

German chipmaker Infineon unveils major capital increase

July 10 2009



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Computer chip maker Infineon said on Friday it would make a big capital increase guaranteed by the US investment fund Apollo, giving the troubled German company a breath of fresh air.

Infineon said it would issue new shares worth a total 725 million euros (one billion dollars), and that current shareholders would be given a place at the head of the line to buy them.

The money will be used to repay about 570 million euros in convertible bonds which mature in mid 2010, a statement said.

Infineon's plan calls for the issuance of 337 million new shares at 2.15 euros per share, it added.

Apollo has pledged to buy shares not taken by current shareholders up to a total of 326 million, which would represent a stake of 30 percent minus one share in the German company.

That would make it the dominant Infineon shareholder, ahead of the US funds Dodge and Cox International, each of which own around 10 percent and will have priority during the capital increase.

The news boosted Infineon shares, which gained 1.94 percent to 2.63 euros in midday Frankfurt trading, while the TecDAX index on which they are listed was 0.60 percent lower overall.

Infineon shares leapt higher earlier this week when the group said it would sell fixedline telephone and Internet operations to the US private-equity firm Golden Gate Capital for 250 million euros.

The capital increase would be one of the biggest in a German company in several months, the Financial Times Deutschland said, and represents a change for Apollo, which normally acts like a hedge fund that buys an ailing company to either restructure it, sell off valuable parts, or merge it with another firm at a profit.

[Infineon](#) has suffered from a collapse of the automobile electronics component sector and is already in the process of restructuring its activities.

In the first half of its 2008/2009 fiscal year, it posted a net loss of 662 million euros on sales of 1.6 billion.

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Citation: German chipmaker Infineon unveils major capital increase (2009, July 10) retrieved 11 May 2024 from <https://phys.org/news/2009-07-german-chipmaker-infineon-unveils-major.html>

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