Germany's Infineon to buy Cypress in 9-bn-euro deal

German chipmaker aims to grab no. 8 spot in industry

BERLIN: With an offer to take over US competitor Cypress for around nine billion euros ($10.1 billion), German chipmaker Infineon aimed yesterday to grab the number-eight spot in the industry and expand into the "Internet of Things". Infineon, a wallflower in a bout of consolidation in the semiconductor industry in recent years, said in a statement it agreed to pay $23.85 per share in cash for Cypress. "With this transaction, we will be able to offer our customers the most comprehensive portfolio for linking the real with the digital world," Infineon chief executive Reinhard Ploss said.

"This will open up additional growth potential in the automotive, industrial and Internet of Things sectors," he added. The companies currently have complementary focuses. Infineon, which spun off from the Siemens conglomerate in 1999, focuses on power semiconductors, sensors and security solutions.

California-based Cypress, which bought the Internet of Things division of Qualcomm in 2016, focuses on microcontrollers as well as software and connectivity components and flash memory.

"Combining these technology assets will enable comprehensive advanced solutions for high-growth applications such as electric drives, battery-powered devices and power supplies," they said in the joint statement. Infineon said the deal is expected to have a positive effect on earnings from the first year, with revenue growth of at least 9 percent, a double-digit increase in margins and a drop in the investment-to-sales ratio. It targets 180 million euros in annual savings by 2022, and put the long-term potential of synergies at more than 1.5 billion euros per year. The German firm said that while a consortium of banks will underwrite the funding of the acquisition of Cyprus, it intends to ultimately finance around 30 percent of the transaction with a capital increase, use some cash reserves and finance the rest with debt.

Prospects of an investor dilution prompted stock in the Munich-based group to fall 6.5 percent in morning trading to 15.04 euros, making it the worst performer on the DAX index of German blue-chip shares. The $23.85 offer price is nearly a 50-percent premium to the 30-day volume-weighted average price during the period from 15 April to 28 May, before market rumors of a deal began.

Infineon said the acquisition, which it expects could close by the end of this year following regulatory approvals as well as by Cypress shareholders, will make it the world's number eight chip manufacturer. The company, which makes about a quarter of its sales in China, has twice revised its forecasts down in the last year due to the global slowdown, and lags behind main US rivals Intel, Micron, Qualcomm, Broadcom and Samsung. Its Californian target, which has been based in San Jose since 1982, acquired in 2016 the 'Internet of Things' division of Qualcomm, which has huge potential for manufacturers. — AFP

A 32bit-processor made by German microchip manufacturer Infineon. — AFP

Gulf Bank announces winners of Al-Danah weekly draw

KUWAIT: Gulf Bank held its weekly draw on 2nd June 2019 announcing the names of the winners for the week of 26th May until 30th May 2019. The weekly draw consists of five winners who receive KD 1,000 each, every week.

The winners this week are:
Khaled Abdulaziz Abdullah Alfouzan
Halima Abduljaleel Qasem Boland
Fatemah Mohammad Rabeea Hussain Rabeea
Hamdh Jasem Ahmad Alsaad
Fatemah Shekhan Hasan Ali

Gulf Bank's second Al-Danah quarterly draw for the prize of KD 250,000 will be held on 26 June 2019, and the third quarterly draw for the prize of KD 500,000 will be held on 25 September 2019. The final Al-Danah draw for KD 1,000,000, will be held on 16 January 2020, where the Al-Danah millionaire will be announced at a live event.

Gulf Bank encourages customers to increase their chances of winning with Al-Danah by depositing more into their Gulf Bank accounts using the new ePay (Self-Pay) service, which is available on Gulf Bank's online and mobile banking services. Al-Danah offers a number of unique services to customers, including the Al-Danah Deposit Only ATM card, which allows account holders to deposit money into their accounts at their convenience. Account holders can also calculate their chances of winning the draws through the 'Al-Danah Chances' calculator available on the Gulf Bank website and app.

Gulf Bank's Al-Danah account is open to Kuwaiti and non-Kuwaiti residents of Kuwait. Customers require a minimum of KD 200 to open an account and the same amount should be maintained for customers to be eligible for the upcoming Al-Danah draws. If the customer's account balance falls below KD 200 at any given time, a KD 2 fee will be charged to their account monthly until the minimum balance is met. Customers who open an account and/or deposit more will enter the weekly draw within two days. To take part in the Al-Danah 2019 upcoming quarterly and yearly draws, customers must meet the required hold period for each draw. Furthermore, loyal Al-Danah customers are rewarded with loyalty chances. Loyalty chances are the total chances accumulated from the previous year which are added to the customer's chances the following year. Terms and conditions apply.

