What the SiBeam Acquisition by Silicon Image Means

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Being the CEO of a wireless startup company I have already been asked multiple times about the meaning, from a technology and market perspective, of the acquisition of SiBeam by Silicon Image for $25.5M. In the simplest terms, 60GHz is not ready for high volume in consumer products for many years to come. Period.

SiBeam has been and still is the only company that has built and successfully shipped a product based on 60GHz technology. They have shipped their first two generations of silicon and have a new WiGig compatible generation coming very soon. So why the low price for the leading company in the 60GHz space? Simple, Silicon Image was not driven to buy SiBeam because customers were clamoring for SiBeam's products. If there were near-term market demand the price would have been higher. To me the low cost of the acquisition said exactly the opposite; there is no significant market demand any time soon.

There is another reason that contributes to my belief the market for 60GHz products is still a ways off. SiBeam has been up for sale for a minimum of six months; in that timeframe every semiconductor company you can imagine had an invitation to examine the company, its customers, technology and prospects in excruciating detail. Again, why would the price be so low? Simple – all of the companies that took a look concluded that based upon what it costs to build a 60GHz solution versus what customers are willing to spend wouldn't pay out for many years to come. If SiBeam was already doing 10s of millions in sales, or had $50M of Tier-1 business lined up for 2012 – then given current market multiples the company would have been sold for between $50M and $200M. It wasn't. Again, this indicates there are no high volume customers in the near term. The market message and consensus from all of the semi companies that looked at SiBeam is that 2013 to 2015 is the soonest you will see any volume for 60GHz – and perhaps later – because trust me – all wireless products take longer to ramp than you might think.

Don’t get me wrong. I am not slamming Silicon Image here or SiBeam. As an entrepreneur I think the SiBeam team has accomplished an incredible feat of engineering. Kudos to them for their achievement. Likewise, given the wireless HDMI and WiGig capabilities of the SiBeam solution and Silicon Image’s market strategy this acquisition is a perfect match between the two companies.

Something to consider is that this sale says as much about consumers as it does the 60GHz market. In particular, wireless technologies are always more about convenience than they are about “must have”. As a result, convenience technologies are very price sensitive. As I stated up front, this sale tells the story that 60GHz is just too far away from the right solution cost point, so therefore is many years away from high volume. Radio spectrum is always valuable – so 60GHz will get used. But not right away. Check back in 2014 and we might be getting there. SiBeam has managed to execute on a herculean technical challenge – but consumers just aren’t ready to pay the price for the convenience. Market conditions allow acquirers such as Silicon Image, in their own pursuit of “life without wires”, to only have to pay a modest price.