MarketWatch

Intel's wireless move draws praise, skepticism

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SAN FRANCISCO (MarketWatch) -- Intel Corp.'s acquisition of Infineon's wireless business was seen as a bold offensive in a rapidly growing market, but some analysts were skeptical about the tech giant's ability to quickly emerge as a strong competitor in that sector.

Intel's INTC, -0.03% $1.4 billion purchase of Infineon's wireless unit turns the Santa Clara, Calif.-based company into a bigger player in the expanding market for chips for devices such as smart phones and tablets.

But any potential benefits to Intel will inevitably depend on the bellwether's ability to successfully expand beyond its core business, focused largely on the personal-computer market, analysts say.

With the Infineon deal, Intel is seen going head to head with other makers of mobile chips, led by Qualcomm Inc. QCOM, +0.55% Broadcom Corp. BRCM, -0.41% and Marvell Technology MRVL, -0.22%

"Execution risks loom as Intel does not have a great track record of success outside of its core Intel Architecture CPU [microprocessor] markets," FBR Capital analyst Craig Berger wrote in a note.

The Infineon deal also follows Intel's $7.7 billion bid for McAfee Inc. MFE, +0.90% which was also viewed as strategically aimed at the mobile market where security is becoming a growing concern.

Citing Intel's strong cash position, Charter Equity Research's Edward Snyder wrote: "All that money hasn't stopped Intel from stumbling through failure after failure in wireless, but it does give it another crack."

However, FBR's Berger noted the risk that "Intel's management could get distracted" as it tries to balance its expansion efforts in the mobile-computing market with its core PC-chip business.

"Intel's efforts here are a 'show-me' story, as we feel like we have seen this movie before and generally remain skeptical of Intel's ability to execute outside of core CPU market," he said.

Berger was referring to the fact that Intel once owned a cell-phone chip business, called Xscale, which it sold to Marvell in 2006.

Intel ramped up its bid to go after new markets with the introduction of its Atom processor. The chip was aimed at new mobile devices that are smaller than a notebook PC, but bigger than a smart phone.

But so far, Intel has had limited success in the mobile-computing area, where chips based the more energy-efficient ARM Holdings PLC ARMH, -0.06% technology remain dominant.

The Infineon deal could change that, analysts say, even though investors are likely to be wary of the transaction's immediate impact on the company's finances, especially in light of growing concerns about tech demand, according to some analysts. Last week, Intel lowered its sales forecast, citing a weaker-than-expected consumer PC demand.

"While we expect to hear pushback from investors on this deal, we believe Intel needs the Infineon deal if it intends to participate in emerging mobile computing," wrote analyst Mahesh Sanganeria of RBC Capital Markets.

Snyder of Charter Equity Research also pointed to the potential benefit of the Infineon deal for Intel, saying in a note: "The synergies with Infineon and the road map for Atom look encouraging, but it will all come down to execution. We will soon find out."
