

Samsung to buy car  
tech firm harman for  
\$8 billion in south  
korea's biggest  
overs...

[Business](#), [Company](#)



Samsung Electronics announced an \$8 billion deal on Monday to buy Harman International Industries, marking a major push into the auto electronics market and the biggest overseas acquisition ever by a South Korean firm.

The electronics giant previously shunned big acquisitions, and the latest deal underscores a strategic shift as the company tries to break into the high-barrier automotive industry where it has little track record.

" An M&A deal this big is a first for us. But it shows that under Jay Y. Lee, the company is changing and open to new ways to grow," a source familiar with the deal told *Reuters* , referring to Samsung Electronics' vice chairman.

The purchase of the Stamford, Connecticut-based maker of connected car and audio systems is part of Samsung's efforts to find new areas of growth as its mainstay smartphone business -- scarred by the disastrous withdrawal of the fire-prone Galaxy Note 7 -- slows.

Automakers already include or are developing technologies to enhance safety and provide better smartphone connectivity and entertainment systems, creating an opening for tech companies to break into a market for software, services and components.

Samsung agreed to acquire Harman for \$112. 00 per share in cash, a 28 percent premium to the U. S. firm's closing price on Friday.

" Samsung is using its huge cash pile to pull ahead of rivals in the autotechnology market. But it remains to be seen whether Harman will be able to grow into a company that will be able to compete with the likes of

Bosch and Continental," said HDC Asset Management fund manager Park Jung-hoon.

Harman's products, which provide infotainment, telematics, connected safety and security services, are used in more than 30 million vehicles made by automakers such as BMW, Toyota Motor Corp. and Volkswagen, according to its website.

Harman, the maker of JBL audio system, earns around two thirds of its revenue from the automotive-related segment, and its automotive order backlog as of end-June stood at \$24 billion, more than three times annual sales of \$6.9 billion in fiscal year 2016.

Samsung created an automotive electronics business team a year ago to identify growth opportunities in the sector. This year it invested \$450 million in Chinese automaker and rechargeable batteries firm BYD Co. Ltd.

Separately, Samsung has held talks with Fiat Chrysler Automobiles (FCA) over a potential sale or partnership for the latter's Magneti Marelli auto parts maker, sources have said. The current status of those talks is unclear.

The Harman acquisition is subject to regulatory approvals and is expected to close in mid-2017.

The deal was announced a day after media reports said Lee and several other heads of South Korea's family-owned conglomerates were questioned by prosecutors investigating a political scandal engulfing South Korean President Park Geun-hye.

<https://assignbuster.com/samsung-to-buy-car-tech-firm-harman-for-8-billion-in-south-koreas-biggest-overseas-deal/>

(Reporting by Hyunjoo Jin and Miyoung Kim; Editing by Edwina Gibbs and Jacqueline Wong)