

Big tech tieup: Broadcom bids \$103 bn for Qualcomm (Update 4)

November 6 2017



California-based Qualcomm faces a series of investigations around the world linked to its dominance in the smartphone chip segment

In what could be the biggest deal ever in the tech sector, Broadcom on Monday bid \$103 billion for rival chip maker Qualcomm to gain position in the booming sector fueled by growth in smartphones and an array of connected devices from cars to wearables.

The proposal by Singapore-based Broadcom, which has announced plans to return its domicile to the United States, would consolidate two major players in the semiconductor sector.

Broadcom's unsolicited offer amounts to \$70 per share, including \$60 in cash and \$10 in Broadcom stock, or 28 percent above the closing price of Qualcomm on Thursday, before reports of the deal surfaced.

"This complementary transaction will position the combined company as a global communications leader with an impressive portfolio of technologies and products," Broadcom chief executive Hock Tan said in a statement.

"With greater scale and broader product diversification, the combined company will be positioned to deliver more advanced semiconductor solutions for our global customers and drive enhanced stockholder value."

Qualcomm, based in San Diego, California, said it would "assess the proposal in order to pursue the course of action that is in the best interests of Qualcomm shareholders."

News of the deal came days after Tan appeared at the White House with President Donald Trump to announce plans to move the tech company back to the United States from Singapore.

It comes as Qualcomm seeks a \$47 billion acquisition of Dutch rival NXP, a deal that is the subject of an European Union anti-trust probe.

Broadcom, meanwhile, is seeking to buy US rival Brocade Communications in a deal being reviewed by Washington.

Broadcom and Qualcomm are both major makers of semiconductors

used in the latest tech gadgetry.

The US firm is the leader in processors for smartphones and is expanding into new sectors, while Broadcom makes an array of chips for wireless communications, set-top boxes and electronic displays.

On Wall Street, Broadcom shares rose 1.4 percent and Qualcomm added 1.1 percent.

RBC Capital Markets analyst Amit Daryanan said in a research note that the deal "makes both financial and strategic sense" for Broadcom.

\$51 billion giant

Combining the firms would create a behemoth with some \$51 billion in revenues, including those from NXP.

But any deal would need to pass muster with Qualcomm shareholders and could face regulatory scrutiny in the United States and other markets.

Qualcomm has been facing a series of investigations around the world linked to its dominance in the smartphone chip segment.

Last month, Qualcomm was fined more than \$770 million in Taiwan for abusing its market dominance. It is facing similar challenges in several countries, including the United States. China and South Korea have already imposed heavy fines.

Qualcomm and Apple have also been locked in legal battles over royalty payments and patents.

Apple filed a US lawsuit in January accusing Qualcomm of abusing its

market power for certain mobile chipsets to demand unfair royalties, and has also joined efforts in other countries where Qualcomm faces probes from antitrust authorities.

Qualcomm responded with its own claims against Apple and argued that the iPhone maker had been providing "false and misleading information" to antitrust authorities in an effort to reduce its royalty payments to Qualcomm.

ABI research analyst Stuart Carlaw said a combined Qualcomm/Broadcom operation would represent the third largest global semiconductor supplier.

"The Qualcomm shareholders are likely to be split with many viewing this opportunity as a solution to the worsening relations with Apple, whom Broadcom has a good relationship with," Carlaw said.

"The potential merger raises significant questions surrounding the difficult takeover of NXP by Qualcomm and much is still to be discerned regarding the value of the Qualcomm patent holdings and its associated lucrative high-margin revenue stream."

Broadcom was founded in 1991 by California researchers and moved its corporate headquarters to Singapore as part of a merger with Avago Technologies Ltd. while keeping many of its operations in Silicon Valley.

© 2017 AFP

Citation: Big tech tieup: Broadcom bids \$103 bn for Qualcomm (Update 4) (2017, November 6) retrieved 18 April 2024 from

<https://phys.org/news/2017-11-broadcom-bn-mega-bid-qualcomm.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.