

Technology sector

Insider information allegations rock French chipmaker sale

Shareholders try to annul deal for Dolphin Integration assets



Missile manufacturer MBDA is part of a joint venture aiming to buy Dolphin Integration's assets and intellectual property © PA

Aliya Ram in London APRIL 11, 2019

Shareholders in Dolphin Integration, a listed French chip designer that fell into administration last year, are trying to block the sale of its assets, alleging in court that two Dolphin directors fed inside information to the buyer ahead of the deal.

Aldini, a Swiss bank that owned 2 per cent of Dolphin, is trying to persuade a French court to annul the deal, with the support of four other shareholders.

Dolphin, which was listed on the Euronext exchange, designs microchips that run on low levels of power. It reported a 17 per cent rise in sales to €17.7m in the year to March 2018, but said in June that an important order had been postponed, causing a “liquidity risk”.

In July 2018, its management team said the business had entered administration and announced a week later it was working on a plan to keep the business going.

Four weeks later a deal was announced, and approved by a French commercial court, to sell its

assets and intellectual property to a joint venture formed by one of its rivals, Soitec, a listed €2.5bn chip company, and one of its major customers, the missile manufacturer MBDA.

Before the sale of its assets, a representative of Soitec and a representative of MBDA both sat on Dolphin's board. The board member from MBDA resigned from Dolphin in June, according to filings, shortly before the deal to buy the assets was announced.

Legal filings from Aldini claim that the €200,000 deal to buy Dolphin's assets was based on information supplied by these two board directors.

Daniel Baumslag, director of Aldini, said the information could have included financial data that were not shared publicly after Dolphin postponed the publication of its most recent financial accounts.

"There is a big concern about the directors having access to information and that shareholders weren't given an opportunity to come in and inject funds," said Robert de By, a partner at Connon Wood, the law firm representing Aldini.

Mr Baumslag complained that shareholders had not been given an opportunity to inject fresh capital into Dolphin before the deal was announced. "The only time we found out was when we came back from the beach and saw there was an offer for the intellectual property and assets," he said.

MBDA and Soitec bought Dolphin Integration's intangible assets such as patents and goodwill, as well as its Canadian and Israeli subsidiaries.

Legal responses from both companies rejected the allegations. MBDA described the allegations about the two directors as "far-fetched" while Soitec said they were "delaying tactics". Both pointed to a previous attempt by other shareholders to annul the deal.

Both companies declined to comment on the case to the FT.

The Dolphin Integration dispute is the second of its kind to centre on information allegedly made available to bidders by representatives on a target company's board of directors. The two cases have raised questions about the governance of bankrupt businesses during the administration process.

French reinsurer Scor [has sued](#) Barclays after a botched takeover bid by Covéa, a French mutual insurer, demanding it hand over hundreds of pages of confidential documents allegedly obtained by Covéa's chief executive, who at that time had a seat on Scor's board.

Michel Depeyrot, founder and chairman of Dolphin Integration, said the company expressed a

need for cash “repeatedly” at shareholder assemblies, but this did not materialise.

“The company was too short of time for any alternate solution to provide a capital increase in view of the cash position,” Mr Depeyrot added. “All shareholders and interested investors, who approached the company officially for information disclosure, were given a fair treatment and corporate managers spent numerous days and a number of business visits with them, most of the time in the presence of their lawyers, in France and outside.”

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