

Renesas Sued In Chancery Over \$315M Merger Payments

By **Donald Morrison**

Law360 (March 7, 2024, 6:12 PM EST) -- A representative for shareholders of an Israel-based software company have hit Renesas Electronics Corp. with a contract suit in Delaware Chancery Court accusing the Japanese semiconductor maker of failing to pay "earnout" milestones after it merged with the software company in December 2021.

Shareholder Representative Services LLC unsealed the heavily redacted suit on Wednesday on behalf of Celeno Communications Corp. shareholders accusing Renesas of missing two out of four milestone payments that were supposed to be paid in the years after the merger based on certain performance milestones.

"Renesas has compounded these contract breaches by refusing to even discuss the disputed milestones with the equityholder representative, contrary to the merger agreement's express mandate that it do so in 'good faith.'" the complaint said. "The court should hold Renesas to its bargain."

Celeno, which was founded in 2005 by Gilad Rozen and is based in Ra'anana, Israel, provides Wi-Fi chipsets and software solutions for smart buildings and industrial markets. According to the complaint, a letter of intent for Renesas to acquire Celeno for \$315 million, with a \$31 billion market capitalization, was completed in March 2021.

Shareholder Services said that Celeno stuck with the merger even after Renesas asked for an extension request due to a fire at its Naka factory in Japan, cautioning that the fire could have "a very large impact" on Renesas' ability to supply chips to automakers.

It also said Celeno turned down two acquisition offers that were financially superior to Renesas' proposal, based on the trust generated in previous conversations.

"Celeno's good faith accommodations of Renesas' extension request and unfortunate manufacturing situation renders the parties' present dispute all the more disappointing," the complaint said.

The complaint alleges that Renesas missed the second and fourth milestone payments out of four and that Renesas has since ghosted Celeno shareholders' attempt to discuss or retrieve the missing payments.

Renesas — which provides semiconductors for automotive, industrial, home electronics, office automation and information communication technology applications — has made a relatively aggressive

acquisition push in the past six years.

Last month, it agreed to buy automation software company Altium Ltd. for roughly \$9.1 billion Australian dollars (\$5.9 billion) as it looks to bolster its electronics design product offerings. And in 2018, the company entered into a \$6.7 billion deal for Integrated Device Technology Inc., expanding Renesas' presence in the automotive and industrial sectors.

Shareholder Services' suit alleges four counts of breach of contract and seeks a redacted sum to cover the two missing milestone payments, plus attorney fees and court costs.

Counsel for the Shareholder Services and representatives for Renesas and Celeno were not immediately available for comment on Thursday.

Counsel information for Renesas was not immediately available on Thursday.

The shareholders are represented by Rudolf Koch, Daniel E. Kaprow and Morgan R. Harrison of Richards Layton & Finger PA.

The case is Shareholder Representative Services LLC v. Renesas Electronics Corp., case number 2023-1106, in the Court of Chancery of the State of Delaware.

--Editing by Rich Mills.