Broadcom offers $8 bn to Qualcomm if deal is blocked

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Broadcom CEO Hock Tan is seen at a November White House meeting with US President Donald Trump

Singapore-based Broadcom said Friday it would pay rival Qualcomm $8 billion if regulators fail to approve a proposed merger between the two computer chip giants.

The "termination fee" offer came a day after California-based Qualcomm rejected a record $121 billion hostile bid as too low, while citing a risk that the proposed tie-up could be blocked by regulatory authorities.

Broadcom chief executive Hock Tan said he welcomed Qualcomm's offer of talks on the takeover bid and suggested a meeting in the coming days.

"We urge you to meet with us without further delay, and stand ready to meet this Saturday or Sunday in New York or another mutually convenient location," Tan said in a letter to Qualcomm chairman Paul Jacobs.

Tan said Broadcom is willing to pay an $8 billion "regulatory reverse termination fee" if the deal fails to win approval and to pay six percent interest as a "ticking fee" on the cash portion of the deal if it is not approved within 12 months.

But he said the $82 per share bid remained Broadcom's "best and final offer."

The Singapore-based firm—which has announced plans to move back to the United States—offered $60 per share in cash plus $22 in Broadcom stock, in a deal worth $121 billion, along with the assumption of $25 billion in Qualcomm debt.

Jacobs said in a letter Thursday to Broadcom that the latest offer "materially undervalues Qualcomm" and does not take into account the possibility of a failure to win regulatory approval.

Jacobs, however, opened the door to talks to discuss "the significant issues that remain unaddressed" in the hostile proposal adding that the Qualcomm board "is committed to exploring all options for maximizing shareholder value."

Broadcom made its first offer on November 6 following a visit by its CEO to the White House, where he met President Donald Trump and announced plans to move the tech company back to the United States from Singapore.

If completed, the deal would be the largest-ever in the tech sector and create a powerful player in the booming sector fueled by growth in smartphones and an array of connected devices from cars to wearables.

The rich offer puts pressure on Qualcomm's board ahead of a March 6 annual meeting, where it must show it is acting in the best interests of shareholders.

Any merger deal would need to pass muster with regulators in the United States and other markets.