South African Airways CEO quits over lack of state support

JOHANNESBURG: South African Airways' CEO Vuyani Jarana has resigned after less than two years in the job, saying his turnaround strategy for the loss-making airline was being undermined by a lack of state funding and too much bureaucracy. The airline said in a statement late on Sunday that its board had accepted Jarana's resignation.

In a resignation letter dated May 29, seen by Reuters, Jarana told the chairman of the airline's board that there was a lack of progress on implementing the group's strategy.

"The strategy is being systematically undermined, and as the Group Chief Executive Officer, I can no longer be able to assure the board and the public that the LTTS (long-term turnaround strategy) is achievable," Jarana said in his resignation letter. His departure highlights the challenges facing South African President Cyril Ramaphosa as he seeks to speed up reforms at South African Airways (SAA) and other state-owned entities. They are dependent on government bailouts and are regularly cited by ratings agencies as one of the main threats to the country's economic growth. Jarana, a former executive at telecoms company Vodacom, was appointed in late 2017 to implement a strategy to return the airline to profit and wean it off government bailouts.

SAA, which has not made a profit since 2011, has drawn up a five-year turnaround plan that includes slashing costs and cancelling unprofitable routes as it grapples with cost increases that far outstrip revenue growth. Jarana, in his resignation letter, said that in March 2018, the Treasury approved the airline's turnaround plan, which required funding of 21.7 billion rand ($1.5 billion). Of that 9.2 billion rand was to cover old debt and 12.5 billion rand was for working capital requirements until 2021, he said, with the state providing the requisite funding as per the plan.

The government did inject 5 billion rand in the 2018/2019 financial year, with a big chunk of that used to fund creditors up to the end of March 2018, according to Jarana.

"We have not been able to obtain any further funding commitment from government, making it very difficult to focus on the execution of the strategy," he added. The airline has had no less than three incidents in which it was almost unable to pay salaries due to the lack of funding, he said.

The SAA board, in its statement, commended Jarana for spearheading the implementation of the long-term strategy. "On behalf of the board, I would like to thank Mr Jarana for his service and commitment to the airline. He contributed to returning confidence and credibility to the airline," Chairman Johannes Bhekumuzi Magwaza said in the statement.

Magwaza said the airline will continue to take measures to reduce its cost structure and make the airline more competitive domestically and globally. The airline, which also has a low-cost carrier, Mango, will immediately start the process of searching for a new group CEO to take the strategy forward, Magwaza added.

Jarana will step down at the end of August. Ramaphosa has been at pains to stabilize ailing firms like SAA, which weigh on confidence in Africa's most industrialized economy, but the extent of their financial difficulties has meant slow progress. Jarana's resignation comes more than a week after struggling state-owned power utility Eskom said its CEO, Phakamani Hadebe, was stepping down for health reasons after leading efforts to stabilize the highly indebted state firm. Eskom has not yet stabilised.

SAA is not helped by a slowdown in the airline industry generally, which the International Air Transport Association (IATA) highlighted in comments on Sunday. Jarana said in April that SAA had reached an agreement in principle with lenders to roll over 9.2 billion rand of debt due at the end of March this year. In his letter, Jarana said a 3.5 billion rand facility secured from local banks will be depleted in June. — Reuters

Australia promises $250 million to Solomons in face of China growth

HONIARA, Solomon Islands: Australia is to fund a $250 million (US$173 million) grants program for the Solomon Islands, Prime Minister Scott Morrison announced yesterday, as Canberra confronts growing Chinese influence in the region. Morrison, in his first overseas trip since re-election two weeks ago, unveiled the package amid talks with Solomons Prime Minister Manasseh Sogavare.

It came in a three-pronged Canberra initiative with Defence Minister Linda Reynolds and Foreign Affairs Minister Marise Payne highlighting Australia's push for economic security in the region.

The grants program, to cover a range of projects over 10 years, is designed to allow the Solomons to finance urgently-required infrastructure. Further funds will be used to help Solomon Islanders access work opportunities in Australia and an initiative to assist with rugby union development in the country.

"Australia and Solomon Islands will continue to work closely together to boost our engagement by strengthening community bonds and tackling common challenges," Morrison and Sogavare said in a joint statement. They added they were committed to "deeper cooperation" on defense and security "to make the Pacific region secure, prosperous, and stable." Morrison announced last year a multibillion-dollar package for much-needed infrastructure in the Pacific and Australia recently funded a new underwater internet cable for the Solomon Islands to lock out Chinese telecommunications giant Huawei.

