

Ask The Analyst

Question 10:

What Is The Significance Of NXP Selling Their TV Business Division?

Answer:

In a phrase ... slow death by a thousand cuts. This is the sort of strategy only a financial analyst or accountant could rejoice in; it is yet another nail in the coffin of a once truly great semiconductor company. First goes the wireless, then the TV ... slowly but surely, step by step, drip by drip you sell off the best of the crown jewels leaving behind a less competitive structure still burdened by the same high cost and corporate infrastructure but now spread over a much smaller product base. Profitability plummets even more forcing the sale of even more assets and so the downward spiral inexorably unrolls.

The fact is you do not save your company by downsizing and selling off the good bits; you have to grow yourself out of trouble with innovation and aggressive marketing. It has always amazed me how small NXP (and Philips before) sales were given the wide and good range of products in its portfolio ... so little with so much; that is the real issue that NXP's management should be addressing, not which bits can we hive off and how much can we get for them.

Bottom line is you don't need much imagination and talent to sell off the assets, anyone can do that ... it takes vision, determination and leadership to grow a company back to profitability. Short-term these sales will no-doubt keep the KKR PE and any incentivised board managers happy but it is not in the long-term best interests of the firm. The losers will be all the engineers and other talent in the firm, and the wasted Dutch Government investments over the years. Alas here goes NXP down the well-trodden path to oblivion.