

Intel's mobile chip sell-off seen prudent

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Semiconductor sales are soaring, thanks in part due to a seemingly insatiable appetite for cell phones and other mobile devices worldwide. Yet while consumers in emerging markets are readily forking out cash to buy their first mobile handsets, and those in richer countries are eager to trade up their phones for ever-more multi-functioning models, they haven't been enough of an incentive for Intel to keep its communications chip unit.

On Tuesday the company announced that it will sell its communications and application processor business to Marvell Technology for \$600 million. The unit employs about 1,400 people, most of whom are expected to move onto Marvell as a result of the buyout. Intel also has the option of taking up to \$100 million of the \$600 million in Marvell shares instead of cash.

The chip giant had started making semiconductors for mobile handsets and other portable devices in the late 1990s, and while it provides the heart of some of the most popular mobile gadgets including BlackBerrys. Still, the company has had difficulties competing in the market against rivals such as Qualcomm and Texas Instruments, leading it to drop out of the business.

Tuesday's announcement was the first major restructuring initiative announced by Intel since chief executive Paul Otellini announced in April that the company would be reviewing its operations, including shutting down the less profitable units in order to save about \$1 billion in total.

"In recent years, Intel has made significant progress and won major customers with this business," said Sean Maloney, Intel's executive vice president and general manager for its mobility group. "The communications and application processor segments continue to present an attractive market opportunity, and we believe this business and its assets are an optimal fit for Marvell. We have a long history of working closely with Marvell and believe it has the ability to grow the business while maintaining customer commitments."

Indeed, Intel said that it will continue to manufacture products that it will continue to manufacture chips for Marvell even after the deal closes in addition to producing semiconductors that are currently being designed for new products. That arrangement will be in place until Marvell is able to transfer production to other contracting manufacturers over the next two years.

Analysts have largely welcomed the move, and Standard & Poor's equity research analyst Thomas Smith stated that the deal could improve Intel's bottom line, as Otellini is hoping it would.

"We view this action as a positive follow-through on a strategy to refocus on core competencies in microprocessors for (personal computers)," Smith said.

As for Marvell, the company made clear of its high hopes for future growth through its latest acquisition.

"This transaction presents Marvell with a tremendous opportunity to become a long-term leading supplier in the cell phone and consumer electronics market segments," said the company's Chief Executive Sehat Sutardja.

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