

# Qualcomm spurns \$130 bn Broadcom bid for big tech tie-up

November 14 2017, by Rob Lever

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Broadcom CEO Hock Tan announced at the White House on November 2, 2017 that the tech company would be moving back to the United States from Singapore

Qualcomm on Monday rejected a \$130 billion bid from fellow computer chip maker Broadcom, setting the stage for a potentially bitter fight for control of a key player in the world of mobile technology.

The proposal "significantly undervalues Qualcomm relative to the company's leadership position in [mobile technology](#) and our future growth prospects," Paul Jacobs, Qualcomm's executive chairman, said in a statement following last week's offer which would be the largest ever in the technology sector.

Singapore-based Broadcom made the offer to consolidate two major players in the booming sector fueled by growth in smartphones and other connected devices.

Steve Mollenkopf, Qualcomm's chief executive, said in the statement the California company remains confident about its future on its own.

"No company is better positioned in mobile, IoT (internet of things), automotive, edge computing and networking within the semiconductor industry," he said.

"We are confident in our ability to create significant additional value for our stockholders as we continue our growth in these attractive segments and lead the transition to 5G," he said, referring to the fifth generation wireless networks in the works.

Broadcom responded to the announcement by saying it "remains fully committed" to the planned tie-up.

## **'Engage cooperatively'**

Broadcom CEO Hock Tan said the deal would create "a strong, global company with an impressive portfolio of industry-leading technologies and products."

Tan noted that "we have received positive feedback from key customers about this combination" and added that "we continue to believe our

proposal represents the most attractive, value-enhancing alternative available to Qualcomm stockholders."

While Tan did not specifically address whether Broadcom would make a hostile bid, he said, "It remains our strong preference to engage cooperatively with Qualcomm's board of directors and management team."



Qualcomm chief executive Steven Mollenkopf said the California company remains confident of its future on its own

Broadcom could sweeten its bid in an effort to win over management or launch a hostile takeover effort to persuade shareholders to sell or install new board or management members.

Michael Walkley, a Canaccord Genuity analyst, said he believes the Broadcom bid and Qualcomm rejection both suggest the US firm is undervalued.

"We do believe the combination of the two companies could generate strong synergies, creating a dominant wireless business and overall powerful global semiconductor leader," Walkley said in a research note.

"Therefore, we believe Broadcom is likely to increase its bid."

Any merger 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 antitrust investigations around the world linked to its dominance in the smartphone chip segment and is in litigation with Apple in a dispute over patents and royalties.

Broadcom's proposal followed Tan's visit to the White House this month, where he met President Donald Trump and announced 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 a European Union anti-trust probe.

A merger with Broadcom would create a behemoth with about \$51 billion in revenues, including those from NXP.

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.

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