Mindspeed Technologies to Acquire Picochip

Mindspeed Technologies, Inc., a leading supplier of semiconductor solutions for network infrastructure applications, announced that it is has signed a definitive agreement to acquire U.K.-based Picochip Limited, a leading supplier of integrated system-on-chip (SoC) solutions for small cell base stations, for a purchase price of approximately $51.8 million, plus a potential earnout payment of up to $25 million payable in the first calendar quarter of 2013.

The expected acquisition will create the clear market leader in small cell base station solutions for next generation mobile broadband communications infrastructure, an explosive growth market. Research firm Mobile Experts LLC predicts small cell base station shipments will grow to 24 million units by 2016, creating a market for alternative cells, which could exceed the macrocell market in terms of transceiver unit shipments during the next four years.

Together, Mindspeed and Picochip will offer the most comprehensive portfolio of base station semiconductor solutions on the market, from residential to enterprise to pico/metro applications. Through this timely combination, Mindspeed's enhanced product roadmap for single- and multi- mode 3G/4G solutions will enable it to capitalize on the rapid acceleration of the small cell wireless base station market, while also addressing comprehensive support for all 3G and 4G global air interface standards. Management estimates the total addressable market for the combined entity will grow to $3.0 billion by 2016. Management also believes technology synergies, operational synergies and opportunities for cross-selling products within each company’s customer base are substantial.

For Picochip, Mindspeed will pay cash of $27.5 million and approximately 5.19 million in new shares of Mindspeed common stock, amounting to approximately 15 percent of outstanding Mindspeed shares, for a total of $24.3 million, based upon the closing price of Mindspeed’s common stock on January 4, 2012. The cash portion of the initial purchase price will be financed in part with bank debt. The terms also include an earnout provision, whereby the purchase price can increase by up to $25 million, contingent on the achievement of certain milestones. The earnout, which is payable in the first calendar quarter of 2013, may be paid in cash, Mindspeed common stock or a combination thereof, at Mindspeed’s discretion.

The transaction has been approved by Mindspeed’s and Picochip’s boards of directors and is subject to certain closing conditions. The transaction is expected to close in the first calendar quarter of 2012. Mindspeed currently expects the acquisition, inclusive of anticipated synergies, to be accretive to non-GAAP earnings per share in the second half of calendar 2012.

“Our acquisition of Picochip establishes our position as a global leader in wireless infrastructure semiconductor solutions for next generation mobile broadband

communications," said Raouf Y. Halim, chief executive officer of Mindspeed. "It is a great strategic fit for several reasons. First, it positions Mindspeed as the clear leader in small cell base station technology with the industry's broadest small cell product offering, addressing a significantly expanded market opportunity of $3.0 billion by 2016. Second, it enhances our competitive position as we join our respective 3G/4G technologies to offer single- and multi-mode solutions that we believe will provide us a time-to-market and product performance advantage relative to competitors. Third, it gives us the scale to lead the industry's move toward fixed/mobile broadband convergence; a trend which we believe will drive revenue and earnings growth for Mindspeed in the future."

Nigel Toon, chief executive officer and president of Picochip, stated, "Mindspeed is the ideal acquirer for us. Together, we have valuable technology and customer synergies, given Picochip's carrier-qualified 3G wireless technology leadership with over 70 percent market share in 3G/high-speed packet access (HSPA) and Mindspeed's proven pathway as the long-term evolution (LTE) small cell pioneer with the Transcede® product family. Our combined resources create one of the largest SoC development groups in the wireless infrastructure sector with complementary intellectual property scale and expertise to deliver the solutions that this fast- moving market demands."

Raymond James & Associates, Inc. is acting as Mindspeed's financial advisor, and Wilson Sonsini Goodrich & Rosati, P.C. is serving as Mindspeed's legal advisor. Barclays Capital is acting as Picochip's financial advisor and Fenwick & West LLP is serving as Picochip's legal advisor.

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