

Abu Dhabi's ATIC to buy Chartered Semiconductor

CHALLENGER: Advanced Technology Investment Co will merge the Singaporean firm with Globalfoundries Inc to create a rival to United Microelectronics Corp

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Abu Dhabi agreed to buy Singapore's state-controlled Chartered Semiconductor Manufacturing Ltd for S\$2.5 billion (US\$1.8 billion) to create a challenger to the world's second-biggest maker of customized chips.

Advanced Technology Investment Co (ATIC), an investment company owned by Abu Dhabi, will pay S\$2.68 (US\$1.86) a share in cash for Chartered Semiconductor, ATIC said in a Business Wire statement yesterday. That compares with the closing price of S\$2.66 on Sept. 4, and is 14 percent more than the company's 30 trading-day volume weighted average price.

Singapore's Temasek Holdings Pte, owner of about 62 percent of Chartered Semiconductor, backs the deal.

Abu Dhabi plans to combine the maker of chips used in Microsoft Corp's Xbox 360 game console with Globalfoundries Inc, a venture that ATIC created with Advanced Micro Devices Inc last year. Temasek is ending a 22-year investment in the unprofitable company, which has eliminated workers and cut overtime to reduce costs.

"This deal makes a lot of sense," said Steven Pelayo, an HSBC Holdings Plc analyst in Hong Kong who has rated Chartered's stock "neutral" since March. "This presents a formidable threat to other players and really does start to change the competitive landscape much more quickly than I thought."

Chartered Semiconductor, which was halted in Singapore trading yesterday, has more than doubled this year.

Chartered Semiconductor was created in 1987 as a venture including Singapore Technologies Engineering Ltd, another Temasek holding, and first sold shares to the public in 1999. It is the world's third-biggest maker of customized chips. Temasek is Singapore's state investment firm.

"This announcement puts an end to the long history of speculation regarding Temasek's desire to exit its investment in Chartered," Manjesh Verma, an analyst at Nomura Holdings Inc, wrote in a note. "From a credit perspective, Chartered will continue to benefit from a strong parent, given the support from the AA rated Abu Dhabi government backing the company."

Globalfoundries chief executive officer Doug Grose will run the combined operations, ATIC said. Chartered Semiconductor CEO Chia Song Hwee will be chief operating officer and will be in charge of integrating the operations.

The Chartered Semiconductor purchase will add 11.3 percent of the custom-chip market to Globalfoundries, according to iSuppli data, which doesn't rank Globalfoundries.

Hsinchu-based United Microelectronics Corp ([UMC](#)), with 14.1 percent market share in the first quarter, trails Taiwan Semiconductor Manufacturing Co ([TSMC](#)), which commanded 49 percent of the market, according to a June 8 iSuppli report.

The deal is valued at about S\$5.6 billion, including debt and convertible redeemable preference shares as of June 30, ATIC said.