Broadcom’s Proposed Purchase of Qualcomm for $105 Billion
By Colette Gulick, J.D. Candidate 2018 | November 10, 2017

Revealed on Monday, Broadcom Ltd. has made an unsolicited bid to buy Qualcomm Inc. for approximately $105 billion. Broadcom’s bid for Qualcomm offers $70 per share in cash and stock: “$60 a share in cash and $10 a share in Broadcom stock.” The takeover would include Broadcom’s assumption of $25 billion of Qualcomm’s net debt, culminating in a total value of the takeover at $130 billion. The bid presents a 28 percent premium on the closing price of Qualcomm’s common stock on November 2, 2017.

This proposed deal is being classified as the “biggest takeover in the history of the technology industry.” Aside from this deal, both companies are in the process of attempting to acquire other technology companies. Broadcom, a semiconductor maker, is in the process of acquiring Brocade Communications Systems Inc. Qualcomm, the mobile phone chip maker, is in the process of acquiring NXP Semiconductors. Broadcom maintains that it will proceed with acquiring Qualcomm despite the result of the pending NXP Semiconductors transaction. A successful combination of Qualcomm and Broadcom would result in a technology giant that would be responsible for products incorporated into “nearly every smartphone in the world.”

It is anticipated that Qualcomm will reject the bid, as it views the price as undervaluing the company and taking advantage of Qualcomm’s difficult fiscal year and current legal disputes. Qualcomm has experienced an 18% decline in its stock price over the last year and has been embroiled in a legal dispute with Apple regarding patent royalties. Qualcomm will likely advise shareholders to reject the offer and to keep Qualcomm’s current management in place.

In the case that Qualcomm rejects the current offer, Broadcom may engage in a proxy battle to complete a hostile takeover and gain control of Qualcomm. Broadcom has until December 8, 2017 to engage in the proxy battle and move forward with a hostile takeover of Qualcomm.