

Qualcomm Comes Closer to Acquiring NXP

By Concord Cheung, J.D. Candidate 2020 | November 24, 2017

On November 18, a [report](#) surfaced that Qualcomm may soon gain antitrust clearance from the Japanese Fair Trade Commission on its bid for NXP. Originally [announced](#) in October 2016, Qualcomm's \$47 billion bid represented an all-cash deal that valued NXP shares at a 10% premium compared to the stock price on the day prior to the initial announcement. When completed, this merger is expected to be the largest semiconductor merger and is valued above the \$37 billion Avago paid for Broadcom and the \$32 billion Softbank paid for ARM. Executives from both Qualcomm and NXP showed great optimism in the deal being completed by 2017 and announced that integration efforts were already underway.

Acquiring NXP could be [essential](#) for Qualcomm's long-term growth. Although Qualcomm is the world's largest supplier of System-on-Chips (SOCs) for mobile devices and telecommunications equipment, its mobile chipsets are losing market share to rivals such as MediaTek and Huawei. This is occurring while its licensing business, which generates about one-third of its revenue, is under threat from regulators and others for high fees. A combined Qualcomm-NXP is expected to become the world's third largest supplier of semiconductors, after Intel and Samsung, giving Qualcomm an opening into the automotive space, where NXP is the [number one supplier](#).

However, challenges have arisen to delay the deal's closing. Although [approved](#) by U.S. antitrust regulators in April, E.U. regulators continue to delay the deal. Qualcomm is expected to give concessions such as not including NXP's standard essential patents and not taking legal action against third parties regarding near field communications (NFC), for which NXP was a co-founder. E.U. approval is expected after Japanese approval. In addition, hedge fund Elliot Management, which has a 6% stake in NXP, has [stated](#) that Qualcomm's bid is undervaluing NXP, which is trading above the \$110-per-share offer price. As of October 20, Qualcomm has only tendered 3.6% of shares where 80% is needed to close the deal.

Meanwhile, Broadcom made an unsolicited \$103 billion offer for Qualcomm on November 6. Based on [similar valuations](#), Broadcom's offer undervalued Qualcomm and sources have noted that Broadcom may [increase](#) its offer for Qualcomm from \$70 to \$77 per share after rejection by Qualcomm's board. Reports also note that Broadcom is expected to continue soliciting Qualcomm shareholders in a bid to [stop](#) Qualcomm's acquisition of NXP, as Broadcom seeks to remain relevant by incorporating Qualcomm's technologies in the cellular industry.