

# Intel buying German chipmaker's wireless unit

The Associated Press

NEW YORK (AP) -- Intel Corp. is buying the wireless communications unit of Germany's Infineon Technologies AG for \$1.4 billion in cash, the second deal in as many weeks that allows the chipmaker to expand beyond the struggling personal computer market.

Intel has tried with limited success to get its chips into cell phones. It is hoping to change that by buying Infineon's wireless business, which makes chips for smart phones such as Apple Inc.'s iPhone.

It's a problem Intel is urgently trying to fix because the smart phone market is too lucrative for Intel to remain a bit player.

Intel's chips are criticized as being too power-hungry for today's smart phones. The Infineon deal would give Intel technical know-how to make chips for small devices that don't drain batteries as quickly. That expertise is particularly needed for chips built around the low-power ARM architecture, which is widely used in cell phones.

The deal, which still requires regulatory approval, is expected to close in the first quarter of 2011.

On Aug. 19, Intel announced plans to buy security software maker McAfee Inc. for \$7.68 billion in what would be the biggest acquisition in Intel's 42-year history once it gains the expected approvals. As mobile phones become increasingly enticing targets for hackers, security companies have been developing ways to protect those devices. With McAfee, Intel would be able to bake security into its mobile chips - including those from Infineon.

Both deals signal a shift away from Intel's traditional market of providing chips to power personal computers. The PC market is on shaky ground again after a robust comeback led by businesses making computer purchases they had resisted during the recession.

With its main business under pressure, Intel lowered its revenue expectation last week for the current quarter. Two major computer makers, Hewlett-Packard Co. and Dell Inc., also raised red flags recently about what is normally a robust season for sales.

Besides smart phones, Intel can use Infineon's technology in laptops, netbooks and tablets such as Apple's iPad. Analysts believe the iPad's success is chipping away at the normally strong back-to-school season for PCs.

Intel, which is based in Santa Clara, Calif., is no stranger to acquisition binges that take the company far afield of its core business - making the microprocessors that

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act as the "brains" of 80 percent of the world's PCs.

Those forays, however, haven't always been fruitful.

Intel's last stab at cracking the wireless market ended in embarrassment in 2006 when the company sold for just \$600 million a number of communications businesses it bought during a multibillion-dollar spending spree during the dot-com heyday.

That sale was an acknowledgment by Intel that it needed to focus on its core business, as a smaller rival, Advanced Micro Devices Inc., was stealing market share for chips in PCs.

That track record prompted analyst Craig Berger with FBR Capital Markets to warn that "we feel like we've seen this movie before." He said he remains skeptical of Intel's ability to execute outside of its core market.

Shares of Intel fell 32 cents, or 1.7 percent, to \$18.05 in morning trading Monday.

Infineon said that shedding the wireless business would allow it to focus on its core automotive, industrial and chip card and security divisions.

The wireless unit had revenue of \$1.17 billion (euro917 million) in the last fiscal year, which ended last September - about one-third of Infineon's total revenue.

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Moulson reported from Berlin. AP Technology Writer Jordan Robertson in San Francisco contributed to this report.

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