

ADVANCED TECHNOLOGY INVESTMENT COMPANY

Global reach

Ibrahim Ajami, the chief executive of Atic, has the task of heading up Abu Dhabi's multibillion dollar plans to become a world leader in microchip manufacturing

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WHEN Abu Dhabi's Advanced Technology Investment Company (Atic) emerged from obscurity to make two deals worth more than \$5 billion in less than 12 months, it served notice of its desire to compete in the global chipmaking industry and underlined the scale of the UAE capital's hi-tech manufacturing ambitions.

The state-owned investment firm invested \$1.4 billion in a partnership with US firm Advanced Micro Devices, the world's second-largest maker of microchips for personal computers, to create a new manufacturing company called Globalfoundries. Launched in early 2009, Atic pledged to spend billions more building up Globalfoundries' fabrication facilities. Then in September Atic struck a deal worth \$3.9 billion to acquire a majority stake in Singapore's Chartered Semiconductors.

Overseeing the multibillion dollar deals was Ibrahim Ajami, the investment company's young chief executive.

"In 2009, we created Globalfoundries, then we acquired Chartered Semiconductors, deploying about \$5 billion in a matter of 12 months," Ajami tells *The Gulf*.

Created in 2008 by the Abu Dhabi government, Atic has a total of \$10

billion to invest, half of which it has already spent. Atic is investing billions this year to expand capacity at the chip-making facilities of its subsidiaries in New York, Singapore and Germany, as it eyes a larger share of the global contract chipmaking industry.

"In 2010 alone we'll be investing \$2.5 billion in capacity expansion," asserts Ajami. "That should only be an indication of our future plans and our future market share goals."

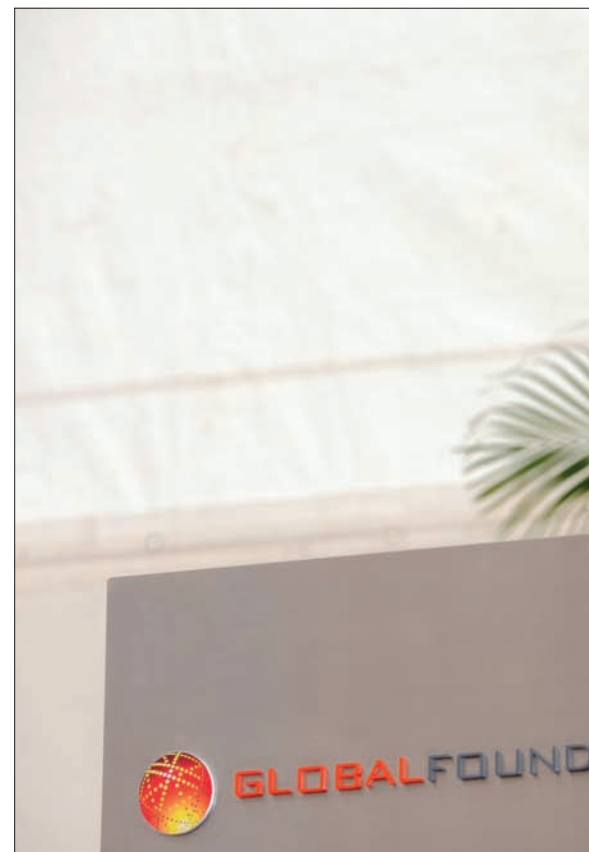
The staggering sums involved underscore the seriousness of Abu Dhabi's plans to diversify its economic base. The complex business of semiconductors, which form the heart of modern electronics, has been identified as a key industry for Abu Dhabi's economic diversification.

"Our mandate is twofold. First, we make sure that any investment we make is commercially viable. Secondly, we make sure that our investments contribute to Abu Dhabi's diversification plans over the next decade," explains Ajami.

Atic's investments mean that Globalfoundries is now one of the largest customised microchip makers in the world. Atic's subsidiaries generate around \$2.5 billion a year in revenues.

"Our goal over the next three to five years is to take that to \$5 billion," says Ajami.

Atic's subsidiaries now control around 20 per cent of the outsourced

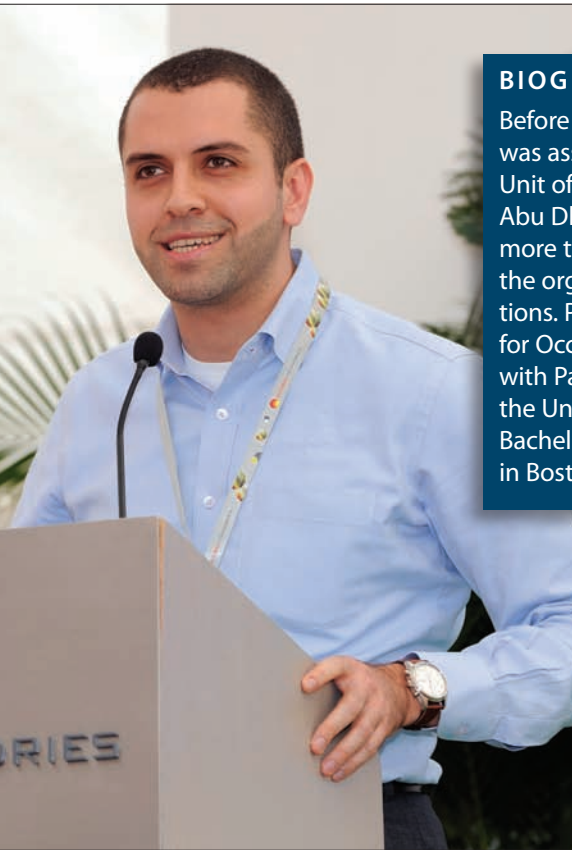


contract chip manufacturing building industry, which make wafers – discs made up of integrated circuits – using the designs of other manufacturers.

