

# S. Korea's SK Telecom signs deal to buy Hynix

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South Korea's top mobile carrier SK Telecom said Monday it signed a deal to buy a controlling stake in Hynix Semiconductor, the world's number two memory chip maker.

SK Telecom said it agreed to buy a 21.1 percent stake in Hynix for 3.427 trillion won (\$3.05 billion). The stake includes 14.7 percent of the new shares to be issued by Hynix's creditors-turned-shareholders.

SK Telecom, which controls about half the country's mobile market, said it would finalise the deal in the first quarter of next year.

The deal represents the biggest acquisition by SK Telecom, a key affiliate of the SK Group -- the country's third-largest conglomerate by assets -- which has sought to diversify its business because of stagnant growth in the saturated domestic mobile market.

SK Telecom has said that convergence of the chipmaking and telecoms businesses would enhance efficiency and help expand its overseas interests.

Creditors rescued Hynix by swapping their debt holdings into shares in 2001 and 2002.

They have been trying for years to sell out, but previous attempts have been hampered by uncertainties over the chipmaking sector and the need for huge investment in Hynix.

Last month Hynix said it swung to a net loss of 562.62 billion won (\$496 million) in the July-September quarter compared with a record net profit of 1.04 trillion won in the same period last year.

Major chipmakers are struggling as the weakening global economy hits demand for chips and pushes down prices, while the popularity of smartphones and tablets has also decreased demand for personal computers.

"Hynix's global business networks and its experiences in the memory business overseas will help SK Telecom's efforts to launch diverse fixed-line and wireless platform businesses," SK Telecom said in a statement.

Rating agency Standard & Poor's placed its "A" long-term corporate credit rating on SK Telecom on CreditWatch.

"The highly cyclical characteristics of the semiconductor business will hurt SK Telecom's strong business risk profile," it said.

The agency said Hynix's volatile operating performance and large capital expenditure requirements could undermine SK Telecom's stable cash flows.

"We believe this purchase indicates that SK Telecom is pursuing a significantly more aggressive growth strategy than we have factored into the company's current 'A' rating," it said.

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