

Lenovo Says RIM Bid Among Possible Options to Boost Mobile Unit  
2013-01-24 15:37:22.923 GMT

By Bloomberg News

Jan. 24 (Bloomberg) -- Lenovo Group Ltd. is assessing potential acquisition targets and strategic alliances, including a deal with BlackBerry maker Research In Motion Ltd., as the second-largest producer of personal computers tries to bolster its mobile-device business.

"We are looking at all opportunities -- RIM and many others," Chief Financial Officer Wong Wai Ming said today in an interview at the World Economic Forum's annual meeting in Davos, Switzerland. "We'll have no hesitation if the right opportunity comes along that could benefit us and shareholders."

RIM began a review of its strategic options last year after losing market share to smartphones such as Apple Inc.'s iPhone and Samsung Electronics Co.'s Galaxy, raising speculation that it could be a takeover target. Beijing-based Lenovo, which bought International Business Machines Corp.'s PC unit in 2005, is considering acquisitions and adding new products as competition from tablets hampers profit growth.

"Long term, we are in a declining PC market," said Jean-Louis Lafayeedney, an analyst at JI Asia in Hong Kong. Still, Lenovo "can leverage the scale they have in PCs to develop the mobile Internet side of the business."

The PC maker has a team working on possible acquisitions, Wong said. Lenovo has spoken to RIM and its bankers about various combinations or strategic ventures, he said. Wong declined to comment on when the company would make a decision on whether to bid for a mobile-device maker.

#### RIM's Stock

Wong said he would carefully consider valuations for all potential deals and noted that RIM's stock price has recently risen back into the double digits. RIM shares have gained 46 percent this year to \$17.29, fueled by optimism that its new BlackBerry 10 operating system will be successful.

RIM declined to comment on a possible Lenovo bid.

"We have no update on our strategic review at this time," said Nick Manning, a spokesman for the Waterloo, Ontario-based company.

Acquiring RIM would require approval from Canadian and U.S. regulators because of the size of the transaction and the fact that the company operates secure mobile networks for government agencies. Canadian Industry Minister Christian Paradis said this week that he would prefer RIM to grow "organically."

The Canadian government automatically reviews all foreign takeovers of companies with asset values of more than C\$344 million (\$344 million) to determine whether the transactions are a “net benefit” to the country. The government rejected Melbourne-based BHP Billiton Ltd.’s \$40 billion hostile takeover bid for Potash Corp. of Saskatchewan Inc. in 2010.

### Chinese Concerns

Putting RIM under Chinese ownership also would raise security questions. The company has been wary of widening its operations in China in the past over concerns about protecting its sensitive networks, Chief Executive Officer Thorsten Heins told shareholders in July.

Last October, the U.S. House Intelligence Committee urged American companies to steer clear of two other Chinese telecommunications competitors, Huawei Technologies Co. and ZTE Corp., citing concerns that the Chinese government could install malicious hardware or software in U.S. networks.

RIM also is focused on introducing the BlackBerry 10 lineup, the linchpin to its turnaround efforts. The company will unveil the phones at an event next week before putting them on sale in February and March.

While RIM’s Heins has said he’s concentrating on BlackBerry 10, he said this week that selling the company’s hardware unit is one of many possibilities being considered in its strategic review. RIM shares jumped 13 percent on Jan. 22 after he made the remarks. The company hired JPMorgan Chase & Co. and RBC Capital Markets in May to help evaluate its options.

### IBM Interest

RIM’s enterprise-services unit, seen as its most valuable asset, attracted interest from IBM last year, two people familiar with the situation said in August. As no party expressed a desire to buy all of RIM or the division that makes its phones, the company opted to wait for the rollout of BlackBerry 10 before making any decisions on a sale, one of those people said at the time.

Wong said Lenovo’s first priority is to grow organically, though the company won’t hesitate to act if a deal makes sense. Lenovo is positioning itself to be a “PC-Plus company,” spanning all the screens in a user’s office and home, he said. Lenovo is evaluating acquisitions as it looks to reinvigorate growth. Net income rose 13 percent in the three months through September, ending a 12-quarter run of gains of at least 25 percent. The company had net cash reserves of \$3.6 billion as of Sept. 30, according to its earnings statement.

## Previous Deals

Lenovo this month completed the \$147 million purchase of CCE, a Brazilian maker of computers, mobile phones and tablets. The acquisition, originally announced Sept. 5, doubled Lenovo's PC share in Brazil, boosting its market position to third from seventh. Lenovo made five additional acquisitions in 2011, including the purchase of Essen, Germany-based PC-maker Medion AG, and the PC unit of Tokyo-based NEC Corp. The company also may buy a flat-panel TV plant in China from Sharp Corp., the Nikkei reported last week. Lenovo has already made inroads into the smartphone industry. The company, which introduced its first touch-screen handset in 2010, soared to second place in China's smartphone market during the second quarter of last year, from seventh place in the first quarter. Lenovo CEO Yang Yuanqing has said he plans to build on the company's dominance in PCs in new areas, including smartphones, tablets, TVs and family entertainment. Acquisitions are "a good tool to drive the growth and building of capability," he said in an interview this month.

For Related News and Information:

Top Technology Stories: TTOP <GO>

Lenovo earnings growth: 992 HK <Equity> FA GRO <GO>

Peer product comparison: 992 HK <Equity> PPC <GO>

Lenovo price movements with events:

992 HK <EQUITY> GPCA <GO>

--Laurie Hays and Edmond Lococo, with assistance from Serena Saitto in New York and Hugo Miller in Toronto. Editors: Neil Denslow, Michael Tighe, Nick Turner

To contact Bloomberg News staff for this story:

Laurie Hays in Davos, Switzerland at +1-212-617-6517 or

[lhays1@bloomberg.net](mailto:lhays1@bloomberg.net);

Edmond Lococo in Beijing at [+86-10-6649-7507](tel:+86-10-6649-7507) or

[elococo@bloomberg.net](mailto:elococo@bloomberg.net)

To contact the editor responsible for this story:

Michael Tighe at [+852-2977-2109](tel:+852-2977-2109) or

[mtighe4@bloomberg.net](mailto:mtighe4@bloomberg.net);

Nick Turner at [+1-212-617-6783](tel:+1-212-617-6783) or [nturner7@bloomberg.net](mailto:nturner7@bloomberg.net)