The Solomons is one of a handful of nations that still recognize Taipei rather than Beijing. But with an economy hampered by declining resources, the impoverished South Pacific archipelago is being pressured to sever ties with Taiwan and join up with China's multibillion-dollar Belt and Road Initiative.

Taiwan's President Tsai Ing-wen recently urged Australia, the United States and Japan to join with Taipei in a "values-based partnership" to push back against China's growth in the Pacific. Morrison diplomatically phrased Canberra's intentions as seeking "the peaceful independence and sovereignty of all Pacific Island nations... and to address the many challenges that are present in our region."

Meanwhile, Reynolds told the Shangri-La Dialogue security conference in Singapore over the weekend that Canberra "wants to do our bit to ensure the Pacific region is resilient and it is stable. "We have a package of initiatives that are far-reaching in scope and also in ambition-security, economic, diplomatic, development and people-to-people initiatives that build on long and historic relationships and friendships," she said. Payne headed to Fiji yesterday to discuss "deepening our security, economic and people-to-people links". — AFP


Australian Prime Minister Scott Morrison (right) with his Solomons Islands counterpart Manasseh Sogavare.— AFP

Zimbabwe's mineral-backed loans may complicate talks with creditors: IMF

HARARE: Foreign loans that use minerals as collateral may complicate Zimbabwe's future negotiations with foreign creditors to restructure its $8.8 billion debt, an International Monetary Fund official said yesterday.

Unable to get funding from lenders like the IMF since defaulting on its debt in 1999, Zimbabwe has over the last five years relied on the African Export and Import Bank (Afreximbank) for mineral-backed loans. But the country still faces a dollar crunch that has led to shortages of fuel and medicines.

Zimbabwe remains in debt distress, said Gene Leon, the IMF mission chief to Zimbabwe. Its $2.6 billion arrears to the World Bank, African Development Bank and European Investment Bank prevent access to new funds from multilateral lenders. "In this context, the government has contracted external loans on commercial terms that are collateralized by mineral exports," Leon said in emailed responses to Reuters.

"While these loans can help the authorities in responding to the economic and humanitarian crisis that is unfolding, they may also complicate future negotiations with external creditors to restore debt sustainability." Leon said Zimbabwe's projections of economic growth would probably be revised in the short term because of drought and a cyclone that battered the eastern regions. The IMF forecasts the economy will shrink by 2.1 percent this year.

President Emmerson Mnangagwa, who came to power after a coup toppled Robert Mugabe in November 2017, has made clearing foreign arrears a top priority. His government has agreed an IMF staff program it hopes will help pay off multilateral lenders and Paris Club creditors next year. The central bank, which has previously said it borrowed $985 million from African lenders last year, said on May 19 it had secured $500 million from unnamed international banks. Treasury officials said the money was from Afreximbank. That loan included $100 million bridging finance in February, two treasury sources said, adding that some of the money was used to buy fuel and make "token" payments to South Africa and Mozambique for past electricity imports.

Gene told Reuters that implementing fiscal and monetary policy reforms, including the removal of exchange restrictions to stabilize the exchange rate and inflation, would be hard without external funding and after a severe drought. At 75.86 percent in April, Zimbabwe's inflation is still nowhere near the 500 billion percent reached during the hyperinflation era of 2008. But the consumer price index is at its highest in a decade and eroding incomes and savings.

Zimbabwe increased the price of fuel by nearly half last month, the second increase since January, angering citizens battling with soaring prices of basic goods. As inflation soars, the new RTGS dollar that was introduced in February continues to weaken. The currency was trading at 8 to the dollar on the black market compared with 5.52 on the official interbank market. The local currency has now depreciated by 91 percent on the black market and 121 percent on the official market since its introduction. — Reuters

Australia readies for landmark interest rate cut

SYDNEY: Australia's central bank is expected to slash interest rates to historic lows today, the first cut in three years amid global trade concerns and an underperforming domestic economy. Australia's resource-rich economy dodged the worst of the global financial crisis, but rising unemployment, low wages and below-target inflation are stoking fears about the health of the economy Down Under. Analysts and investors are almost unanimous in their view that the Reserve Bank of Australia will cut rates by 25 basis points to 1.25 percent when it holds its monthly policy meeting.

"Neither we nor the market think the Bank will stop there," ANZ analysts told clients yesterday. "Market pricing has the cash rate falling below 1 percent before the end of this year." In the 10 years since the global meltdown, the Reserve Bank of Australia has-apart from a brief burst of optimism in 2010 — steadily cut rates from a peak of 7.25 percent. Any hope of returning rates to more "normal" pre-crisis levels have been quashed by the slow global recovery and domestic headwinds. — AFP