Special Report

Broadcom Inc's acquisition of VMware

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Broadcom-VMware Deal

Bringing together two engineering-first, innovation-centric cultures

ABOUT BROADCOM

- Broadcom Inc., based in San Jose, California, is a global technology leader specializing in the design, development, and provision of a diverse array of semiconductor and infrastructure software solutions. Broadcom holds a leading position in the industry.

- Their product portfolio serves critical markets, including data center, networking, enterprise software, broadband, wireless, storage, and industrial applications.

- Broadcom's solutions span data center networking and storage, enterprise software, mainframe and cybersecurity software, smartphone components, and contributions to telecoms and factory automation.

- Broadcom expresses confidence that merging with VMware will intensify competition in the cloud sector, ultimately benefiting enterprise customers.

- Following are the financial advisors for Broadcom Inc:

BofA SECURITIES

CREDIT SUISSE

citi **BARCLAYS**

ABOUT VMWARE

- VMware provides multi-cloud services for all applications, facilitating digital innovation with enterprise control.

- Serving as a trusted foundation for accelerating innovation, VMware's software offers businesses the flexibility and choices required to shape the future.

- The company is dedicated to leveraging the next wave of innovation and addressing customers' most challenging issues through disruptive technologies such as edge computing, AI, blockchain, machine learning, Kubernetes.

- VMware's solutions encompass App Modernization, Building and Deploying Apps on the Cloud, App Networking, Security.

- Broadcom has strategic plans to integrate some of its additional software businesses with VMware, consolidating them under the unified brand name "VMware."

- The new VMware, as part of Broadcom, to offer enterprise customers greater choice and flexibility to address the most complex IT infrastructure challenges

- Following are the financial advisors for VMware:
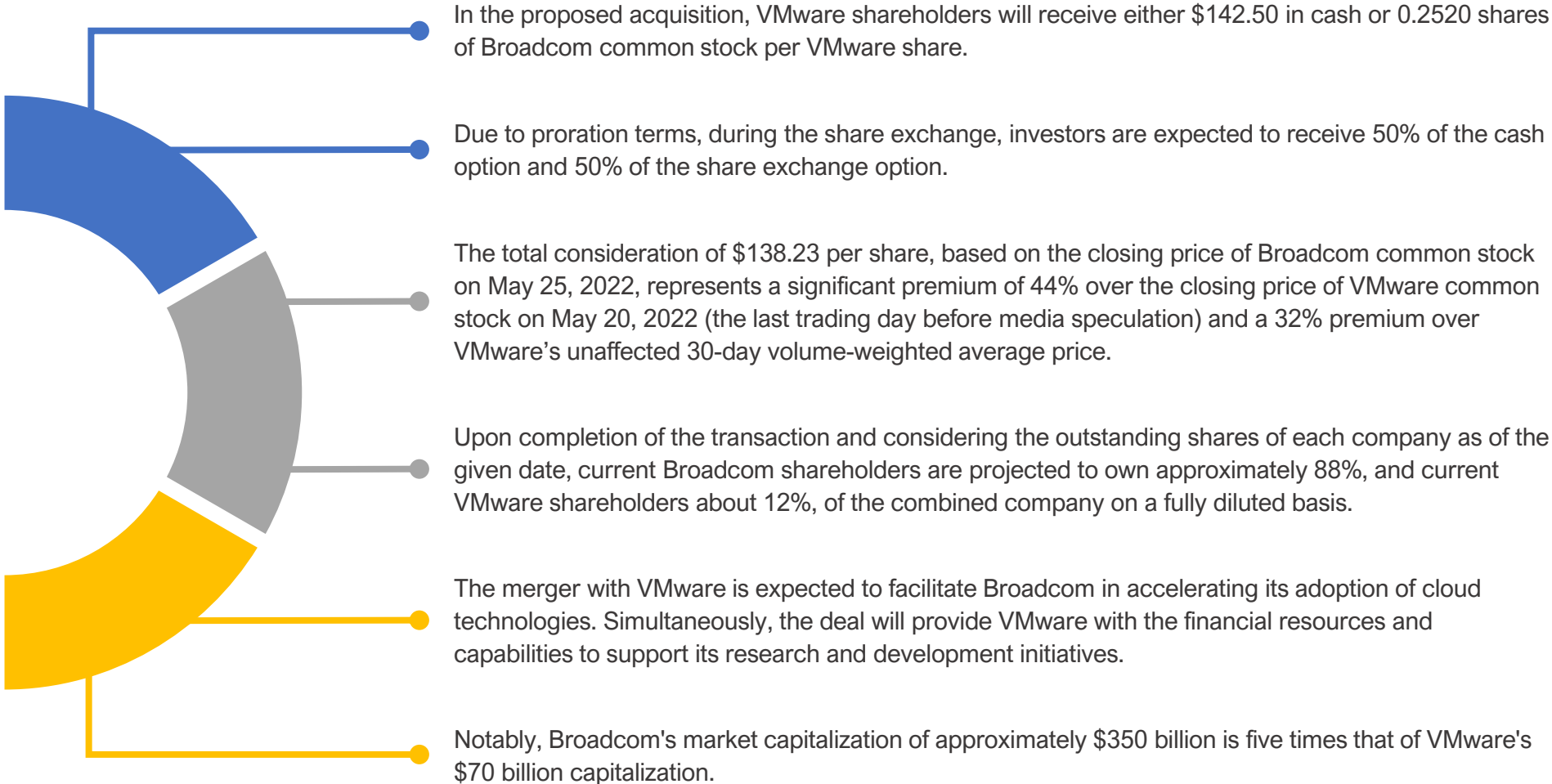
Goldman Sachs **J.P.Morgan**

