

# Philips and TPV Technology to create world's leading display partnership

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Royal Philips Electronics and TPV Technology Limited have signed a Letter of Intent to create the most competitive partnership in PC monitor and entry level Flat TV segments. Per the agreement, TPV will take over the responsibility of Philips' existing OEM Monitor business, and Philips will focus on the marketing and sales of its own branded monitor and Flat TV products. Philips is contributing assets and resources to TPV on these activities. The combination of TPV and Philips' PC monitor and entry level Flat TV business will create the global leader in the display products manufacturing market.

The businesses transferred from Philips to TPV amount to approximately US\$ 2 billion / EUR 1.5 billion at current exchange rates. This number includes the transfer of EUR 700 million sales on OEM Monitor business to TPV. The remaining EUR 800 million is related to the outsourcing of Philips branded monitor and Flat TV products. Upon completion of the transaction, TPV will become the world's largest PC monitor manufacturer with annual volume well exceeding 35 million units. This alliance will bring not only the benefit of greater economies of scale in terms of manufacturing and supply chain management, but also stronger R&D capabilities, as well as a wider geographical spread. The alliance allows TPV to leverage Philips' long track record and leading expertise in TV technology to gain immediate access to the fast growing Flat TV market.

Philips will continue to focus on the development and manufacturing of Philips Flat TVs for the mid and high-end segments as well as on the

marketing and sales of both PC monitors and Flat TVs globally under the Philips brand and affiliated brands. TPV will become the preferred supplier to Philips for its branded PC monitors and entry-level Flat TVs.

Commenting on the new partnership, Dr. Jason Hsuan, Chairman of TPV said, "The alliance signifies the attainment of TPV's long-term corporate objective of becoming the largest PC monitor manufacturer in the world, as well as a big leap forward in our strategy of diversifying quickly into the growing flat screen TV manufacturing and development market. The integration will allow both TPV and Philips to concentrate on their respective core competence whilst providing consumers with cost effective multi-media solutions and entertainment."

"This partnership marks an important next step in the transformation of Philips' Consumer Electronics business from a volume driven manufacturing business to an innovation and marketing driven business," explained Dr. Gottfried Dutiné, member of Philips' Board of Management. "The partnership with TPV enables us to focus our efforts on innovation and product breakthroughs as well as on brand- and channel management. Working with leading OEM/ODM partners to manufacture and supply the majority of our products will strengthen our competitive position through an 'asset light strategy'. Now we have clearly improved our position to fulfill our strategic and financial objectives, making Philips Consumer Electronics more competitive."

In view of the overall strategic importance of display activities for Philips and to demonstrate its commitment to this new partnership, the company will become a substantial shareholder of TPV. Philips and TPV have agreed that Philips' contribution to TPV represents and is valued at 30% of the enlarged market capitalization of TPV to be settled by 15% newly issued shares in TPV and the remaining value by way of a convertible bond. Based on the 15-day volume weighted average price of TPV prior to signing, the transaction is currently valued at approximately

US\$ 358 million/ EUR 269 million.

Under the proposed agreement, Philips intends to contribute to the partnership with TPV its monitor and Flat TV activities in Suzhou and Dongguan (China), as well as its monitor activities in Szekesfehervar (Hungary) and Manaus (Brazil). Philips will also transfer its OEM sales organization as well as its development centre in Chungli (Taiwan) to TPV. Philips will maintain its Branded Monitors headquarters in Taiwan, its regional sales organizations serving branded display products as well as its Flat TV development centers in Bruges (Belgium) and Singapore. Philips will continue TV production in Dreux (France), Bruges (Belgium), Szekesfehervar (Hungary), Juarez (Mexico), and Manaus (Brazil). Approximately 1,700 employees of Philips will be involved in this transaction.

TPV's largest shareholder, BOE Technology Group Co., Ltd. ("BOE"), with a current holding of 25.4% in TPV's outstanding share capital, is supportive of the transaction and, to this end, both BOE and Philips have agreed to enter into a shareholders agreement relating to certain matters concerning TPV and their respective shareholdings in TPV. Separately, TPV has also signed a Heads of Agreement with BOE to acquire BOE's current holding in TPV's 41.7% owned associate, Beijing Orient Top Victory Electronics Company Limited ("OTPV"), with the aim of consolidating all OTPV assets into TPV Technology Limited. The shareholding by Philips in TPV is based on TPV's increased share capital post this transaction.

The transaction is still subject to confirmatory due diligence and the exact terms will be disclosed upon signing of the definitive agreements. The transaction will be conditional on all required shareholder, government and regulatory approvals and consents and is expected to be completed by mid 2005.

ING is advising TPV on this transaction and JPMorgan is advising Philips.

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