

Deal of the Week: Broadcom to Buy Brocade Comm for \$5.5B

Announcement Date	<ul style="list-style-type: none"> November 2, 2016 	
Acquirer	<ul style="list-style-type: none"> Broadcom Limited (NASDAQ: AVGO) 	
Acquirer Description	<ul style="list-style-type: none"> Designs, develops, and supplies a range of analog and digital semiconductor connectivity solutions Incorporated in 2005 and headquartered in Singapore 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$69.8 billion EV: \$80.2 billion LTM Revenue: \$10.9 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$4.2 billion LTM EV / Revenue: 7.3x LTM EV / EBITDA: 19.2x
Target Company	<ul style="list-style-type: none"> Brocade Communications Systems, Inc. (NASDAQ: BRCD) 	
Target Description	<ul style="list-style-type: none"> Provides storage area networking (SAN) and Internet protocol (IP) networking solutions for businesses and organizations worldwide Founded in 1995 and headquartered in San Jose, California 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$5.0 billion EV: \$5.4 billion LTM Revenue: \$2.3 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$489.7 million LTM EV / Revenue: 2.4x LTM EV / EBITDA: 11.0x
Acquirer Advisor	<ul style="list-style-type: none"> Bank of Montreal 	
Target Advisor	<ul style="list-style-type: none"> Evercore Partners 	
Price / Consideration	<ul style="list-style-type: none"> \$5.5 billion 	<ul style="list-style-type: none"> Cash
Rationale	<ul style="list-style-type: none"> Broadcom is acquiring Brocade for technology that links computer-storage systems and allows the fast transfer of data, the company said in a statement. It will sell off Brocade's other networking-equipment businesses to avoid competing with its existing customers "This strategic acquisition enhances Broadcom's position as one of the leading providers of enterprise storage connectivity solutions" to original equipment manufacturers, Hock E. Tan, the Broadcom president and chief executive, said Upon closing, the transaction is expected to add immediately to Broadcom's adjusted free cash flow and earnings per share, the company said. Broadcom anticipates the new business will add about \$900 million to adjusted EBITDA in fiscal 2018. Broadcom also increased its long-term operating margin target to 45% from 40%, Chief Financial Officer Tom Krause said 	
Deal Points	<ul style="list-style-type: none"> Broadcom will pay \$12.75 a share for Brocade in an all-cash transaction valued at about \$5.5 billion, plus \$400 million in net debt. This represents a 47% premium to Brocade's closing share price on Friday, before Bloomberg reported the deal was in the works 	
Of Note	<ul style="list-style-type: none"> The deal came more than a year after Avago Technologies agreed to acquire Broadcom for \$37 billion and took the Broadcom name The chip industry has had a wave of acquisitions, with more than \$100 billion in deals in the last two years 	