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TECH

Qualcomm's Future, and the Jacobs Family Legacy, Goes to a Vote

Shareholders to consider directors nominated by Broadcom, which seeks a takeover



Paul Jacobs, executive chairman of Qualcomm Inc., is trying to fend off a bid from Broadcom. PHOTO: BLOOMBERG NEWS

By *Ted Greenwald*

March 4, 2018 7:00 a.m. ET

Qualcomm Inc . [QCOM -4.27%](#) ▼ Chairman Paul Jacobs strode to the stage at the annual meeting a year ago after a marketing video boasted that the chip maker's innovations enable the inventive insurgents who are creating a new generation of connected devices.

"While that video was about insurrection, we're looking for no insurrection today," Mr. Jacobs joked to the assembled shareholders.

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ago.

Shareholders on Tuesday are expected to decide on directors nominated by Broadcom Ltd . [AVGO -0.82%](#) ▼ , which has doggedly pursued San Diego-based Qualcomm with a hostile \$117 billion bid. Securing all six seats would give the Broadcom nominees a majority on Qualcomm's 11-member board, making a takeover much more likely.

The showdown, months in the making, isn't just a clash between chip giants over whether to forge the biggest tech deal ever, but between two sides with starkly different visions for Qualcomm's future.

Qualcomm sees itself as being on the cusp of ending costly patent-royalty skirmishes with international regulators and Apple Inc . , and beginning a new chapter of innovation on the backs of investments in next-generation 5G cellular technology and an ambitious \$44 billion acquisition of chip specialist NXP Semiconductors NV.

Mr. Jacobs, 55 years old, took over as chief executive from his father, Irwin, in 2005 before passing the baton to current head Steve Mollenkopf in 2014. The younger Mr. Jacobs has been

One year later, Mr. Jacobs is trying to repel an assault that threatens to rip from him control of the company he and his father have shepherded since its inception more than 30 years

through ups and downs, including a late-2000s patent fight with Nokia Corp. , then the handset leader, and international regulators. Those skirmishes he ultimately resolved in Qualcomm's favor. Today, as board chairman, he focuses on Qualcomm's long-term opportunities.

Mr. Jacobs owns roughly 0.13% of Qualcomm. That includes public and restricted shares, some due to vest over the next few years based on performance, as well as options.

Lately, he has embraced his role in defending Qualcomm's shareholder value. He has fired off written missiles at Broadcom Chief Executive Hock Tan, rebuffing what Mr. Jacobs describes as opportunistic and grossly inadequate takeover offers for the company built by his family.

"Your proposal is inferior relative to our prospects as an independent company," he wrote in one such letter last month.

Recently, Mr. Jacobs's tone has turned more conciliatory even as Qualcomm presses Broadcom to increase by nearly 70% an \$8 billion breakup fee, which is already the largest ever offered to a target, according to Dealogic.

Mr. Jacobs, whose doctoral thesis proposed technology for autonomous vehicles, stands by his father's legacy of innovation even if it takes time to pay off. "Some things happen much more slowly than you expect," he said last year on CNBC. Eventually, he said, "they hit the critical mass, and then they take off."

The other vision, hammered by Mr. Tan since the company launched its hostile bid in November, positions Singapore-based Broadcom as the only escape hatch for shareholders who have watched Qualcomm stock languish.

In a withering presentation that highlighted Qualcomm's underperformance in recent years, Broadcom noted that Qualcomm shares had traded above Mr. Tan's \$79 bid for a total of only about three months out of their 26 years on the public market.

Mr. Tan built an acquisition machine that maximizes profits by snapping up established, top-tier products, and by selling risky businesses and paring expenses. He has placed little emphasis on 5G, insisting the coming shifts in the chip industry will be incremental, which is a far cry from the revolutions promised in Qualcomm's promotional video.

"Technological changes in semiconductors are now evolutionary," Mr. Tan said in a December interview with The Wall Street Journal. "The time of disruptive changes is very much done."



Hock Tan, chief executive of Broadcom Ltd., spoke at the New York Stock Exchange on Feb. 12. Mr. Tan's firm has been an acquisition machine, maximizing profits by snapping up established, top-tier products. PHOTO: LUCAS JACKSON/REUTERS

Months of public sniping between the two companies culminate Tuesday. If they don't to cut a deal beforehand—still possible, analysts say—the decision over who will control Qualcomm's

future goes to shareholders.

Charles Lemonides, portfolio manager of ValueWorks LLC, which has roughly 5% of its holdings in Qualcomm shares, believes the chip maker still has a bright future on its own. And he worries Broadcom ultimately will run out of merger targets to fuel continued growth.

“As a Qualcomm investor, I don’t want to be involved when that happens,” Mr. Lemonides said.

But some Qualcomm investors are tired of waiting for their shares to pay off. Tom Herzig of P.R. Herzig & Co., whose portfolio is around 2.5% Qualcomm stock, favors a takeover. That would give him an upside in excess of 20%, he said, “and I’d rather take that here and now.”

The Broadcom bid is too low, said Jerry Bruni of J.V. Bruni and Co., whose Qualcomm shares amount to roughly 4% of his firm’s holdings. Still, he thinks Qualcomm’s board needs a shake-up after years of letting its conflicts fester.

Mr. Bruni said he plans to vote for some Broadcom-nominated directors, without giving them a majority, so he can communicate “the imperative of running this company well.”

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