

Analysts: Potential Intel-Altera deal could be a 'win-win'

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Intel is reportedly in talks to buy Altera, a deal that analysts say could benefit both chipmakers.

The deal would provide Intel with a new business line and bring new production work to its cutting-edge factories, analysts said. For Altera, the deal would help it expand its business in the fast-growing data-center market -- and, depending on the final price, could be a boon to shareholders.

"It could be a win-win," said Ed Snyder, a financial analyst with Charter Equity Research.

The Wall Street Journal and Bloomberg separately reported Friday that Intel is in talks to acquire Altera. It wasn't clear from the reports how much Intel would pay or how close the talks were to an actual deal. Altera is valued at \$13.36 billion after seeing its shares rise 28 percent Friday amid news of the possible acquisition.

In response to inquires from this newspaper, representatives from both companies declined to comment.

But some analysts have been touting a potential deal between the two companies for years because they believed the chipmakers would work well together.

Altera designs field programmable gate arrays, or FPGAs, a kind of chip that can be programmed to perform a variety of functions and are typically used in conjunction with CPUs to speed up processes such as video compression or encryption. Intel doesn't make FPGA chips of its own but signed a deal in 2013 to start making high-end FPGAs for Altera.

By buying the company, Intel would be able to make not just those top-end chips but all the chips in Altera's line, most of which are currently manufactured by Intel rival Taiwan Semiconductor Manufacturing, said Christopher Rolland, a financial analyst with FBR. Intel could also work to integrate Altera's FPGAs with its own CPUs on single chips, which could give it a leg up in producing processors for data centers, Rolland said.

Boosting its data center business would be an important way for Intel to diversify its business away from PC's, where demand has dropped.

Teaming up with Intel could benefit Altera as well, and not just because of the windfall that shareholders could see from the deal, analysts said.

The lion's share of Altera's sales come from chips used in cellphone towers and other telecommunications applications, but that area has seen inconsistent demand over the past several years. Sales plunged in 2012 and fell again in 2013 before recovering somewhat last year. And the market for cell towers is likely to start falling next year, said Tristan Gerra, a financial analyst with Robert W. Baird. By contrast, data centers represent a big opportunity for Altera's chips, and the company could gain from Intel's strong presence in the market, Gerra said.

Of course, how much either company would benefit from the deal will depend a lot on how much Intel pays for Altera and what kind of cost savings it can wring by acquiring it. If it pays too much or if there is too little in the way of cost savings, investors might see little return from the deal.

"The devil's in the details," said FBR's Rolland.

Staff reporter Pete Carey contributed to this report. Contact Troy Wolverton at 408-840-4285. Follow him at [Twitter.com/troywolv](https://twitter.com/troywolv).