

## Deal of the Week: Marvell to Buy Cavium for \$6B

Announcement Date	<ul style="list-style-type: none"> <li>November 20, 2017</li> </ul>	
Acquirer	<ul style="list-style-type: none"> <li>Marvell Technology Group Ltd. (NASDAQ: MRVL)</li> </ul>	
Acquirer Description	<ul style="list-style-type: none"> <li>Designs, develops, and markets analog, mixed-signal, digital signal processing, and embedded and standalone integrated circuits, with market segments including the enterprise, cloud, automotive, industrial and consumer markets</li> <li>Founded in 1995 and headquartered in Hamilton, Bermuda</li> </ul>	
Acquirer Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$11.8 billion</li> <li>EV: \$7.5 billion</li> <li>LTM Revenue: \$2.4 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$502.8 million</li> <li>LTM EV / Revenue: 3.1x</li> <li>LTM EV / EBITDA: 14.9x</li> </ul>
Target Company	<ul style="list-style-type: none"> <li>Cavium, Inc. (NASDAQ: CAVM)</li> </ul>	
Target Description	<ul style="list-style-type: none"> <li>Designs, develops, and markets semiconductor processors for intelligent and secure networks in the United States and internationally</li> <li>Offers processor and board level products targeting routers, switches, appliances, storage and servers</li> <li>Founded in 2000 and headquartered in San Jose, California</li> </ul>	
Target Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$6.1 billion</li> <li>EV: \$5.2 billion</li> <li>LTM Revenue: \$865.9 million</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$79.4 million</li> <li>LTM EV / Revenue: 6.0x</li> <li>LTM EV / EBITDA: NM</li> </ul>
Acquirer Advisor	<ul style="list-style-type: none"> <li>Goldman Sachs</li> </ul>	
Target Advisor	<ul style="list-style-type: none"> <li>Qatalyst Partners and JPMorgan</li> </ul>	
Price / Consideration	<ul style="list-style-type: none"> <li>\$6 billion</li> </ul>	<ul style="list-style-type: none"> <li>Cash and stock</li> </ul>
Rationale	<ul style="list-style-type: none"> <li>"This is an exciting combination of two very complementary companies that together equal more than the sum of their parts," Matt Murphy, Marvell president and chief executive, said</li> <li>Marvell's main business is in chips that control hard disk drives, a market that's no longer growing as new technology begins to take over data storage</li> <li>A buyout of Cavium would give a boost to the networking ambitions of Marvell, which has clients such as network giants Cisco Systems and Juniper Networks</li> <li>The deal was expensive but necessary to help both companies compete with the giants of the semiconductor industry, including Intel, Qualcomm and Broadcom</li> <li>The companies expect to save as much as \$175 million within 18 months of closing the deal</li> </ul>	
Deal Points	<ul style="list-style-type: none"> <li>Marvell's offer of \$84.15 represents a premium of 11% to Cavium's Friday close</li> <li>Marvell will offer \$40 per share in cash and 2.1757 of its shares for each Cavium share; Cavium shareholders will own 25% of the combined company</li> <li>The chipmaker plans to fund the deal with a combination of cash on hand from the combined companies and \$1.75 billion in debt financing (\$850 million bridge loan commitment and a \$900 million committed term loan from Goldman Sachs and Bank of America)</li> </ul>	
Of Note	<ul style="list-style-type: none"> <li>Monday's announcement follows Broadcom's \$105 billion bid for rival chip maker Qualcomm. The offer was rejected, with Qualcomm arguing it was too low, setting the stage for a takeover battle</li> </ul>	