

ON Semiconductor To Buy Fairchild In \$2.4B Cash Deal

By **Maya Rajamani**

Law360, New York (November 18, 2015, 3:23 PM EST) -- Arizona-based ON Semiconductor Corp. on Wednesday said it will buy chipmaker Fairchild Semiconductor International Inc. in an all-cash deal valued at about \$2.4 billion, adding to the flurry of companies making deals in the semiconductor industry this year.

The two companies said that ON Semiconductor will snap up Fairchild for \$20 per share, as both look to expand in the industrial, automotive and smartphone end markets.

“The combination of ON Semiconductor and Fairchild creates a power semiconductor leader with strong capabilities in a rapidly consolidating semiconductor industry,” ON Semiconductor President and CEO Keith Jackson said in a statement. “Our plan is to bring together two companies with complementary product lines to offer customers the full spectrum of high-, medium- and low-voltage products.”

Jackson said that the deal will immediately add to ON Semiconductor’s non-generally accepted accounting principles earnings per share and has the potential to “significantly” increase the company’s free cash flow, adding that it will be an “excellent opportunity” for its shareholders.

In connection with the deal, the two companies said that ON Semiconductor will start a cash tender offer to acquire Fairchild’s outstanding shares of common stock. After the shares are accepted for payment, the merger will take place, and any shares that aren’t tendered in the offer will be converted into the promised \$20 per share in cash.

ON Semiconductor said that it will fund the deal with cash from the two companies' balance sheet, as well as \$2.4 billion of new debt.

The proposed deal, which has been unanimously approved by both companies’ boards of directors and is expected to close in the second quarter of 2016, is the latest in a busy year for the semiconductor industry, with semiconductor deal value alone surging 175 percent from a year earlier, as of Oct. 21.

On Oct. 21, California-based Lam Research Corp. joined the mergers and acquisitions wave, outlining plans to snap up semiconductor and LED inspection and metrology technology company KLA-Tencor Corp. in a cash and stock deal worth \$10.6 billion.

Surging semiconductor deal value is a side effect of consolidation in the sector, as companies look to the

future and hunt for newer technology expected to help power the so-called Internet of Things, Steve Camahort, a Shearman & Sterling LLP partner and a deputy group leader of the firm's M&A practice, told Law360 in October.

Earlier in October, California-based Microsemi Corp. stepped into the dealmaking arena, challenging Skywork Solutions' planned \$2 billion acquisition of fellow chipmaker PMC-Sierra Inc. with its own \$2.4 billion bid.

In September, connectivity solutions provider Mellanox Technologies Ltd. inked an \$811 million acquisition of Israel-based chipmaker EZchip Semiconductor Ltd, and Silicon Precision Industries Co. Ltd. attempted to ward off a 35 billion New Taiwan dollar tender offer from Taiwanese chip packaging and testing firm Advanced Semiconductor Engineering Inc.

Adding to the activity in September, semiconductor supplier Diodes Inc. rolled out a \$400 million deal for Pericom Semiconductor Corp. in an effort to boost product offerings, the companies said at the time.

Deutsche Bank AG is acting as the lead financial adviser to ON Semiconductor.

A Morrison & Foerster LLP team led by San Francisco partner Eric McCrath and Washington, D.C. partner Lauren Bellerjeau, with assistance from San Francisco finance partner Jeff Kayes, served as legal adviser to ON Semiconductor. Bank of America Merrill Lynch is also acting as a financial adviser to ON Semiconductor.

Deutsche Bank and Bank of America Merrill Lynch are providing committed debt financing for the transaction.

Goldman Sachs acted as exclusive financial adviser to Fairchild, along with a Wachtell Lipton Rosen & Katz team including corporate partners David C. Karp and Ronald C. Chen, corporate associates Ian A. Nussbaum and Amanda A. Stein, antitrust partner Damien G. Didden, executive compensation and benefits partner Andrea K. Wahlquist and associate Michael J. Schobel, finance partner Gregory E. Pessin and associate Brian J. Bolin, tax partner T. Eiko Stange and tax associate Michael B. Love, which served as legal adviser to Fairchild.

--Additional reporting by Chelsea Naso. Editing by Stephen Berg.