



Tsinghua Unigroup's Quest to Become Global Chips Leader

BEIJING, CHINA, December 1, 2015 /EINPresswire.com/ -- Watch out Intel (NASDAQ: INTC), China's Tsinghua Unigroup is planning to spend \$47 billion within the next five years in its efforts to become the world's third largest chipmaker through overseas acquisitions and domestic development. The top three market leaders are currently Intel, Samsung, and Qualcomm (NASDAQ: QCOM), respectively. The top five chipmakers control over 90% of the \$355 billion global chip market.

Boosting China's emerging chip industry as opposed to relying on Western technology is seen as a strategic priority for the Chinese government, which has made it a tactical priority to digitizing and modernizing its army to match other advanced militaries. China's chip capacity got a significant boost after the 2011 tsunami and ensuing series of earthquakes in Japan when much of Japan's capacity moved to China, South Korea, and Taiwan.

Tsinghua plans to boost its NAND industry in China by any means necessary. NAND chips are used for storage of music, pictures, and data on mobile devices. Its' plans include a \$12 billion investment in a new memory-chip plant in China to meet the ever growing demand for NAND memory chips in China and elsewhere. According to Tsinghua's Chairman Zhao Weiguo, "The next five years is key...there is an enormous market out there." Indeed, Tsinghua Unigroup's \$47 billion investment could disrupt the entire chip industry given that that outlay is within the range of Intel's \$55 billion total revenue for the entire 2014 fiscal year.

In its quest for third place in the global chip market, Tsinghua has backed away from its costly June 10th non-binding proposal to privatize 21Vianet (NASDAQ: VNET) at \$23.00 per ADS. Its' much smaller \$350 million privatization deal of Xueda (NYSE: XUE) at \$5.50 per ADS is on track to close during the fourth quarter of this year.

Zhao stated earlier this summer that the company controlled by Tsinghua University was in talks with a US-based company involved in the chip industry, indicating that a deal could be struck within weeks. Tsinghua gained a quite a bit of attention with its attempt to buy US-based Micron Technology (NASDAQ: MU) for \$23 billion, which would have been the largest Chinese takeover of a US company had it succeeded.

While buying a majority stake in Micron was not likely because of its sensitivity for the US government, Zhao indicated that it would be too hard for Tsinghua to be a major player in the chip industry without being a "top-three giant." He cited reports that China imports more chips than crude oil each year.

Back in June when the Micron deal was first proposed, the Committee on Foreign Investment in the United States (CFIUS) refused the takeover outright because they consider Micron a strategically important company for the United States. Even Senator John McCain raised national security concerns upon hearing of the potential takeover. Micron shareholders similarly held a dim view of Tsinghua's \$23 billion takeover offer, believing \$21 per share significantly undervalued the company.

During the last couple of years, Tsinghua has spent over \$9 billion to become China's largest chip

design company through a steady series of acquisitions, most recently acquiring a 25% interest in Taiwan's Powertech Technology for \$600 million and a 15% stake in US-based Western Digital for \$3.8 billion. The company is still believed to be "stalking" Micron.

Despite the setback with Micron, Tsinghua still isn't done. Part of its focus has shifted to SanDisk (NASDAQ: SNDK) and by extension Toshiba through its Western Digital (NASDAQ: WDC) stake. Both companies deal in NAND flash storage technologies. In a deal announced in October, Western Digital, with the influence of Tsinghua, announced a \$19 billion deal to buy SanDisk for roughly \$19 billion in cash and stock. Only time will tell if this complex deal gets pushed through the pipeline.

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