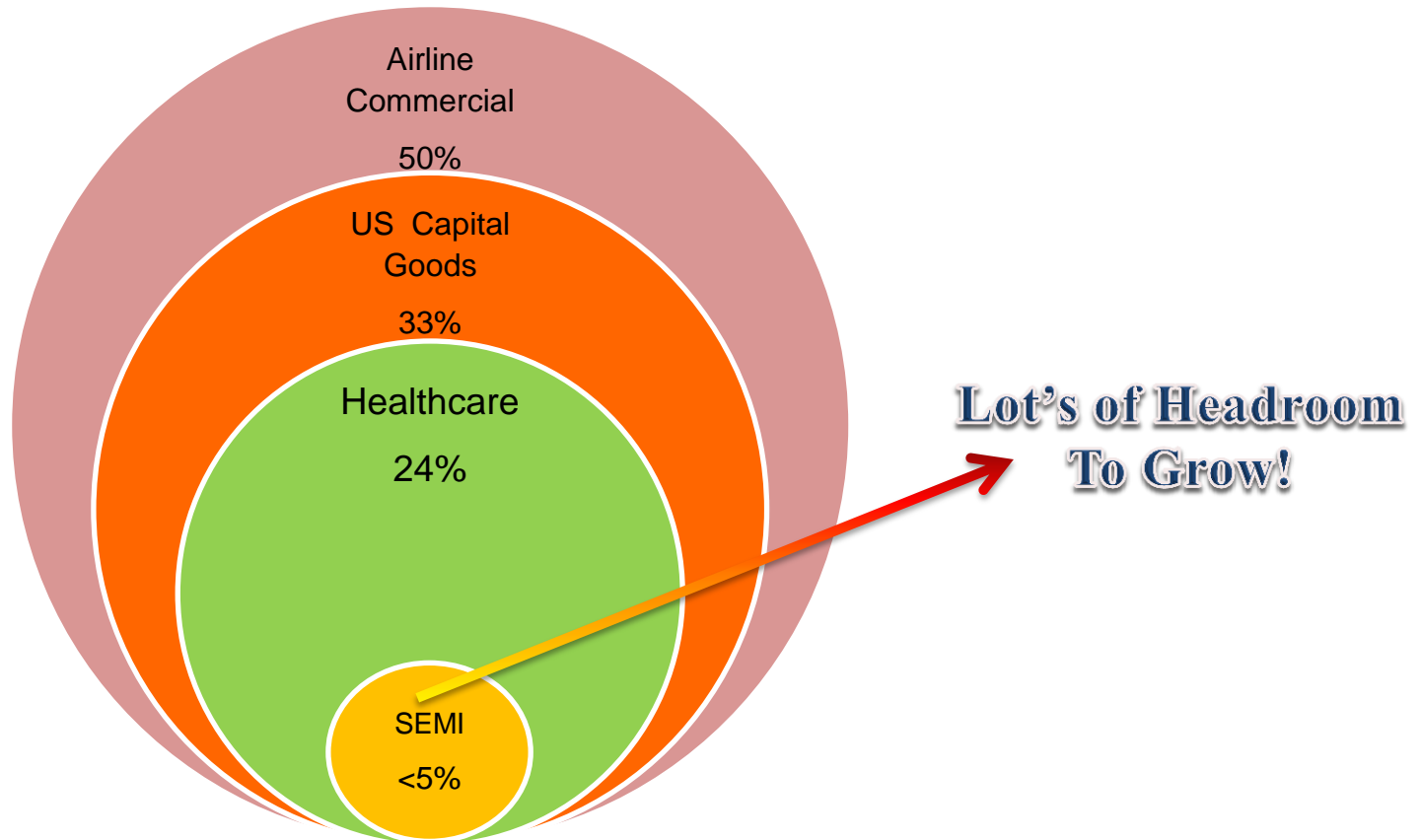
Who Borrows, Who Don't?

	Need More Money	Have Lots of Money
Memory	All other Memory Makers	Samsung
Foundry	The Smaller Ones	TSMC UMC Global Foundries (with Arab money)
Others	LED, LCD, Solar	Intel Texas Instruments Most Fabless Companies

Who Lends, Who Lease, Who Invests

- Lenders
 - Banks now more focused on Local Credit Risks, Wants Asset Backing....& Covenants
 - Taiwan & Japan: Many Banks, Lower Spreads, More Liquidity
- Lessors
 - GE Capital, MacQuarie, SMFL, MUFJ, Hyundai Capital, KDB Capital **EQUVO**
- Equity Investors
 - Hedge Funds Still Digesting Acquisition made 2007 and prior... Limited Supply!
 - Not right Time for IPO or Secondary Offering
- Other Financial Instruments & Alternatives
 - Convertible Bonds (at What Price Converts??!!)
 - Right Time for Straight Bonds but Limited to Investment-grade Credits
 - Merger & Acquisition between the Cash-Rich & Cash-Strapped

Use of Lease Financing Across Industries



What's the Cost of Money?

- Low Benchmark Rates: USD Libor at less than 0.5%
- Higher Spreads: High Risk Premium & Opportunity Costs
- Borrowing in USD is the Cheapest for Now!
 - Lower USD against most currencies than a few years ago
 - All time low USD Benchmark Rates
 - Watch for USD Availability or Lack of in each country: esp. Korea, Taiwan, China
- Longer Term Borrowings costs a lot more
- Fix Rates are High or Not Available!
- Watch out for Fees Related to Borrowings, Early Repayment Penalties, etc.
- Financial Covenants Constraints – adds to the Cost & Limit on Future Borrowing Cost/Flexibility.

What's Next?

- Expect Interest Rate to Rise from 2013. Remember days of >5% LIBOR Rates just 10 years ago!
- Expect Currency Fluctuations to be more Pronounced
 - KRW, NTD, RMB Low by Comparison
- Expect Less Players due to M&A
- Expect Some Bankruptcy
- Will Demand in Developing Countries Replace Decline in Demand in Developed Countries?
- History Lessons: Poor Economy Leads to Social Unrest!

YEAR OF THE DRAGON: ISN'T IT SUPPOSE TO BE GOOD?

the element of innovation

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