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TECHNOLOGY: Sensor startup gets funds

Silicon Valley VCs invest $6 million in Sensor Platforms

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SANTA ROSA – Chip startup Sensor Platforms Inc. has closed a $6 million round in venture funding from two prestigious Silicon Valley investors, positioning the tiny startup to take advantage of potentially large markets for its sensor microchips in cell phones and other devices.

An additional $600,000 was raised from the original funders, among them North Bay Angels, which contributed $1.3 million to launch the company a little over a year ago.

“We made those funds last,” said president and CEO George Hsu. “Our objective was to develop ... customer traction as well as intellectual property. Then we were ready to talk to the venture capitalists.”

At five employees, the sensor-enabling chipmaker may be the smallest company ever to receive funds from ArrowPath Ventures and Newbury Ventures. But in terms of potential markets and return on investment, it could rank with some of their previous successes. Partners from the firms have been involved with companies such as Oracle and E-Trade.

ArrowPath technology partner Dan Brown called the Sensor Platforms chip revolutionary. “Never before has a single chip been able to directly interface and drive so many sensor elements. The demand for this product was immediately evident to us,” he said.

Hsu founded $20 million PNI

Sensor Platforms president and CEO Hsu and chairman David Traversi developed the platform for the sensor products of PNI, founded by Mr. Hsu. Now a $20 million maker of handheld and dashboard sensors for the consumer market, the Santa Rosa company is one of Sensor Platforms’ first customers.

But Sensor Platforms' target customers will be large sensor applications developers for the automotive and consumer electronics markets with demand for at least 1 million units annually. That’s because Sensor Platforms has refined its Asia-manufactured chip to satisfy

volume demand, making it smaller in scale, much less costly to produce and able to easily drive the kinds of location-based services and games now appearing on cell phones.

“There were 700 million cell phones sold this year globally,” said Mr. Traversi. “In two years a growing number will incorporate sensors, but manufacturers are growing tired of the expense and complexity of developing a platform for each application. Ours is the first multi-sensor solution. It can simultaneously interface with up to 15 different data input applications.”

Roger Grace of Roger Grace Associates in Naples, Fla., a marketing consultant in the micro-electro-mechanical and nanotechnology areas, just returned from a German conference on the commercialization of those technologies.

“The biggest buzz at the conference, which has addressed biomedical and automotive applications, was mobile consumer products, notably cell phones,” said Mr. Grace. “There are applications like accelerometers and gyros that are now available in very high-priced phones and other devices, but those capabilities will soon become affordable to average consumers." Sensor Platforms "is perfectly positioned to drive growth in the consumer market with his multi-sensor compatible chip.”

Next technology for cell phones

Accelerometers are used to alert a laptop that’s falling and lock the hard disk drive. But they also enable a user to scroll through screens and play games on a handheld device by tilting it. Gyros can stabilize an image on a camera phone.

This year those applications were included in 310 million cell phones, devices such as MP3 players and vehicles, at a market value of $1.4 billion. In 2007 the market should to grow to 490 million units, or $2 billion, according to Mr. Grace’s research.

“The sensor applications for mobile devices are limitless. Sensors can smell fish, analyze breath, measure temperature and barometric pressure,” he said. “But to be of use that information has to be channeled into the network, and for that you need George’s chip or another solution. And for the consumer market that solution has got to be low cost.”

The Sensor Platform chip will sell for less than a dollar, according to Mr. Traversi, making it the lowest-cost solution available.

Young people in Japan are expected to be the earliest adapters of multi-sensing cell phones. Mr. Hsu expects more than 60 percent of his customers will be located in, or sell to, Asia and Europe. But Sensor Platforms will remain in California.

“We’ll probably have sales offices overseas and maybe open a development location on the Peninsula, but our intention is to keep our headquarters in Sonoma County,” he said.

He’d like to hire about 10 to 12 employees during the next 12 months and add that number each year for the next five years.

“We’re in a good position to bring our products to market, shipping pilots as soon as the third quarter of 2006. Our investors are prepared to give us a third round of funding, but our hope is to reach break even with our current funds,” said Mr. Hsu.

For more information, visit www.sensorplatforms.com.