



SiTel

Investment in an operational infrastructure and R&D, designed to support continued growth.

About SiTel

Headquartered in The Netherlands, SiTel supplies integrated circuits and software for short-range wireless communications applications. A global leader in the cordless phone, gaming, broadband and headset markets, SiTel has a growing presence in Voice Over Internet Protocol (VoIP) telephony and Ultra Low Power (ULP) solutions for medical and home sensor networks.

Why did we invest in SiTel?

As a supplier of short and medium range wireless semiconductors to Tier 1 cordless phone, broadband gateways, gaming and enterprise wireless headset customers, including Panasonic, Uniden, Microsoft and Gigaset, SiTel sits squarely within our focus area and sector expertise.

SiTel was founded by a group of Philips engineers in 1994. The founding team had been together since 1987 and had demonstrated a strong track record of development and innovation. We identified that SiTel had a proven track record of targeting sizeable, niche markets where their technology was differentiated and where they were able to establish strong relative market share positions. This presented opportunities for growth and value creation.

“Hg were the perfect partners for SiTel. Their broad experience, networks, and style added value at every key decision point during their investment.”

Asmund Tielens, Chief Executive of SiTel Semiconductor

The investment process

National Semiconductor, which had acquired SiTel in 1996, decided to sell the business in 2005. We supported SiTel’s management in a bid to buy the business back. As part of this we acquired an 81% share of the business, with the rest going to management.

How did we support them and create value?

We started our collaboration with SiTel’s management by helping them to establish an operational infrastructure, designed to support continued growth in the business. This focused on implementing a resource planning system and supply chain that helped to manage fabrication and procurement relationships previously coordinated by the parent organisation.

With this infrastructure in place we worked with SiTel to increase R&D efforts, to grow the existing product lines and to identify new growth opportunities. R&D spend increased from 15% to 20% during our ownership and SiTel acquired personnel with radio frequency design expertise from Atmel.

The new product lines in VoIP and ULP, developed through this internal R&D focus, enabled SiTel to diversify its revenue base and positioned them as a short-range wireless communications solution provider.

What was the result?

SiTel overperformed on targets, in the early years of our ownership. However, during our investment period, the Digital-Enhanced Cordless Telecoms (DECT) industry had consolidated around SiTel. DSP acquired NXP (Philips’ DECT business) and Infineon sold most of their DECT business to a private equity firm. This consolidation led to pricing pressure on SiTel and a need to consider alternative channels. The work done in diversifying the product range allowed SiTel to refocus on short-range wireless communications and weather these market changes.

What was the exit?

In the summer of 2010, we retained Mooreland Partners, a boutique advisory firm with specialised expertise in the global semiconductor market, to run a highly targeted sale process. Dialog Semiconductor, a power management semiconductor provider for portable devices, signed a letter of intent in November 2010 to acquire SiTel for an enterprise value of \$86.5m and closed the transaction in February 2011.

The deal was a successful outcome for all parties involved as SiTel expands Dialog’s addressable market targeting high growth wireless portable devices and Dialog provides SiTel with an excellent platform to support the future growth of the business.

