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EXCLUSIVE DEALS

Qualcomm Approached Intel About a Takeover in Recent Days

Deal for Intel would be massive and come as chip maker is sputtering

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Intel—once the world's most valuable chip company—has seen its shares drop roughly 60% so far this year. PHOTO: I-HWA CHENG/AGENCE FRANCE-PRESSE/GETTY IMAGES

Chip giant Qualcomm made a takeover approach to rival Intel INTC 3.31% ▲ in recent days, according to people familiar with the matter, in what would be one of the largest and most consequential deals in recent years.

A deal for Intel, which has a market value of roughly $90 billion, would come as the chip maker has been suffering through one of the most significant crises in its five-decade history.

A deal is far from certain, the people cautioned. Even if Intel is receptive, a deal of that size is all but certain to attract antitrust scrutiny, though it is also possible it could be seen as an opportunity to strengthen the U.S.'s competitive edge in chips. To get the deal done, Qualcomm could intend to sell assets or parts of Intel to other buyers.

Intel—once the world's most valuable chip company—had seen its shares drop roughly 60% so far this year before The Wall Street Journal reported on the approach. As recently as 2020, the company had a market value above $290 billion. The stock closed up over 3% Friday after the Journal's report.

Shares in Qualcomm, which has a market value of around $185 billion, closed down around 3%. Its shares had been up around 17% so far this year prior to Friday.

Qualcomm is a leading supplier of chips for smartphones, including ones that manage communications between phones and cell towers. It is one of the most critical suppliers for Apple's iPhones, among a range of other devices.

A deal would significantly broaden Qualcomm's horizons, complementing its mobile-phone chip business with chips from Intel that are ubiquitous in personal computers and servers.

Qualcomm and Intel have also sought to profit from the artificial-intelligence boom with the advent of AI features in phones and computers, although both have been overshadowed by AI chip giant Nvidia.

Both Intel and Qualcomm have become U.S. national champions of sorts as chip-making gets increasingly politicized. Intel is in line to get up to $8.5 billion of potential grants for factories in the U.S. as Chief Executive Pat Gelsinger tries to build up a business making chips on contract for outsiders.

Qualcomm, led by Chief Executive Cristiano Amon, had engaged with Intel to potentially make its chips in Intel's factories. But Qualcomm halted the effort amid technical missteps, the Journal reported last year.

Qualcomm's approach follows a more than three-year turnaround effort at Intel under Gelsinger that has yet to bear significant fruit.

For years, Intel was the biggest semiconductor company in the world by market value, but it now lags behind rivals including Qualcomm, Broadcom, Texas Instruments and AMD.

In August, following a dismal quarterly report, Intel said it planned to lay off thousands of employees and pause dividend payments as part of a broad cost-saving drive.

Gelsinger last month laid out a roadmap to slash costs by more than $10 billion in 2025, as the company reported a loss of $1.6 billion for the second quarter, compared with a $1.5 billion profit a year earlier.

Then, director Lip-Bu Tan abruptly stepped down from Intel's board in late August. His departure was a shock to many who saw him as an eventual leader of part of Intel's business, should it be split up.

Just earlier this week, Intel said it would further separate its chip-manufacturing and design operations, pause factory projects in Germany and Poland for two years and put a manufacturing project in Malaysia on hold until demand picks back up, along with a number of other measures.

The moves—including reaching a multibillion-dollar agreement in which Amazon.com's cloud-computing arm would manufacture chips at Intel factories—came after a board meeting earlier in September to discuss strategy.

Intel earlier this year began to report separate financial results of its manufacturing operations, which many on Wall Street saw as a prelude to a possible split of the company.

Some analysts have argued Intel should be split into two, mirroring a shift in the industry toward specializing in either chip design or chip manufacturing. Splitting up immediately might not be possible, however, Bernstein Research analyst Stacy Rasgon said in a recent note. Intel's manufacturing arm is money-losing and hasn't gained strong traction with customers other than Intel itself since Gelsinger opened the factories to outside chip designers three years ago.

Gelsinger has been doubling down on the company's factory ambitions, outlining spending of hundreds of billions of dollars building new plants in the U.S., Europe and Israel in recent years.

Given Intel's market value, a successful takeover of the entire company would rank as the all-time largest technology M&A deal, topping Microsoft's $69 billion acquisition of

Activision Blizzard.

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