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Broadcom Raises Its Takeover Bid for Qualcomm to $121 Billion

By Hannah Rawdin, J.D. Candidate 2020 | February 12, 2018

On February 5, 2018, Broadcom once again presented an offer to acquire all outstanding shares of common stock of Qualcomm Inc.—although this time, it hopes to seriously bring Qualcomm to the negotiating table.

After its initial proposal to Qualcomm was rejected in November 2017 for "dramatically undervaluing" the company, Broadcom has raised the stakes to offer $82 per share, or about $121 billion total. The offer constitutes an ambitious attempt by Broadcom to produce the largest tech industry takeover to date. The hostile takeover of Qualcomm would combine the two mobile phone chipmakers' businesses to make Broadcom the third-largest chipmaker in the world. Its products would appear in nearly every smartphone, and thus affect several global tech companies, including Apple, Google, and Microsoft.

The bid, which Broadcom called its "best and final offer," comes one month before Qualcomm's annual shareholder meeting in March. Broadcom hopes to entice Qualcomm shareholders with the higher offer to pressure its executives to begin negotiations. While Qualcomm said in a statement that it would be reviewing the revised proposal, its leadership was sternly opposed to the first takeover offer in November, arguing that Broadcom's approach was opportunistic as Qualcomm was engaged in a harrowing legal battle against Apple.

Further, analysts and investors have expressed doubt as to whether Broadcom's proposal could realistically win regulatory approval. To mitigate these concerns, Broadcom's antitrust lawyer Daniel Wall, of Latham & Watkins, said that the company has already begun regulatory approval processes in the U.S., China, and the European Union. Further, the revised offer includes a "significant" breakup fee in case regulators reject the deal, as well as additional cash if the merger transaction has not closed one year after its announcement. With these extra measures, Broadcom hopes to emphasize its commitment to the proposal, although concerns remain about the increasing concentration of the chip industry.

While it is unclear whether Qualcomm executives will decide to accept this offer, the industry giant has been struggling following recent legal disputes with customers over licensing fees. Qualcomm recently reported a 96 percent drop in operating income, and its shares slumped 18% in 2017 before rising in November upon news of Broadcom's first bid. While Broadcom awaits review by Qualcomm's Board of Directors, only time will tell whether Qualcomm decides to continue investing in its own development, or accept Broadcom's buyout offer at the highest price offered yet.