



# Broadcom to Acquire Brocade

## Investor Presentation

November 02, 2016

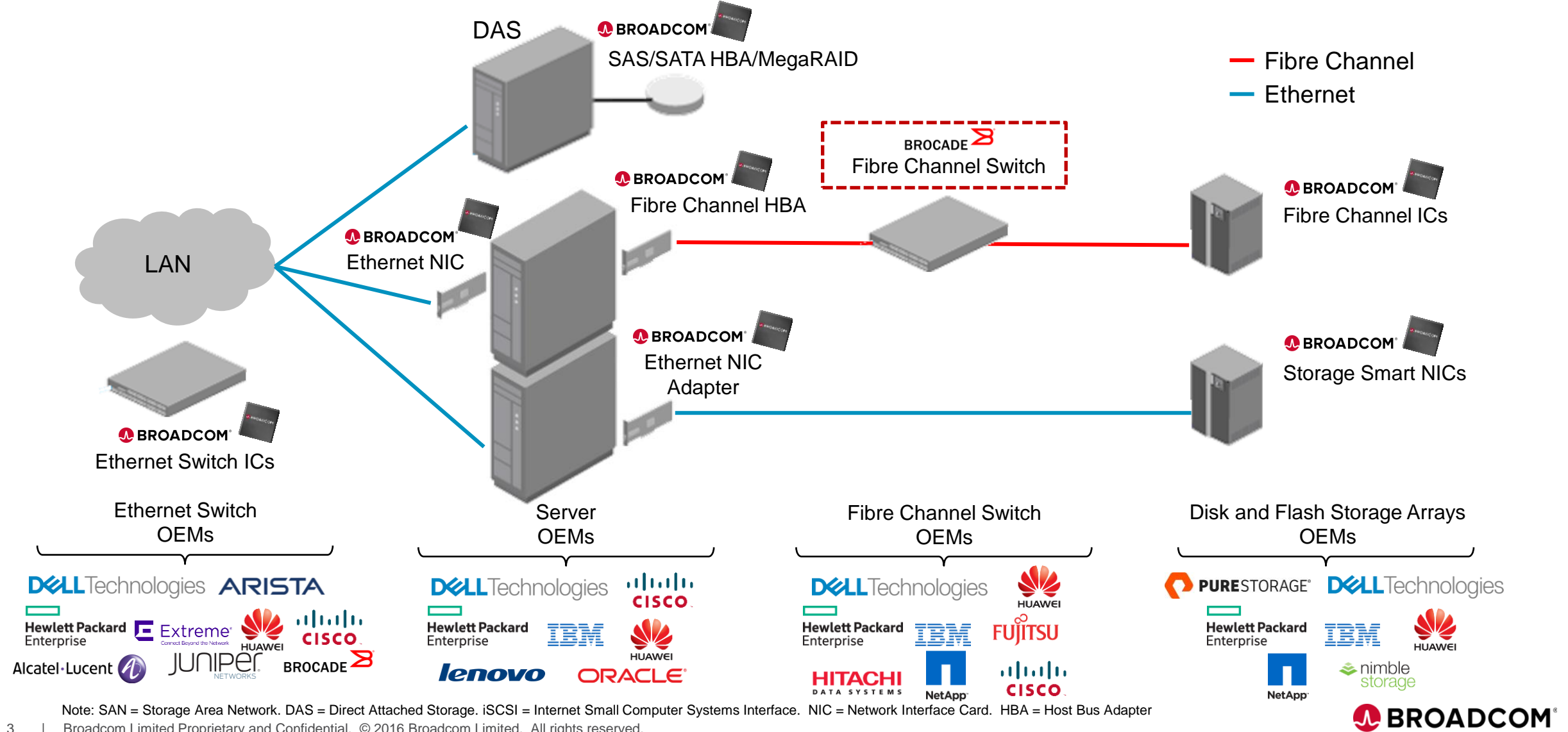


# Announcement Overview

1. Acquiring Brocade, a leader in Fibre Channel storage area network (“FC SAN”) switching and IP Networking, for \$5.9 billion
2. Broadcom to retain Brocade’s FC SAN Switching business and divest Brocade’s IP Networking business including Ruckus Wireless
3. Broadcom tightening Q4 Fiscal 2016 revenue guidance range:
  - GAAP Net Revenue expected to be between \$4.090 billion and \$4.165 billion
  - Non-GAAP Net Revenue expected to be between \$4.100 billion and \$4.175 billion, and includes \$10 million of projected licensing revenue not included in GAAP revenue, as a result of the effects of purchase accounting for acquisitions