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Broadcom Acquisition of VMware

Broadcom to Acquire VMware for Approximately $61 Billion in Cash and Stock

DEAL AT A GLANCE

In the proposed acquisition, VMware shareholders will receive either $142.50 in cash or 0.2520 shares of Broadcom common stock per VMware share.

Due to proration terms, during the share exchange, investors are expected to receive 50% of the cash option and 50% of the share exchange option.

The total consideration of $138.23 per share, based on the closing price of Broadcom common stock on May 25, 2022, represents a significant premium of 44% over the closing price of VMware common stock on May 20, 2022 (the last trading day before media speculation) and a 32% premium over VMware's unaffected 30-day volume-weighted average price.

Upon completion of the transaction and considering the outstanding shares of each company as of the given date, current Broadcom shareholders are projected to own approximately 88%, and current VMware shareholders about 12%, of the combined company on a fully diluted basis.

The merger with VMware is expected to facilitate Broadcom in accelerating its adoption of cloud technologies. Simultaneously, the deal will provide VMware with the financial resources and capabilities to support its research and development initiatives.

Notably, Broadcom's market capitalization of approximately $350 billion is five times that of VMware's $70 billion capitalization.

Source: *Aranca Research*

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Deal Strategy & Synergy

Advanced strategy to build the world's leading infrastructure technology company.

The collaboration with VMware is anticipated to propel Broadcom's software scale and growth prospects, resulting in a pro forma revenue exceeding $40 billion, with software revenue contributing 49%. Broadcom aims to achieve an additional pro forma EBITDA of around $8.5 billion from the acquisition within three years post-closing.
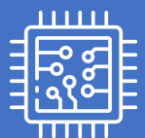
This acquisition enables VMware to access the hardware layer and benefit from the long-term stability associated with Broadcom's hardware business.

VMware is expected to accelerate adoption of Broadcom's core cloud infrastructure for modern enterprises, with a product portfolio featuring vSphere for server virtualization, vSAN for data storage virtualization, vRealize cloud management platform offering automation, analytics, and life cycle management for private cloud workloads and the Tanzu platform addressing modern application management.

The acquisition of VMware by Broadcom is poised to significantly enhance the scale of Broadcom's software business, solidifying its position as a leading provider of mission-critical platform solutions to global enterprises.

The strategic move anticipates strengthened ties with enterprise customers, leveraging VMware's market leadership and presence among Fortune 500 firms. Broadcom aims to generate revenue synergies through upselling and cross-sell opportunities, aligning with its broader software expansion strategy.

The synergy between the two entities is expected to extend into the data center realm, potentially involving the development of ARM, RISC, or x86-based machines that integrate seamlessly with the VMware layer.

Source: Aranca Research

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Deal Closure

Broadcom acquires VMware on 23rd Nov 2023.

- The $69 billion acquisition deal between Broadcom and VMware was successfully completed as of November 23, 2023.

- This landmark deal signifies a noteworthy shift in the tech industry, bringing together hardware and software capabilities.

- The acquisition deal, spearheaded by Broadcom CEO Hock Tan, encountered various challenges, leading to multiple delays attributed to extensive global regulatory reviews.

- Notably, recent diplomatic engagements between the US and China played a pivotal role in easing geopolitical tensions, contributing significantly to the successful completion of this acquisition.

On completion of the acquisition, VMware will operate under four specialized divisions led by the following:

- **VMware Cloud Foundation**: Krish Prasad, SVP and General Manager.
- **Tanzu**: Purnima Padmanabhan, VP and General Manager.
- **Software-Defined Edge**: Sanjay Uppal, VP and General Manager.
- **Application Networking and Security**: Umesh Mahajan, VP and General Manager.

- The merger holds the promise of improving enterprise application management and protection, introducing new flexibility and functionality in private and hybrid cloud environments.

- However, it also presents the challenge of integrating diverse corporate cultures and technological frameworks. Navigating this integration process will require careful consideration, but it holds immense potential for shaping the future of enterprise technology.

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Investment Research & Analytics
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