

Petrov Group Announces Report on Microelectronics Business of IBM

PALO ALTO, Calif. — February 16, 2004 — The Petrov Group announced today that it has published the latest addition to its studies and reports on IBM. The new report is titled *Microelectronics Business of IBM: Enabling Merchant Players to Compete*.

“This report serves as a definitive up-to-date reference on IBM’s microelectronics business. It captures its boundary conditions and business models, prerequisites for more specific analyses and understanding. This is due to the tight integration within the \$90B company and the uniqueness of IBM’s new microelectronics strategy,” said Boris Petrov, managing partner of the Petrov Group.

“One of our specializations is analysis of IBM’s technology and business strategies. The agility, decisiveness, and rapid execution of its strategy blueprints are remarkable for such a large company. Although still poorly understood, IBM’s new strategy is unique in its scope and reach. In a very short time it has significantly affected the microprocessor competitive landscape, yet industry pundits hardly even mention IBM’s name.”

According to Petrov, IBM’s new strategy makes it a stealth competitor in the entire global electronics business arena, with no large customer account “safe” any longer. In addition, IBM’s externally little known design automation capabilities are an essential element of its strategy of delivering sub-90nm technology solutions and services. This alone has major implications for the EDA industry and large IC vendors, and their need for new business models and options.

“This report is invaluable to all electronic systems and IC component vendors because IBM is a benchmark company in numerous businesses, markets, and technologies. IBM provides working references for emerging trends, approaches, and solutions applicable across a large number of industry sectors.”

“The report is also the last in-depth analysis available of IBM’s microelectronics business as a standalone operating entity since in January 2004 it was again embedded within the Systems Group,” said Petrov.

Although relatively small in revenues, microelectronics represents one of IBM’s core capabilities. Petrov Group estimates for IBM’s microelectronics 2003 external revenues from manufactured products and associated services are about \$1.8B and \$0.8B, respectively; IBM’s customized and standard semiconductor components were \$0.8B and \$0.3B, respectively.

This report summarizes the Petrov Group's cumulative understanding, analyses, and findings, including:

- Industry implications of IBM's new merchant market microelectronics strategy
- IBM silicon integration capabilities
- IBM technology services delivery capabilities and approaches
- Business performance and drivers of the continuing transformation of the microelectronics business
- Microelectronics revenue streams and Petrov Group revenue stream models
- IBM operating locations, organizational functions, and headcount estimates
- The Fundamental transformation of IBM's customer base and industry implications

It provides invaluable information required to assess the trends and make business decisions in the electronics industry.

The Petrov Group, LLC, is a strategy consulting firm that is focused on the semiconductor industry. It is renowned for pragmatic market research on industry trends, markets, companies, technologies, and competitive opportunities.

The Petrov Group's primary business is custom client-confidential assistance, always conducted with the highest standards of independence and integrity. Reports such as the one described above provide the reference platform and basis for specific client engagements. Boris Petrov founded the Petrov Group in 1981.

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