

Broadcom's \$61B VMware acquisition points to cloud computing and IoT expansion

Article

The news: Broadcom agreed yesterday to buy VMware for \$61 billion, opening up multiple opportunities in corporate solutions, data center software, edge computing, and Internet of

Things (IoT), [per](#) the New York Times.

- Broadcom, which has steadily ramped up software acquisitions, will spend the equivalent of **\$138.23 per VMware share** in a cash-and-stock-deal, more than 40% higher than VMware's stock price before the announcement.
- The boards of both companies have approved the deal, which is expected to close during Broadcom's next fiscal year, [per](#) The Wall Street Journal.

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](#) purchase of **Activision Blizzard** for \$70 billion in January. That deal is expected to close by June 2023.
- A combination of hardware, software, and managed services would allow Broadcom to own the connective tissue of future cloud-based IoT deployments in high-growth sectors.

Broadcom is evolving: The chipmaker has been on an acquisition and expansion tear and even [tried to buy mobile chipmaker Qualcomm](#) for \$103 billion in 2017.

- Broadcom CEO **Hock E. Tan** has focused on strategic acquisitions to build up the company. Recent additions include **CA Technologies** for \$18.9 billion in 2017 and **Symantec's** security division for \$10.7 billion in 2019, further proof of its focus on enterprise software expansion.
- 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.
- VMware has focused its cloud strategy on hybrid cloud solutions, essentially helping businesses and organizations connect on-premises data centers with managed cloud platforms.

Analyst take: "5G networks have been slow to lower latency—the responsiveness of connections—but it's coming," said [Yoram Wurmser](#), principal analyst for Insider Intelligence. "Broadcom is banking that lower latency will unleash a wave of IoT applications and further boost spending on cloud and edge computing, so this acquisition makes a ton of sense for them."

What's next? With VMware's capabilities and existing enterprise customers, Broadcom can now leverage assets to become a leader in multi-cloud services and solutions.

