

Semiconductor grab: Silicon Valley chip companies making tasty acquisitions

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Winter may be on the way, but Silicon Valley chipmakers are having their moment in the sun.

Semiconductors are the brains, heart and guts of just about every electronic gadget you own, and the companies that make them are famous for roller-coaster highs and lows as they seek to stay relevant in a fast-changing market. But as chipmakers pursue an acquisition binge, the recent deal wrangling is generating excitement from investors. After all, it was silicon chipmakers that gave Silicon Valley its name.

Marvell Technology inked a big deal this month to buy San Jose-based Cavium, while Broadcom - another [chipmaker](#) with roots in San Jose - is pursuing what would be the biggest-ever acquisition deal in the [technology](#) industry. Broadcom's intended target, San Diego-based Qualcomm, argues that Broadcom's overture undervalues the company.

Both Marvell's and Cavium's stock prices have soared nearly 30 percent this month.

And while it's unclear whether Broadcom will prevail in landing the mother of all tech deals, its shares as of Friday had soared about 60 percent higher than they were a year ago. Qualcomm may be playing hard to get, making any deal far from certain at this stage, but its shares have surged about 35 percent higher this month.

Chipmakers are always looking for something faster, which can handle

more needs than the products they just sent to market.

And hastened by the growth in cloud-based computing, artificial intelligence and the potential for self-driving vehicles, Bay Area chipmakers are writing huge checks as they position for future growth.

"Consolidation in the semiconductor market has been a growing trend," said Mark Hung, research vice president at Gartner. "The deal sizes of some of the recent announcements and [acquisitions](#) are larger than before, and acquisitions have been in vogue."

Marvell Technology, which has its U.S. headquarters in Santa Clara, said on Nov. 20 that it would acquire Cavium in a cash-and-stock deal valued at \$6 billion. The nature of the Marvell-Cavium tie-up illustrates why chipmakers are looking to do deals.

Marvell made its bones in the market for chips used in high-end business-storage systems. But that market is cooling as companies embrace cloud-based technologies and other storage options. With Cavium, Marvell is expected to expand its offerings by adding more security, networking communications and connectivity chips to its product line.

"We are in a market consolidation phase in technology," said Rob Enderle, director of technology research firm the Enderle Group. "This means either buy or get bought, and Marvell appears to be in a buying mood. On paper, this looks like a great move for both companies, raising Marvell's market power significantly."

Combinations like Marvell and Cavium are seen as critical for chipmakers seeking to provide the backbones needed to run pioneering technologies with big potential for many industries.

"This deal speaks to a major consolidation trend in the chip world, which

we expect to accelerate in 2018," said Dan Ives, chief strategy officer and head of technology research at GBH Insights. "Mature technological areas like PC and storage have forced semiconductor players to pivot and acquire in high growth areas to help transform their business models for the coming years, and this has forced this latest wave of consolidation."

Nothing shows chipmakers' voracious appetite for acquisitions to bolster their product arsenals like Broadcom's unsolicited \$103 billion offer for communications chipmaker Qualcomm. Broadcom, which has its U.S. headquarters in San Jose and is in the process of moving its legal headquarters from Singapore to the United States, disclosed its offer Nov. 6. Chief Executive Hock Tan said a deal would "position the combined company as a global communications leader with an impressive portfolio of technologies and products."

Qualcomm has so far turned down Broadcom's offer, yet Broadcom has said it remains "fully committed" to pursuing Qualcomm. Broadcom could potentially raise its bid or launch a proxy fight with Qualcomm shareholders at that company's next annual meeting.

Meanwhile, both companies have moved forward with other acquisition plans. On Nov. 17, Broadcom completed its nearly \$6 billion acquisition of networking switch, software and storage-product maker Brocade Communications, while Qualcomm is pushing ahead with its proposed \$38 billion acquisition of Dutch chipmaker NXP Semiconductors. That [deal](#) would give Qualcomm a strong position in the growing automotive chip market.

Earlier this year, Santa Clara-based Intel also got in on the buying spree, finalizing its \$15 billion acquisition of Mobileye, an Israeli maker of sensor technology used in self-driving cars.

"There is an arms race going on to be the leader in next generation areas such as AI, autonomous vehicles and cloud computing, among other areas," Ives said. "With roughly a trillion dollars over the next decade poised to be spent, semi vendors are in a battle royale for [market](#) share."

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