

HTC's Dopod deal seen as positive for IPO

June 5 2006

There may be a surge in multi-tasking personal digital assistant phones across Asia, or so there would be if High Tech Computer's plans pan out.

The Taiwanese group designs and manufactures mobile computing devices for original equipment manufacturers and original design manufacturers. It is also the world's biggest maker of mobile phones that operate on Microsoft's Windows Mobile system, and its plans to increase its foothold was unveiled Monday as it announced it would buy a controlling stake in Dopod, also of Taiwan but registered in the Cayman Islands. HTC has had a strategic partnership with Dopod since the company was founded in 2004, but under the latest deal, HTC would be acquiring \$150 million worth of shares in the company. Specifically, the company will pay no more than that amount for a 100-percent stake in the company. For instance, if HTC decides to buy 60 percent of total shares in the Dopod, it will not pay more than \$90 million for the transaction.

Details of the transaction, however, have not yet been decided, such as whether HTC would be acquiring Dopod through a share swap or for cash, even though they stated that a deal would be in place by the end of this year.

HTC's chief financial officer Clement Lin made clear nonetheless that both companies were eager to pursue a firm business relationship.

"It's a win-win deal...this would allow HTC to have a quick, timely reaction to market demand," Lin said.

HTC has been a handset manufacturer for some of the world's biggest PDA and mobile phone makers, including Texas Instruments, Qualcomm, and Sony. It has also started to focus more on providing models for telecommunications providers such as T-Mobile and NTT DoCoMo, rather than simply providing the content of handsets for established brands such as Nokia and Motorola.

Meanwhile, Dopod has been financially successful from its early days, and last year, it reported record revenue levels of \$130 million with profits reaching \$80 million.

There is no doubt that HTC has been one of the most successful, and highly-priced stocks, in the Taiwanese market, yet at the same time, investors have often found it difficult to see what exactly has been the relationship between HTC and Dopod. With HTC expected to go ahead with an initial public offering in the near future, the latest bid to increase its shareholding in Dopod will make it easier for financial analysts to understand the exact relationship between the two companies. Both have hitherto denied having any cross-shareholding, even though HTC has been Dopod's sole handset supplier, and Dopod also accounted for about 5 percent of HTC's total revenue.

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