

Broadcom's VMware buy faces scrutiny from EU regulators

Article

The news: Broadcom is the latest US tech company under investigation by the **European Commission (EC)**, for its **\$61 billion** takeover of **VMware**.

Investigation could stall the deal: A [report](#) from Reuters indicates a full-scale probe into Broadcom's acquisition of VMware, likely to be announced December 20, following initial discussions between Broadcom and the EC last week.

How we got here: Broadcom agreed in May to buy VMware, opening up multiple opportunities in corporate solutions, data center software, edge computing, and Internet of Things (IoT).

- The move is indicative of chipmakers pivoting to cloud and edge computing. In February, AMD bought Xilinx for \$49 billion.
- Broadcom, which makes an array of chips used in mobile phones and telecom networks, could expand into cloud services and enable expansion into data centers with VMware's technology.
- VMware—a cloud computing and virtualization company—has a \$40 billion market valuation and was previously a subsidiary of Dell Computers.
- The merger could help Broadcom expand into software and services with a focus on the profitable services and cloud computing market.
- VMware, which has more than 500,000 customers—including the big three in cloud, **Amazon**, **Microsoft**, and **Google**—unlocks the growing edge and IoT segment for Broadcom.

Building an IoT and edge-computing giant: The combination of Broadcom's mobile phone and telecom network chips and VMware's software positions Broadcom as a leader in data center and cloud-computing solutions.

- The deal is the second-biggest tech acquisition this year, behind **Microsoft's** monumental bid to purchase Activision Blizzard for \$68.7 billion in January. That deal is expected to close by June 2023 unless the Federal Trade Commission stops the deal.
- Broadcom indicated in October that it could convince European regulators that the merger would result in healthier competition in the cloud market.
- But VMware customers fear that Broadcom could raise prices unreasonably, which the company has denied it would do multiple times.

Delayed deals lose value: Large tech M&As are receiving heightened scrutiny, and while European regulators are taking point on ensuring that anticompetitive strategies are kept in check, other regulators are following suit.

- Delayed mergers could result in loss of business, slower integration between companies, and missed opportunities.
- The UK government's **Competition and Markets Authority** announced late in November that it was opening a preliminary inquiry into the merger.

- The US **Federal Trade Commission**, which could soon have its hands full with Microsoft, is enacting a review of Broadcom's agreement focusing on "conglomerate effects of the combination," which could be swayed by overseas regulations.

