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FASTEST GROWING COMPANIES

Keeping up with the speed of the Internet

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Staff Writer

Westlake Village-based Inphi has seen revenue growth of more than 100 percent between 2006 and 2008, and it's little surprise: The chipmaker is supplying the components that drive the data center servers and internet to run faster.

But in the early days of the company, making the Internet faster wasn't always such a sure bet.

"The company has been around since 2000. It went through ups and downs with the burst of the bubble," said Young Sohn, chief executive of the privately held company. "The premise of the company was to build a next-generation, high-speed communications product line. The evolution didn't happen as fast as we were expecting, but with the increasing downloads of video and increased use of cloud-computing-type of applications, the need for a faster network is now increasing."

And the current recession doesn't seem to have slowed demand for network speed. Rather than spend money on a night at the movies, many families are streaming a film from Netflix. And cost-conscious companies are turning toward Web-based software and storage to meet IT needs.

Both of those trends mean more business for Inphi. As many companies resort to layoffs, Inphi is hiring.

"We're recession-proof because it turns out that Internet traffic grows about 46 percent per year," Sohn said. "It's a growth industry so long as the Internet is around and so long as people want to download more stuff."

Though Inphi's products and achievements are highly technical, the basic gist isn't: The company has focused on a few points in the high-speed data chain that are holding up speeds and making products that go faster.

#11 Inphi

2008 Revenue: \$42.9M
2006 Revenue: \$21.3M

Increase: 101.4%

CEO: Young Sohn
Location: Westlake Village
Industry: Electronic components

<http://inphi.com>

For Internet backbone communications, that's typically at the point where flashes of light in fiber-optic signals get converted into 1s and 0s.

"We're the guy in between who enables the conversion," Sohn said.

In the U.S., the Internet backbone is in the midst of a transition from 10 gigabit-per-second speeds to 40 gigabits per second, and Inphi's components show up in a lot of the new equipment.

"We're getting the benefit of that transition from 10 gigabit to 40 gigabit," Sohn said. "We have a dominant position."

In the server market, Inphi has broken new ground in helping data get from memory into processors. It's working with Intel on a new high-speed memory module interface.

That's important because of trends in the massive server farms that power many Internet applications used by businesses, such as Salesforce.com.

The massive amounts of power consumed by these farms — which often has as many as 100,000 machines in a single location — has driven a push toward virtualization, or the practice of tricking a computer into running several "virtual" computers and applications on one set of hardware. As a result, the number of physical machines is actually going down — 20 percent fewer were deployed last year — but the hunger for memory to get all that data to and from today's multi-core processors is higher than ever.

"Instead of adding more servers, you can virtualize your applications. Instead of adding more computers, you can add more memory to run your applications faster and better," Sohn said. "That's where we come in — expanding memory density without adding more boxes."

Given the long-term outlook for demand for network and server speed and Inphi's position



Inphi Corporation President and CEO, Young Sohn

in the market, there've been whispers about the company as a likely candidate for an initial public offering.

Indeed, some of the building blocks appear present: Solid organic revenue growth and leaders with public-company experience.

Most recently, Sohn turned around Agilent Technologies semiconductor group, and before that he worked for Intel overseeing its partnership with Samsung and launching its PC chipset business, a \$300-million-a-year-operation. At the beginning of this year, Inphi hired as chief financial officer John Edmunds, a veteran in public-company finance from Trident Microsystems and Zoran Corp. before that.

With the IPO market potentially unthawing, lots of folks are asking whether Inphi might be ready to go public. Sohn says the company has its eye on the capital markets and that all options are on the table.

"We're profitable today," Sohn said. "We may decide to take advantage of the capital markets. Maybe in 2010, but who knows."