

DE BRAUW BLACKSTONE WESTBROEK

A blog by Arne Grimme – The failed Qualcomm/NXP bid in 5 Delft tile wisdoms



For centuries, Delft blue ceramic tiles, decorated with a few words of wisdom, could be found hanging on walls in every Dutch home. Often walking the line between cliché and timeless, tile wisdoms relied on simple and undeniable truths that provided easily-digestible food for thought in an ever more complex world. A few select maxims from these tiles stand out - so what better way to share what's on my mind, as the dust settles on Qualcomm's failed bid for NXP.

1. *"When the cat's away, the mice dance on the table"* — For all the economic sense a combination of Qualcomm and NXP would have made on a global scale, in legal terms there is no such thing as a global market. The deal had to be cleared by a host of national regulators within their respective - and often competing - legal, economic and political contexts. In this case, there was never a cat to start with, and some of the mice brought full battle gear to the table.
2. *"He who throws a pitch should expect the ball back"* — After announcing the new U.S. tariffs on steel and aluminium which sparked an ever-escalating trade war with, in particular, China, Donald Trump famously tweeted that trade wars are good, and easy to win. As the U.S. keeps piling on tariffs - which China cannot mirror given the U.S.-China trade deficit - [China may resort to other means](#). It is widely assumed that withholding merger clearance for Qualcomm's acquisition of NXP was a ball China pitched right back at the U.S. What the final score will be when the dust settles is anyone's guess.
3. *"Money doesn't make you happy, but it does help"* — As Qualcomm [announced](#), it paid USD 2 billion to NXP as a break fee after failing to obtain merger clearance for the deal. This is one of the largest break fees paid in M&A history. The biggest break fee ever paid was the USD 4 billion that AT&T paid to T-Mobile in 2011. I assume that this USD 2 billion break fee softens some of the disappointment at NXP's side - no doubt it does help.
4. *"A long road makes a tired man"* — Days after Qualcomm pulled the plug on its NXP bid, NXP [acknowledged](#) that 21 months - a long road indeed - in limbo had taken its toll on NXP and its stakeholders: deal fatigue was widespread, and the pending takeover bid

suppressed NXP's stock price, impacted trade relations, halted add-on acquisitions and created uncertainty among employees. Among other things, NXP has announced a EUR 5 billion share buy-back to compensate shareholders for the lost opportunity to sell their shares to Qualcomm at a premium.

5. *"After rain comes sunshine"* — NXP strongly believed in the merits of a merger with Qualcomm. That said, most commentators argued that Qualcomm always needed the deal more, and all signs are that NXP is happy to continue its journey on a stand-alone basis for now. De Brauw has been on NXP's side since it spun off from Royal Philips in 2006. We advised on its key transforming deals with STMicroElectronics, its IPO, its merger with Freescale, the divestments of the Standards Products business and the RFP Power business to JAC, and now the failed Qualcomm bid. All in all, it has been an amazing ride for NXP and we are proud to have been at NXP's side for all those years. I hope we can accompany NXP as it takes its next steps towards the future.