DAS Part of Reason Tyco Picked up ADC

Tracy Ford RCR Wireless News

Distributed Antenna Systems (DAS) networks are often deployed on college campuses for both indoor and outdoor coverage. A shakeup in the wireless infrastructure segment seems certain as Tyco Electronics Ltd. (TEL) bought ADC Telecommunications Inc. (ADCT) for $1.25 billion and speculation heats up that Nokia Siemens Networks (NSN) will pick up Motorola Inc.'s (MOT) networks business, a buy that could be valued at $1.1 billion to $1.3 billion, according to the Wall Street Journal.

In announcing Tyco's purchase of ADC, the company specifically pointed to its Distributed Antenna System assets. “DAS is becoming an increasingly important enabler of capacity and quality of service, especially with the growth of broadband wireless,” said Tom Lynch CEO of Tyco, in a conference call announcing the merger.

As next-generation networks are built out, capable of delivering bandwidth-hungry applications like video, DAS networks are seen as a solution to bring better coverage inside buildings as well as offload traffic in congested areas outdoors. Further, DAS networks often do not require zoning permits, which can speed time to market for operators.

Lynch noted the combination of Tyco and ADC “creates a $3.2 billion telecom connectivity business,” including Tyco's subsea connectivity business. Without that piece, the combined company still expects to double its revenues from its telecom network solutions business. That being said, Lynch hinted that layoffs could occur, noting that Tyco expected to incur between $110 million and $130 million in closing costs, which includes severance, integration and transaction fees associated with the purchase. Tyco is paying cash for ADC, with about $1 billion coming from cash on hand and the rest from debt.

Tyco isn't that well known in the wireless space in North America; the company once owned M/A-Com, but sold it. Lynch said Tyco is strongest geographically in telecom in Europe and India, which pairs well with ADC, which is strongest in North America and Asia-Pacific.

A link-up between Motorola and NSN would be a great way for NSN to get a better toehold in the North American market, said Daryl Schoolar, principal analyst, wireless infrastructure, at Current Analysis. It's no secret that NSN wants a stronger North American presence, having tried to buy Nortel Networks Ltd. previously. Along with Motorola's CDMA and GSM assets, an acquisition would also give NSN Motorola's existing business relationships, as well as its LTE and TD-LTE assets, Schoolar noted.

Further, Motorola's networks business is profitable, Schoolar noted, even though the business was flat quarter to quarter.