

Cypress Semiconductor rides the next waves

TJ Rodgers isn't afraid to talk about changes at Cypress.

By Colleen Taylor

From private equity buyouts to the advent of profitable alternative energy technologies, today's semiconductor industry has no shortage of compelling hot topics. Fortunately, TJ Rodgers, Cypress Semiconductor Corp's founder, president and chief executive officer, has no shortage of equally provocative opinions—along with a vision of how Cypress fits into Silicon Valley's constantly changing landscape.

Thanks to the rising cost of oil, as well as a healthy amount of pop-culture buzz, solar-energy technology was a major newsmaker in 2006. At the head of the alternative energy class was SunPower Corp, a wholly owned subsidiary of Cypress. In November, SunPower acquired large-scale solar-power-system provider PowerLight Corp in a \$330 million deal and, in March 2007, went on to land a governmental grant worth as much as \$10.5 million.

Even so, Rodgers says, SunPower hasn't even begun to see the most of its successes.

"We see ability this year to grow by more than a factor of two. Last year, we grew by a factor of three. The year before that, we grew by a factor of seven. Right now, we're feeling really good about SunPower," Rodgers says.

Given those kinds of growth numbers and media attention, it's no surprise that SunPower's success in 2006 also resulted in some criticism. Activist hedge fund Chapman Capital LLC issued a vitriolic public letter to Cypress Semiconductor's board of directors in December, accusing the

company of underperforming and calling for the launch of a large-scale "corporate reorganization" that would involve splitting from SunPower.

The famously strong-willed Rodgers remains undaunted. "Chapman Capital owns less stock in Cypress than I do by more than a factor of two, and they're pretty much alone in calling for the divestiture of SunPower," Rodgers says. "Chapman Capital has been making their

"Right now, we're feeling really good about SunPower"

—TJ Rodgers

demands in a noisy way that is typically sprinkled with invective and untruths. Nonetheless, they have a right to ask if we're doing the best we can to make Cypress' shares more valuable. Our answer to that is 'yes.'"

Rodgers maintains that continuing to work together may well be the best thing for both Cypress and the successful solar company. "If you ask the president of SunPower if he thinks the two companies should be separated right now, he would say 'no,'" Rodgers adds. "SunPower went from a science-based company to a major manufacturer in just a few years, and that would have never happened if they had not been connected with Cypress."

Rodgers has been equally vocal about the growing influence of

private equity money in the electronics industry. "I see the move of private capital into high tech as being positive," Rodgers says. "It forces everybody to look harder at how their companies are structured and whether or not they're getting the most return on their shareholders' money. To me, it's part of the free market. I don't look at people in private equity as the Gordon Gekkos [Michael Douglas' character in Wall Street] of the world. I see them as really smart investment people who are teaching a lesson to those of us that run companies."

Cypress kicked off 2007 with the sale of its SVTC (Silicon Valley Tech Center) business unit to private equity companies Oak Hill Capital Partners and Tallwood Venture Capital in a cash deal valued at around \$53 million. "SVTC is a good fab," Rodgers explains. "We sold it because we have stopped pursuing Moore's Law; the products we are currently focusing on, programmable projects, are very happy at 130-nm."

And at February's end, the company went on to further streamline by selling its automotive-image-sensor business for an undisclosed sum to Sensata Technologies Inc.

"You could say we've gotten rid of a lot of distractions," Rodgers says. "I think if you talked to the people involved with the businesses we divested from, they would agree that Cypress did the right thing."



TJ Rodgers
President/
Chief Executive Officer
Cypress Semiconductor

Colleen Taylor is a correspondent for Electronic News.