

Abu Dhabi to Buy Chartered Semi, Seeking to Challenge Top Chip Firms

By Se Young Lee and P.R. Venkat
Publication: The Wall Street Journal
Published: September 8, 2009

SINGAPORE -- Abu Dhabi's Advanced Technology Investment Co. agreed to buy Chartered Semiconductor Manufacturing Ltd. for US\$1.8 billion in cash, in a deal that would create a chip foundry that could better compete with Taiwan's leading contract-chip manufacturers.

This is the second major investment by Abu Dhabi in the semiconductor industry after the creation of Globalfoundries, a U.S.-based joint venture with Advanced Micro Devices Inc., in March this year.

In a joint statement Monday, the companies said ATIC is offering 2.68 Singapore dollars (US\$1.86) for each Chartered share, slightly higher than the Singapore chip foundry's Friday closing price of S\$2.66.

The deal also will include the exchange of debt and convertible redeemable preference shares of about S\$3.1 billion.

People familiar with the situation said in May that Singapore state-owned investment company Temasek Holdings Pte. Ltd. was considering an offer from ATIC for its entire 62% stake in Chartered.

On Monday, the Abu Dhabi company and Chartered said Temasek fully supports the acquisition by ATIC and will vote in support of the transaction.

Chartered executives said during a teleconference with analysts that it will effectively act as a combined entity with Globalfoundries if the deal proceeds as expected and closes during the fourth quarter of 2009, though Chartered and Globalfoundries will remain separate legal entities.

ATIC Chief Executive Ibrahim Ajami said during a briefing that the combined production capacity of the two companies will represent the second largest in the world, and that ATIC would consider folding the two companies into a single company.

Globalfoundries has been facing an uphill battle against No. 1 player Taiwan Semiconductor Manufacturing Co. and second-ranked United Microelectronics Corp., both based in Taiwan. Globalfoundries currently has just one manufacturing base, in Dresden, Germany, and has a weak client base, with just AMD as its primary customer.

By adding Chartered, analysts said, Globalfoundries would gain access to a broader set of clients such as Broadcom Corp. and Qualcomm Inc. That could position a combined company for growth utilizing a US\$4.2 billion plant Globalfoundries is building in New York state, which could be fully ramped up as early as 2012. The combined entity would have a global footprint spanning three continents, potentially making Globalfoundries increasingly competitive with TSMC and UMC in the contract-chip manufacturing market.