

Via to Acquire Cyrix From National

Taiwanese Chip-Set Maker to Continue Cyrix's Socket 370 Strategy

by Michael Slater

Cyrix's recent limbo—and the threat of sudden death—appear to be past. Via Technologies, a major Taiwanese chip-set supplier, has signed a letter of intent to acquire the Cyrix products (except the MediaGX family), staff, and brand from National Semiconductor. Cyrix will be set up as an independent subsidiary, headed by Cyrix veteran Stan Swearingen, with plans for an IPO. The companies hope to reach a final agreement and announce details of the transaction by the end of July.

National decided to sell Cyrix (see MPR 5/31/99, p. 12) when it became evident that Intel was going to fight vigorously for the low-end PC processor market. Cyrix processors achieved a peak market share in the U.S. retail channel of 22% in November 1998, according to Infoheads. Cyrix's share collapsed in February, as Celeron (and some AMD K6-2) processors took much of Cyrix's share. Since March of this year, Cyrix's share of the U.S. retail channel has hovered around 5%; its share in other channels is considerably lower.

Cyrix's shipments in 2Q99, at 1.5 million units, were essentially unchanged from the first quarter. The ASP slid, however, from around \$49 to \$42, yielding an annual run rate of about \$250 million in revenue.

Via, which began trading on the Taiwan Stock Exchange in March, shipped about 25 million system logic chips and earned \$42 million on \$182 million of revenue in 1998, making it the most successful of Intel's chip-set competitors.

Continuing the Cyrix Strategy

Swearingen said Via will continue Cyrix's strategy (see MPR 5/31/99, p. 13) of moving from Socket 7 to Socket 370 processors, which are pin compatible with Intel's Celeron. The first such chip, which will be sampled soon, is Gobi, which combines the Cayenne core with a 256K L2 cache. The Cayenne core is an enhanced version of the M II core that adds faster MMX and floating-point units as well as 3DNow instructions. Gobi could be the first non-Intel Socket 370 processor to ship.

The next processor on the roadmap is Mojave, due in 2Q00, which will replace the Cayenne core with the Jalapeno core (see MPR 11/16/98, p. 24). Jalapeno is an entirely new core that has more instruction reordering capability and a longer pipeline than Cayenne.

Via is presumably also interested in integrating its system logic with Cyrix's processor cores. As transistor counts increase, there may be no role for system logic outside the processor chip, at least in low-end PCs, limiting the opportunity for chip-set suppliers that don't also have CPU cores. Intel is reportedly developing a chip, code-named Timna,

that essentially combines a Celeron processor and an 810 system-logic and graphics chip set. The Cyrix processor core will give Via the essential ingredient it needs to craft such an offering of its own. Via already offers chip sets with integrated 3D graphics, and it has an agreement with S3 to provide graphics logic for future products.

Patent Protection Part of the Deal

The deal apparently involves some intellectual property rights as well; while declining to give any details, Swearingen said Cyrix will have a license to Intel patents and that Via will also be able to use this license to enable it to make Socket 370 chip sets. Intel recently sued Via over P6-bus patent issues, and the Cyrix acquisition could give Via unrestricted access to the P6 bus. Via had a license to use the P6 bus in some chip sets, but Intel's licenses to chip-set makers are very restrictive; Intel says Via was not licensed to produce a 133-MHz chip set.

Just how these IP rights are being transferred remains unclear. National has a broad cross-license to Intel's patents, but such a license would not normally be transferable with the sale of a division. Furthermore, National still needs this license to produce its x86-based information appliance chips.

National's South Portland, Maine, fab is still for sale and is not part of the transaction with Via. If National succeeds in maintaining a minority interest in this fab after it is sold, National might act as a foundry for Via, but the IP plan appears to be broader than this.

Joining Taiwan Inc.

If all goes well, Via could give Cyrix a new lease on life. Via is part of the Formosa Plastics Group, Taiwan's largest private company, which has more than 56,000 employees and had revenues of more than \$10 billion last year. Formosa still has a large plastics business but has moved into PCs in a big way. Formosa owns motherboard maker First International Computer (FIC), which is one of the leading motherboard suppliers, and also sells computers under the LEO Systems brand. Formosa also owns PC maker Everex.

Formosa entered the DRAM business with Nanya Technology. Nanya currently operates one fab in Taiwan, has a second fab under construction, and has committed to building two 300-mm fabs by 2005. Assuming the IP issues are resolved, Nanya's fabs could be used to build Cyrix processors.

This intimate connection with Taiwan's semiconductor and motherboard industries could yield great opportunities for Cyrix. With Rise also backed by Taiwanese interests, the makers of low-cost motherboards and PCs appear determined to add the processor to their portfolios. □