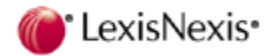


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**THE WALL STREET JOURNAL**  
*The Wall Street Journal*

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**SECTION:** TECHNOLOGY; Pg. B9

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**HEADLINE:** **Broadcom to Buy NetLogic For Network-Chip Growth**

**BYLINE:** By Don Clark

**BODY:**

Broadcom Corp. announced its biggest-ever acquisition, a \$3.7 billion deal for NetLogic Microsystems Inc. that is designed to sharply boost Broadcom's position in chips for networking equipment.

The Irvine, Calif., company offered \$50 a share for NetLogic, a chip maker in Silicon Valley that went public in 2004. That is a 57% premium to NetLogic's closing price on Friday.

Broadcom already makes chips that handle switching inside networking gear, including some equipment where its products work alongside NetLogic's chips. But Broadcom gets the bulk of its revenue from more consumer-oriented applications, like chips for TV set-top boxes and those that manage Wi-Fi and Bluetooth communications in smartphones and tablet-style computers.

NetLogic's chips handle chores that include inspecting data packets to help direct their routes over the Internet and to check for security problems, said Scott McGregor, Broadcom's chief executive. His company considered designing such chips itself, he said, but decided that buying NetLogic would more quickly expand what Broadcom calls its infrastructure business.

"This more than doubles our market opportunity," Mr. McGregor said in an interview.

Analysts noted that Broadcom is paying a lot for that opportunity. NetLogic's shares have never traded above \$44. And the company has mainly reported losses under generally accepted accounting principles, in large part because of charges associated with past acquisitions.

NetLogic's shares leapt 51%, or \$16.21, to \$48.12 at 4 p.m. Monday on the Nasdaq Stock Market. Broadcom shares fell 38 cents, or 1.1%, to \$33.06 on the Nasdaq.

But Craig Ellis, an analyst at Caris & Co., argued that NetLogic is soundly profitable excluding those acquisition-related charges and should expand Broadcom's networking-chip sales by about 25%, boosting annual revenue to about \$2 billion.

"It really puts Broadcom's infrastructure business in a league of its own," Mr. Ellis said.

Rick Whittington, who tracks the companies for Drexel Hamilton, added that the deal could help Broadcom compensate for stiff competition from companies like Qualcomm Inc. in cellphone chips and, increasingly, Altera Corp. in the networking field. "To me this is a defensive acquisition," he said.

Ron Jankov, NetLogic's president and chief executive, said during a conference call that he expects sales of his company's chips will accelerate with Broadcom's sales force.

"I think we paid the right price," said Eric Brandt, Broadcom's chief financial officer.

The \$3.7 billion price tag announced by Broadcom is net of NetLogic's cash and short-term investments, which stood at nearly \$220 million as of June 30. Broadcom said it expects to have about \$4.2 billion in cash at the end of the third quarter.

Boards of both companies have approved the deal, which is expected to close in the first half of next year. Broadcom predicted the deal would add about 10 cents a share to earnings on an adjusted basis in 2012.

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Matt Jarzemsky and John Kell contributed to this article.

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**NOTES:**

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