

Chip maker Broadcom in \$5.9 bn deal to buy Brocade

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Chip maker Broadcom on Wednesday announced a \$5.9 billion deal to buy computer network company Brocade Communications Systems as consolidation continued in the semiconductor industry.

Broadcom, which has operations in both California and Singapore, said in a released statement that it would hold on to Brocade's Fibre Channel SAN operations specializing in switches for high-speed networks and storage.

Broadcom said it intended to sell other parts of Silicon Valley-based Brocade.

"This strategic acquisition enhances Broadcom's position," chief executive Hock Tan said in a release.

"With deep expertise in mission-critical storage networking, Brocade increases our ability to address the evolving needs" of customers, Tan added.

The semiconductor sector is undergoing a period of intense consolidation with increasing acquisitions and mergers.

Major industry players have been eager to increase in scale and scope to prevail in an increasingly competitive market where costs have risen while sales have declined.

US semiconductor maker Qualcomm last week announced a \$47 billion mega-deal to buy Dutch rival NXP to extend its footprint into the internet of things and the automobile sector.

In the biggest ever deal in the semiconductor market, the agreement will boost the US company amid falling mobile phone sales and stiff market competition.

Based in the Dutch town of Eindhoven, NXP is a leading maker of chips for the auto industry, as well as for contactless payment systems.

Broadcom itself was acquired last year by Singapore-based Avago Technologies in a \$37 billion deal intended to create a mobile chipmaking powerhouse.

Avago was originally a semiconductor unit of US-based Hewlett-Packard.

Broadcom's board has signed off on the Brocade acquisition, which was expected to close early next year.

Broadcom Limited shares were up more than a percent to \$171.10 in mid-day trading on the Nasdaq exchange, while Brocade leapt more than 10 percent to \$12.38.

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