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UPDATE 2-Japan's Murata to buy Peregrine Semiconductor for \$465 mln

Fri, Aug 22 2014

- * Deal worth \$471 mln including shares already held by Murata
- * Offer of \$12.50/shr at 62.5 pct premium to Thursday's close
- * Murata expects deal to strengthen its radio frequency business
- * Expects deal close by end-2014 or early 2015 (Adds analysts' comments, details)

By Lehar Maan

Aug 22 (Reuters) - Japan's Murata Manufacturing Co Ltd said it would buy the part of U.S. radio frequency chipmaker Peregrine Semiconductor Corp it does not already own for \$465 million in cash, as it looks to strengthen its RF business.

The \$12.50 per share offer is at a premium of 62.5 percent to Peregrine's Thursday close of \$7.69.

The high premium is the result of a competitive bidding process, RBC Capital Markets analyst Douglas Freedman said.

Peregrine's stock rose as much as 62 percent to \$12.43, making it the biggest percentage gainer on the Nasdaq.

Murata Manufacturing is one of the world's biggest makers of ceramic capacitors - tiny parts that control the flow of electricity in a variety of products, including TVs, car engine controls and gaming consoles.

It is also one of Peregrine's top customers and sources most of its RF switch requirements from the U.S.-based company.

"Murata ... is trying to get into more sophisticated products and they need the parts that PSMI builds," Charter Equity Research analyst Edward Snyder told Reuters.

"If PSMI disappeared, they (Murata) would lose their source. Therefore, it makes sense they would buy PSMI," he added.

Peregrine has posted a loss five times in the eight quarters since it went public in August 2012. Peregrine's revenue has fallen 25 percent since touching a record high of \$63 million in the quarter ended December 2012.

When asked if rival bidders could enter the fray, JMP Securities analyst Alex Gauna speculated that chipmakers such as Qualcomm Inc, Intel Corp, Skyworks Solutions Inc and MediaTek Inc could also bid for Peregrine.

The deal will give Murata Electronics North America Inc, a wholly owned unit of Murata Manufacturing, access to Peregrine's intellectual property rights on RF silicon on insulator (SOI) technology.

SOI technology uses layers of silicon as insulation to improve the performance of chips used in smartphones and other wireless devices.

Increasing demand for internet connectivity on the move is driving sales of tablets and smartphones, which use more RF chips.

The number of smartphone users worldwide is expected to grow from 6.8 billion in the first quarter of 2014 to 9.2 billion by the end of 2019, according to a study by telecom network equipment maker Ericsson. (bit.ly/1kFCEeD)

Including Peregrine's outstanding shares already held by Murata Electronics, the deal is valued at \$471 million and is expected to close by the end of 2014 or early 2015.

Deutsche Bank and Evercore acted as financial advisers to Peregrine, while Mitsubishi UFJ Morgan Stanley was financial adviser to Murata. (Reporting By Lehar Maan and Supantha Mukherjee in Bangalore; Editing by Simon Jennings)

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