

Will Texas Instruments sit out wave of mergers and acquisitions?

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The latest round of mergers in the semiconductor industry has some observers wondering if Texas Instruments Inc. will jump into the ring.

TI isn't talking, but some analysts see the Dallas-based company, which is one of the world's biggest chipmakers, as a potential acquirer.

Singapore-based chipmaker Avago Technologies Inc. said Thursday that it would buy California-based Broadcom Corp. for \$37 billion in cash and stock, the biggest deal yet.

The megadeal will create a company with a [market value](#) of \$77 billion and revenue of \$15 billion, making it the third largest chipmaker by market capitalization - the market value of a company's total outstanding shares. The deal would push TI into fourth place among chipmakers, with a market cap of \$58.2 billion. TI posted revenue of \$13 billion last year.

Avago-Broadcom is the latest deal in a wave of consolidation in the [semiconductor industry](#) this year. Earlier this month, Avago bought California-based Emulex Corp. for more than \$600 million, and Microchip Technology Inc. said it would acquire Micrel Inc. for nearly \$2.5 billion.

Last month, MaxLinear bought Entropic Communications Inc. for \$287 million. In March, Dutch chipmaker NXP Semiconductors said it would buy Austin-based Freescale Semiconductor Ltd. for \$11.8 billion, and

Lattice Semiconductor bought Silicon Image for \$600 million. Meanwhile, Intel Corp. reportedly is in talks to acquire Altera Corp.

Semiconductor chips are used in many electrical and electronic products from smartphones to washing machines. Chipmakers are eager to become larger to become more competitive and more efficient as costs climb to produce their devices and they must enter new markets.

Analysts expect more consolidation.

"TI has a long-standing policy to not comment on market rumors and speculation or competitor activity," said spokeswoman Kimberly Morgan. TI's last big acquisition was its \$6.5 billion purchase of California-based National Semiconductor Corp. in 2011.

"Why is TI not taking a more active role in consolidation in the industry today?" Sanford C. Bernstein & Co. analyst Stacy Rasgon asked TI chief executive Rich Templeton at an industry conference Rasgon hosted on Wednesday.

"If everybody's buying, it's probably a good time not to be buying," Templeton said. TI will continue to be "selective and pretty measured in how we allocate capital," he said.

Templeton added that among the things TI looks for in acquisitions are that the company is an analog chipmaker, preferably in the industrial or automotive markets; and a deal must provide a strong rate of return. For example, he said most of the recent acquisitions have a free cash flow yield of 3 percent to 4 percent, while the National Semiconductor deal was about 6 percent.

Templeton "seemed to think (TI) could do a better job buying its own stock back," Rasgon said in a phone interview.

"TI has always been an acquirer, but they've made it their strategy in the last seven to eight years to focus on the analog and microcontroller markets," said analyst Tore Svanberg of Stifel Nicolaus. "They certainly could continue to be active" in those markets.

Analysts say possible matches for TI include analog companies such as Analog Devices, Linear Technology, Maxim Integrated Products and Microchip Technology.

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