

Semiconductor Acquisitions Continue: Broadcom to Acquire Brocade

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The semiconductor industry is seeing a historic wave of mergers and acquisitions in response to the industry's slow growth and rising costs. Over \$100 billion in deals have occurred in [two years](#) and more companies are exploring the growth-by-acquisition strategy in order to stay competitive. Notable mentions include SoftBank acquiring ARM Holdings for \$23 billion, Intel acquiring Altera for \$17 billion, and Qualcomm's recent agreement to acquire NXP Semiconductors for \$38.5 billion.

Another addition to the industry's trend is Broadcom's agreement to a \$5.5 billion cash acquisition of Brocade Communication Systems, which was unanimously approved by both companies' boards. The [acquisition](#) also includes \$400 million in debt from Brocade, thereby increasing the total value of the deal to \$5.9 billion. Broadcom's portfolio includes semiconductors for smartphones, televisions, and computer networks, while Brocade's portfolio focuses on products used to build corporate data center storage networks.

The Chief Executive Officer of Broadcom, Hock Tan, stated in the company's [announcement](#) that "this strategic acquisition enhances Broadcom's position as one of the leading providers of enterprise storage connectivity solutions" to their customers. Lloyd Carney, the Chief Executive Officer of Brocade, also [announced](#) that the acquisition would provide significant value for its shareholders and new opportunities for the company.

Broadcom and Brocade are not new to the rapid changes in the industry, having experienced some growth of their own prior to this agreement. At the beginning of this year, [Avago Technologies](#), another chip maker, acquired Broadcom and assumed its name in a cash-and-stock deal of \$37 billion. Last year, Brocade acquired Ruckus Wireless, a manufacturer of wireless network equipment in a \$1.5 billion deal. However, as a part of the deal, Broadcom will divest Brocade's [IP Networking business](#), which comes from Ruckus Wireless, due to its competitive overlap with Broadcom's customers.

Brocade investors will receive \$12.75 per share in cash, which is a 47% premium over Brocade's closing price on October 28. Brocade's stock closed November 7 at \$12.32 per share.

The high-profile deal, which is expected to close in 2017, will be subject to regulatory approval as well as the approval of Brocade's shareholders. Latham & Watkins advised Broadcom, while Evercore Partners and Wilson Sonsini Goodrich & Rosati advised Brocade.