

Bruising Qualcomm-Broadcom battle heads for showdown

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Qualcomm CEO Steve Mollenkopf, seen at the 2017 Consumer Electronics Show, has said he sees no path to value in a tie-up with rival chipmaker Broadcom

With a potential for the biggest-ever deal in the tech sector at stake, Qualcomm shareholders will have their say on a hostile bid for the US mobile chip giant by Singapore-based rival Broadcom.

Qualcomm shareholders at an annual gathering Tuesday will get to vote whether to replace six of the California company's 11 board members with candidates backed by Broadcom, essentially endorsing the deal estimated to be worth \$117 billion.

Weeks of parries and thrusts, along with tactical public statements, have left the companies' boards at odds over the unsolicited offer.

Qualcomm's board on Thursday sent a letter to shareholders urging them to re-elect its current members, making a statement against Broadcom's offer.

"The Qualcomm board believes it is not in the best interest of Qualcomm's stockholders to elect Broadcom's nominees," the directors said.

Qualcomm, which is the dominant maker of microprocessors for smartphones, says it has a bright future on its own, especially ahead of a transition to fifth-generation (5G) wireless communications networks.

The Qualcomm board has also expressed concern that any deal with Broadcom could be delayed or blocked by antitrust regulators around the world.

Broadcom meanwhile fired off a letter of its own, urging Qualcomm shareholders to elect all six of its nominees to the board, sending "a clear signal" supporting the takeover bid which would provide a handsome

gain to shareholders of the US firm.

The hostile offer "provides greater value and certainty to Qualcomm stockholders, with less risk, than any other available alternative," Broadcom said in its appeal to shareholders.



Broadcom CEO Hock Tan announced a bid for Qualcomm days after a White House meeting with President Donald Trump, where he pledged to move the company back from Singapore to the United States

Value and risk

Broadcom made its first offer in November, and subsequently raised it

to \$121 billion but then lowered it, arguing that Qualcomm had effectively agreed to "transfer" value by raising its takeover offer for Dutch-based tech firm NXP.

The Broadcom offer "undervalues" the US firm, Qualcomm has said, while opening the door to talks if Broadcom boosts its price.

Qualcomm chairman Paul Jacobs said the company is willing to sign a non-disclosure agreement that would allow Broadcom to view confidential business information from its US rival, suggesting this would enable Broadcom to get a better picture of Qualcomm's true value.

Any tie-up of the two giants could reshape the fast-evolving sector of chips for smartphones and connected devices. But it would have to pass regulatory muster in several countries.

Qualcomm has cited "regulatory risk" as a factor in rebuffing the Broadcom bid but has also said the offer "undervalues" Qualcomm in view of its prospects in mobile technology.

Broadcom has accused Qualcomm's of "engagement theater" designed to ease pressure at the US firm's annual shareholder meeting March 6.

"Rather than acting as true fiduciaries with a responsibility to act in the best interests of Qualcomm's stockholders, the Qualcomm board has done nothing more than feign engagement with Broadcom," the Singapore-based company said in its letter.

Broadcom's original offer for Qualcomm came days after chief executive Hock Tan visited the White House last November and told President Donald Trump the company would be moving back to the United States.



Qualcomm chairman Paul Jacobs said the US chipmaker may be open to a deal if Broadcom raises its offer worth \$117 billion

'Oil and water'

Analyst Patrick Moorhead of Moor Insights & Strategies questioned the wisdom of the tie-up.

While they are rival chip companies, Broadcom and Qualcomm they are very different in their approaches to the market, according to Moorhead.

Qualcomm is known for mobile chip innovations that set industry standards, for example in new superfast 5G wireless connection

technology, the analyst noted.

Meanwhile, he said Broadcom is adept at using intellectual property developed by others and making products at low cost, referring to them as "implementors."

Qualcomm innovations seem to be giving it a lead in competition with Broadcom, particularly with 5G, which could be among reasons for the hostile takeover campaign, according to Moorhead.

"I understand why Broadcom is doing this; it is just oil and water," the analyst said of putting the companies together.

And, such a merger would likely get tied up by regulators for a long time, he added.

"I get the sense that the vote is going to be close," Moorhead said of the coming Qualcomm board election.

"Wall Street is driven by short term gain."

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