Atic is competing against the world's largest chip makers: Taiwan Semiconductor Manufacturing Company (TSMC) and Taiwan's United Microelectronics Corporation (UMC).

"If you look at the outsource contract manufacturing industry today, you have TSMC as the global leader, then you have Globalfoundries and UMC, which are very close from a market share or revenues perspective," he says.

Ajami says that his primary focus and the bulk of future investments will be directed to building up Globalfoundries. Its nearly \$5 billion Saratoga, New York, plant will be ready in the first half of 2012 with initial capacity of 50,000 wafers a month. Its plant in Dresden, Germany, has a capacity of 30,000 wafers a month, and that will rise to 60,000 wafers a month by 2012. Each wafer is worth around \$6,000. Chartered's



Ibrahim Ajami, chief executive of Atic

BIOGRAPHY

Before assuming leadership of Atic, Ajami was associate director of the Acquisitions Unit of Mubadala Development Company in Abu Dhabi where he executed deals worth more than \$5 billion, and oversaw some of the organisation's most significant acquisitions. Prior to joining Mubadala, he worked for Occidental Petroleum and in Silicon Valley with Packard Bell/NEC. Ajami has an MBA from the University of Southern California, and a Bachelor's degree from Northeastern University in Boston, Massachusetts.

"What is the core objective of all of this?" asks Ajami. "It's really to start shaping the talent base of Abu Dhabi."

Yet critics point out that Abu Dhabi could be taking a risky gamble. Companies that have invested in the semiconductor industry have faced a lot of difficulties. Chinese firms for example have failed to make money. Singapore's sovereign wealth fund Temasek spent more than two decades trying to generate money from Chartered.

"The Singapore challenge was really a capital issue, being able to deploy enough capital to achieve scale," argues Ajami. "Chartered generated a profit in some years and in some years it lost money."

However, Chartered, he says, played an important role in building Singapore's semiconductor 'ecosystem', and attracting economic activity to the country. While the opportunities in China are "tremendous" from a consumption perspective, he acknowledges there are issues around technology access and leadership.

Abu Dhabi is working to create the right incentives, policies and infrastructure to attract the industry.

"One of the things we believe is that it [Abu Dhabi] has to be well-integrated and connected to technology hubs around the world," he adds. "It cannot be Abu Dhabi versus the US, or Abu Dhabi, disconnected from Europe, or not plugged into Singapore."

As a result, Ajami has a punishing

Thinking big

\$10 billion

Amount committed by Abu Dhabi to Atic

\$5 billion

Amount Atic has spent so far

\$2.5 billion

Amount Atic plans to invest in capacity expansion in 2010

facilities in Singapore are also being expanded.

"It's a global expansion plan, it's geographically disbursed," says Ajami.

As part of Atic's expansion goals, it also plans to build a foundry in Abu Dhabi. "Part of our mandate is to make sure that we bring this industry to the region," he explains.

The goal is to create five foundries in the country, which could over the next 10 to 15 years generate between 20,000 and 30,000 jobs, says Ajami. Abu Dhabi also has a geographical advantage, enabling Atic's companies to serve their customers in Asia and Europe effectively.

The benefits of bringing chipmaking to the region are huge, he argues. "It's the attraction of knowledge-intensive industries, and the contribution to GDP [gross domestic product] diversification," he says. Atic is sending scores of students to the US and Europe to learn about microelectronics, and are working with universities at home to expand curriculums.

schedule: every month, he flies to the US, Germany and Singapore.

While Ajami will not disclose detailed financial goals, he says: "Our financial targets continue to be top line growth, operational improvement and the achievement of profitability and free cash flow in the next three to five years."

The downturn and its impact on the already volatile semiconductor industry have provided important lessons for Atic.

"This industry is cyclical and it's brutally cyclical," explains Ajami. "But what's important in this industry when cyclicity hits is that you don't just drop your investments and remove your foot from the pedal. It's important that while you have a disciplined investment approach, you continue to invest in the future year after year. And if you look at the companies which have done this really well and the companies that have succeeded year after year, it's the companies which have taken a very long-term perspective and have continuously done it on an annual basis."

He points to the firm's available patient capital as cause for optimism that Abu Dhabi's hi-tech investments will pay off.

"One of our unique capabilities is our long-term patient capital, and being able to deploy that, we can make sure that our returns will also impact Abu Dhabi's economic development goals," he says. ■