

Avago Technologies buying LSI for \$6.6B (Update)

December 16 2013

The chipmaker Avago Technologies Ltd. is buying LSI Corp. for \$6.6 billion to help strengthen its position in the enterprise storage market and broaden its offerings.

Shares of both companies surged Monday.

LSI shareholders will receive \$11.15 per share, a 40 percent premium to the San Jose, California, company's Friday closing price of \$7.94.

"This combination will increase the company's scale and diversify our revenue and customer base," Avago President and CEO Hock Tan said in a statement.

The transaction is expected to significantly and immediately add to Avago's adjusted earnings per share. The company, which is based in San Jose, California, and Singapore, said that it plans to fund the acquisition with \$1 billion of cash as well as a \$4.6 billion term loan from a group of banks and a \$1 billion investment from the private equity firm Silver Lake Partners.

Silver Lake Partners teamed with Michael Dell for the \$24.9 billion acquisition of Dell Inc. Avago said that Silver Lake's investment for the LSI transaction is expected to be a seven-year, 2 percent convertible note.

Avago expects \$200 million in annual operating savings by fiscal 2015's

end.

Both company's boards approved the deal, which still needs approval from LSI shareholders.

The transaction is targeted to close during the first half of 2014.

Shares of LSI jumped \$3.05, or 38.6 percent, to close at \$10.96. Avago's stock rose \$4.45, or 9.8 percent, to \$50.10.

© 2013 The Associated Press. All rights reserved.

Citation: Avago Technologies buying LSI for \$6.6B (Update) (2013, December 16) retrieved 23 June 2024 from <https://phys.org/news/2013-12-avago-technologies-lsi-66b.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.