

Cisco to buy video tech company NDS for about \$4B

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This Feb. 3, 2009 file photo, shows the Cisco Systems logo at Cisco Systems headquarters in San Jose, Calif. Cisco Systems Inc. said Thursday, March 15, 2012, it is buying digital video technology company NDS Group Ltd. for about \$5 billion to enhance its video offerings to pay-TV providers and expand in emerging markets. The deal includes about \$1 billion in debt. (AP Photo/Paul Sakuma, File)

(AP) -- Cisco Systems Inc. is buying digital video technology company NDS Group Ltd. for about \$4 billion to enhance its video offerings to pay-TV providers and expand in emerging markets.

The purchase would be Cisco's biggest since the company bought Norwegian teleconferencing company Tandberg in April 2010 for \$3.4 billion.

In the meantime, the networking gear maker has been working on turning its business around. It missed the early stages of the economic recovery and lost out to competitors on rebounding orders.

Cisco said Thursday that buying NDS will speed up the delivery of its Videoscape entertainment platform and help it grow in emerging markets such as China and India, where NDS already does business. Videoscape lets customers watch video on mobile gadgets and laptops along with their TVs.

In addition to the \$4 billion it is paying for NDS Group, Cisco will assume \$1 billion of NDS debt.

San Jose, Calif.-based Cisco has been narrowing its focus by culling divisions and cutting costs through layoffs. It shuttered its consumer-oriented Flip video camera business last year but video offerings for businesses have remained a big part of its focus. It acquired Scientific-Atlanta, a maker of TV set-top boxes, in 2006 for \$7.1 billion and online conference provider WebEx a year later for \$3 billion.

Brian Marshall, an analyst with ISI Group, said the deal makes sense for Cisco as it focuses on video offerings for service providers. NDS, which competes with Cisco, counts pay-TV operators such as DirecTV, Vodafone, Cox and BSkyB among its customers.

NDS, based in the United Kingdom, is jointly owned by News Corp. and private equity firm Permira. Its software helps cable and satellite TV companies deliver content to subscribers' digital video recorders, tablets, smart phones and other devices. It had filed documents as part of a planned initial public offering before agreeing to the deal with Cisco.

Cisco is acquiring NDS' sites in Britain, Israel, France, India and China and is absorbing its 5,000 employees. The boards of both companies

have approved the deal, and it's expected to close in the second half of this year.

Marshall said that while the acquisition is a "good use of offshore cash" for Cisco, the company is paying a lot. He estimates that Cisco is paying about 25 times NDS's earnings, while Cisco's stock trades at about 10 times its earnings.

Cisco stock fell 29 cents, or 1.4 percent, to \$19.91 in midday trading Thursday after trading as high as \$20.20 earlier in the session. That was near its 52-week high of \$20.49 reach about a month ago.

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