

IBM sells chip unit but bleeds money

NEW YORK, USA: IBM reported a collapse of its third-quarter profits because of the \$4.7bn cost of offloading its micro-chip business to GlobalFoundries.



GlobalFoundries has bought IBM's semi-conductor business and will be paid \$1.5bn for taking over the patents, intellectual property and manufacturing facilities. Image: [Poughkeepsie Journal](#)

The computer services company said that it was paying \$1.5bn in cash to semi-conductor experts GlobalFoundries to take over the chip unit.

IBM also published results for the third quarter, showing that net profit had fallen by 99.6% from the equivalent figure last year to \$18m, down from slightly more than \$4.0bn a year ago.

Although the cash payments will be made over three years, IBM is taking a \$4.7bn pre-tax charge in its financial results for the third quarter of 2014.

This covers the cash payment and all related charges and costs for getting rid of the costly unit.

Under the deal, GlobalFoundries will purchase and operate existing IBM semi-conductor manufacturing operations and factories in East Fishkill, New York and Essex Junction, Vermont.

GlobalFoundries will emerge from the move as the largest semi-conductor technology manufacturer in the US.

Patents, IP sold with semi-conductor business

As part of the agreement, GlobalFoundries will gain thousands of patents and other intellectual property, making it the holder of one of the biggest semi-conductor patent portfolios worldwide.

It will also become IBM's exclusive provider of semi-conductor technology for servers for the next decade.

GlobalFoundries will obtain IBM's commercial micro-electronics business, which includes ASIC and specialty foundry, manufacturing and related sales and operations.

With this sale, IBM will focus more narrowly on its service activities.

"The agreement expands our long-standing collaboration, which began when GlobalFoundries was created in 2009," IBM Senior Vice President and Director of Research John Kelly said in a statement.

"This purchase enables IBM to focus on fundamental semi-conductor and material science research, development capabilities and expertise in high-value systems, with GlobalFoundries' leadership in advanced technology manufacturing with a commitment to delivering future semi-conductor technologies."

IBM was one of the last major companies in its sector to hold the entire production cycle, from conceptualisation to manufacturing and commercialisation but in recent years, the group has gradually shed many of its industrial activities to focus on service instead.



IBM's John Kelly says the sale of its semi-conductor business will allow the company to focus on research, development and delivering services. Image: [AERTC](#)

Source: AFP via I-Net Bridge

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