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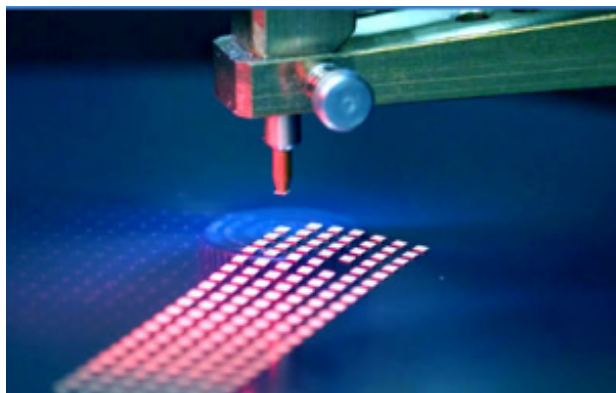
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Taiwan's SemiLEDs IPOs — can U.S. cleantech manufacturers keep up?

December 23, 2010 | Iris Kuo

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Earlier this month, Taiwanese company SemiLEDs quietly IPO'd on the NASDAQ to some nice results, but its success begs the question: Can American cleantech manufacturing startups keep up with Asia?

The company makes components and chips for LEDs. Its debut offering price was \$17 but rose to \$24 on the first day of trading, and it's now trading around \$28. It is backed by one venture investor, WI Harper, a firm with a China focus.

"The general lighting market is transitioning from fluorescent into LED lighting," said Peter Liu, WI Harper's founder and chairman, adding that the company has three other investments in companies in the LED space. "I believe that we are in the first inning of what is shaping to be an explosion of LEDs in general lighting."

LEDs are more efficient than traditional bulbs, and costs are coming down. Companies like Digital Lumens and Lunera have made LEDs the backbone of their lighting systems offerings.

Though the market is still dominated by fluorescent lights, LEDs are expected to grow by 30 percent and earn over \$1 billion in annual revenue by 2014, according to a recent Groom Energy and Greentech Media Research report. SemiLED itself tripled revenue for the nine months ended May 21. There are American LED makers competing in the space, like startup Bridgelux (which just opened a factory in Livermore, Calif.) and the older, larger public company Cree. The other oft-mentioned name in LED manufacturing is Lemnis Lighting, but it's a Dutch company that has a U.S. presence.

While Bridgelux located a factory in the U.S., it seems to have been something of a fluke. The company found a second-hand factory for cheap. But CEO Bill Watkins told the San Francisco Chronicle that when the company expands production in the future, it will look to Asia because of the cheap labor and, in China, government subsidies.

The Department of Energy's loan chief Jonathan Silver, who oversees the massive loan guarantee program, told us he believes it's key for American cleantech to have a manufacturing backbone. It recently offered a \$400 million loan guarantee to Abound Solar so the company could expand its thin-film manufacturing capacity.

Still, Chinese companies have put a lot of pricing pressure on American solar panel makers, according to the New York Times. China offers subsidies that give its solar companies a pricing advantage, which has led to a free trade violations charge from the U.S., spurred by a complaint from the United Steelworkers union.

According to WI Harper's Liu, it will be hard to beat Asia when it comes to LEDs:

"Asian companies, particularly in Korea, Japan and greater China, are likely to have the upper hand in LEDs because of the skilled

manufacturing personnel and semiconductor ecosystem, tuned for large-volume semiconductors manufacturing and packaging. U.S. startups will need to find low-cost manufacturing to stay competitive at today's prices and products," Liu said.

He predicts that China will lead the way as a producer and consumer of LEDs. The former seems to be in line with Ernst & Young's recent report that found China leads the world in cleantech investing.

That said, there's a lot of market out there to be had. Lighting giants Phillips and GE could step in and put up serious competition. Or U.S. LED manufacturers to go to Asia next, but that would mean not a lot of LEDs being made in the U.S.

New York Times columnist Thomas Friedman argues that the government should focus on startups and innovative ideas, rather than manufacturing. But Intel senior advisor Andy Grove disagreed in a Bloomberg BusinessWeek column, saying that loss of American manufacturing capacity has been to the country's detriment.

For whatever LED company wants to go public next, note this: The guys at SemiLEDs might have already taken your stock symbol — LEDS.

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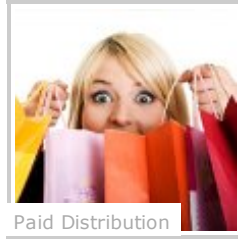
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