

Deal of the Week: NVIDIA to Buy Arm for \$40B

Announcement Date	<ul style="list-style-type: none"> September 13, 2020 	
Acquirer	<ul style="list-style-type: none"> NVIDIA Corporation (NASDAQ: NVDA) 	
Acquirer Description	<ul style="list-style-type: none"> Operates as a visual computing company worldwide whose products are used in gaming, professional visualization, datacenter, and automotive markets Sells its products to original equipment manufacturers, original device manufacturers, system builders, add-in board manufacturers, retailers/distributors, Internet and cloud service providers, automotive manufacturers and tier-1 automotive suppliers, mapping companies, start-ups, and other ecosystem participants Founded in 1993 and headquartered in Santa Clara, CA 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$309.2 billion EV: \$305.9 billion LTM Revenue: \$13.1 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$4.4 billion LTM EV / Revenue: 23.4x LTM EV / EBITDA: NM
Target Company	<ul style="list-style-type: none"> Arm Limited 	
Target Description	<ul style="list-style-type: none"> Provides cloud services and internet of things (IoT) solutions Arm is best known as the designer of an architecture used in chips in most mobile phones, including the Qualcomm chips used in most Android phones, as well as Apple's iPhone Focuses on design and development of computer processors, memory controllers, internet protocol system, audio, video and audio, graphic processor, security, and storage devices Owned by Japanese conglomerate SoftBank Group Founded in 1990 and headquartered in Cambridge, UK (US HQ: San Jose, CA) 	
Target Financial Statistics (Privately held)	<ul style="list-style-type: none"> Mkt Cap and EV: NA LTM Revenue and EBITDA: NA 	<ul style="list-style-type: none"> LTM EV / Revenue: NA LTM EV / EBITDA: NA
Price / Consideration	<ul style="list-style-type: none"> \$40 billion 	<ul style="list-style-type: none"> Cash and stock
Rationale	<ul style="list-style-type: none"> The combination brings together NVIDIA's leading AI computing platform with Arm's vast ecosystem to create the premier computing company for the age of artificial intelligence, accelerating innovation while expanding into large, high-growth markets NVIDIA will expand Arm's R&D presence in Cambridge, UK, by establishing a world-class AI research and education center, and building an Arm/NVIDIA-powered AI supercomputer for groundbreaking research "AI is the most powerful technology force of our time and has launched a new wave of computing," said Jensen Huang, founder and CEO of NVIDIA. "In the years ahead, trillions of computers running AI will create a new internet-of-things that is thousands of times larger than today's internet-of-people. Our combination will create a company fabulously positioned for the age of AI" "Arm and NVIDIA share a vision and passion that ubiquitous, energy-efficient computing will help address the world's most pressing issues from climate change to healthcare, from agriculture to education," said Simon Segars, CEO of Arm. "Delivering on this vision requires new approaches to hardware and software and a long-term commitment to research and development. By bringing together the technical strengths of our two companies we can accelerate our progress and create new solutions that will enable a global ecosystem of innovators. My management team and I are excited to be joining NVIDIA so we can write this next chapter together." Expected to be immediately accretive to NVIDIA's non-GAAP gross margin and non-GAAP EPS Represents a significant victory for SoftBank and its founder and CEO Masayoshi Son, which bought Arm for \$32 billion in 2016 	
Deal Points	<ul style="list-style-type: none"> NVIDIA and SoftBank Group Corp. (SBG) today announced a definitive agreement under which NVIDIA will acquire Arm Limited from SBG and the SoftBank Vision Fund for \$40 billion NVIDIA will pay to SoftBank a total of \$21.5 billion in NVIDIA common stock and \$12 billion in cash, which includes \$2 billion payable at signing. The number of NVIDIA shares to be issued at closing is 44.3 million, determined using the average closing price of NVIDIA common stock for the last 30 trading days. Additionally, SoftBank may receive up to \$5 billion in cash or common stock under an earn-out construct NVIDIA will also issue \$1.5 billion in equity to Arm employees NVIDIA intends to finance the cash portion of the transaction with balance sheet cash SoftBank will remain committed to Arm's long-term success through its ownership stake in NVIDIA, expected to be under 10% The transaction does not include Arm's IoT Services Group 	
Of Note	<ul style="list-style-type: none"> Largest acquisition in the history of the semiconductor industry – assuming the eventual exercise of performance-based elements, the transaction would eclipse the \$37 billion acquisition of Broadcom by Avago in 2016 As part of NVIDIA, Arm will continue to operate its open-licensing model while maintaining the global customer neutrality that has been foundational to its success 	