

RESEARCH BULLETIN

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Acquisition Rebound Lifts 2019 to Third-Largest M&A Year

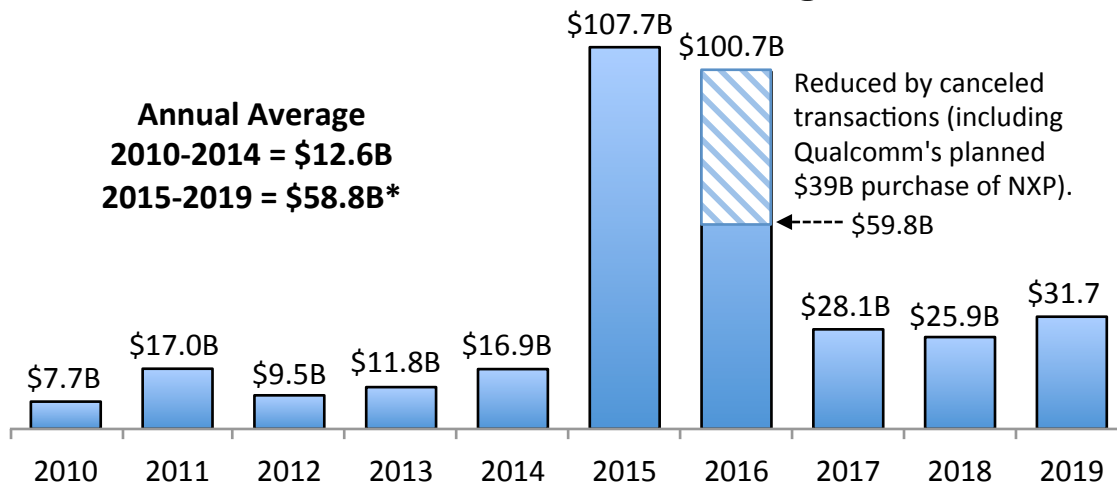
Seven major semiconductor acquisition agreements valued at \$1 billion or more increase the total value of all deals by 22% from the previous year, continuing the strong wave of M&A and consolidation among chip suppliers.

Semiconductor merger and acquisition activity strengthened in 2019 after pulling back in the two previous years from historic high levels of M&A agreements in 2015 and 2016. More than 30 semiconductor acquisition agreements in 2019 had a combined value of \$31.7 billion, which was a 22% increase from \$25.9 billion in 2018, according to data compiled by IC Insights in its new 2020 edition of *The McClean Report—A Complete Analysis and Forecast of the Integrated Circuit Industry*. The 2019 value of semiconductor acquisition agreements reached the third-highest annual total ever, but the year was still far behind 2015 and 2016 (Figure 1).

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Value of Semiconductor M&A Agreements



*2015-2019 average slips to \$50.6 billion when 2016 total is cut to \$59.8 billion.

Source: IC Insights

Figure 1

It appears the pace of semiconductor acquisitions has moved up to a “new normal” level since 2015—perhaps in the \$25-30 billion range per year—as consolidation in the chip industry quickens and large suppliers strike deals to add new products and technologies for higher growth this decade, in such areas

as machine-learning and artificial intelligence, autonomous vehicles, human recognition, computer vision, virtual/augmented reality, and high-speed wireless connections to the ever-expanding Internet of Things. M&A announcements surged in 2015 with the total value of deals hitting a record-high \$107.7 billion, followed by \$100.7 billion in acquisition agreements in 2016 (just \$59.8 billion of those transactions were completed in the following years because several major ones were dropped after failing to win approval by government regulators).

The average annual value of semiconductor M&A agreements between 2015 and 2019 is more than 4x the average in the prior five-year period (2010-2014)—more than 4.5x if \$100.7 billion is used for 2016 announcements. It is important to note that these purchase agreements cover semiconductor companies, chip divisions, business units, development teams and product lines, intellectual property (IP), process technologies, and wafer fabs. IC Insights' M&A list excludes transactions involving semiconductor capital equipment suppliers, material producers, chip packaging and testing companies, and design automation software firms.

Seven of the acquisition agreements in 2019 exceeded \$1.0 billion. Here is where those seven acquisitions rank among the 50 largest semiconductor M&A deals in history.

- #9 is now Infineon's planned purchase of Cypress Semiconductor for \$9.4 billion.
- #12 is Nvidia's \$6.9 billion deal for interconnect and networking products supplier Mellanox;
- #18 is AMS's pending \$5.1 billion takeover of optoelectronics maker OSRAM;
- #36 is Intel's \$2.0 billion purchase of AI-chip developer Habana Labs in Israel;
- Tied for #38 is NXP's acquisition of Marvell's Wi-Fi Connectivity business for \$1.8 billion;
- #45 is ON Semiconductor's \$1.1 billion purchase of Wi-Fi solutions supplier Quantenna Communications; and,
- #46 is now Apple's \$1.0 billion takeover of Intel's smartphone modem business.

Report Details: *The 2020 McClean Report*

Additional details on semiconductor M&A agreements and other trends within the IC industry are provided in *The McClean Report—A Complete Analysis and Forecast of the Integrated Circuit Industry* (released in January 2020). A subscription to *The McClean Report* includes **free** monthly updates from March through November (including a 200+ page *Mid-Year Update*), and **free** access to subscriber-only webinars throughout the year. An individual-user license to the 2020 edition of *The McClean Report* is priced at

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