# Highly Strategic to Broadcom Enterprise Storage Business

Brocade's Fibre Channel SAN complements Broadcom existing networking and storage portfolio



# Adds Another Key Element to Broadcom Portfolio

Brocade's Fibre Channel SAN business is consistent with Broadcom's business model



	Wireless Communications		Wired Infrastructure				Enterprise Storage			
	RF	Wireless Combo + Touch	Set-Top Box + Broadband	Ethernet Switching + PHY + NICS	ASICs	Fiber Optics	HDD / SSD ASIC	Storage Connectivity	BROCADE FC SAN	
Leading Positions	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Key Customers	  	 	 	  	 	 	  	  	 	  
% of Total Net Revenue <sup>(1)</sup>	 Current → Pro Forma	 Current → Pro Forma	 Current → Pro Forma	 Current → Pro Forma	 Current → Pro Forma	 Current → Pro Forma	 Current → Pro Forma	 Current → Pro Forma	 Current → Pro Forma	

(1) Revenue by end market based on Broadcom GAAP revenue for the six months ended July 31, 2016 and Brocade Fibre Channel SAN GAAP revenue for the six months ended July 30, 2016



# Acquisition Expected to Accelerate Achievement of New Target Operating Model

## Commentary

- FC SAN currently comprises vast majority of Brocade's non-GAAP operating profit
- Pro forma FC SAN margin profile supported by Broadcom's proven ability to efficiently restructure companies, integrate core assets and divest non-core assets
- Accretive to gross and operating margins
- Supports increase in long term operating margin target from 40% to 45%
- Drives strong cash flow generation

## Attractive Combined P&L

Non-GAAP (\$ in Billions)	BROADCOM <sup>®</sup> FQ4'16 Guidance		Combined Projected Annualized Run Rate		BROADCOM <sup>®</sup> Projected Long Term Model
	Midpoint Annualized <sup>(1)</sup>	Projected FC SAN Annualized Run Rate <sup>(2)</sup>	BROADCOM <sup>®</sup> Pro Forma FC SAN <sup>(1)</sup>		
Net Revenue	\$16.6	\$1.4	\$18.0		5% CAGR
Gross Margin	61%	77%	62%		> 60%
Operating Income	\$6.8	\$0.8	\$7.6		~45%
Operating Margin	41%	58%	42%		
EBITDA	\$7.2	\$0.9	\$8.1		~48% <sup>(3)</sup>
EBITDA Margin	44%	60%	45%		

Note: Non-GAAP data exclude, where applicable, stock-based compensation, amortization of intangible assets, restructuring charges, discontinued operations and loss on extinguishment of debt  
 (1) Projected Q4'16 non-GAAP net revenue includes \$10m of expected licensing revenue not included in GAAP revenue, as a result of the effects of purchase accounting for acquisitions. Broadcom is currently unable to provide a reconciliation of the other projected non-GAAP financial measures presented above to the relevant GAAP projected financial measures without unreasonable efforts  
 (2) Broadcom management view of current expected annualized contributions from Brocade's FC SAN business  
 (3) Depreciation estimated as ~3% of revenues

# Transaction Overview

## Purchase Price

- \$12.75 per share in cash
- \$5.5 billion equity value plus \$0.4 billion of net debt

## Sources of Financing

- New debt financing and excess cash
- Anticipate pro forma net leverage at closing of  $< 2x^{(1)}$

## FC SAN Projected EBITDA Contribution

- FY2018E projected pro forma non-GAAP EBITDA contribution of approximately \$900 million

## Approval Process

- Approval by Brocade shareholders
- Subject to certain regulatory approvals

## Expected Closing Timetable

- Expected closing in the second half of FY2017, subject to customary closing conditions

Note: Non-GAAP data exclude, where applicable, stock-based compensation, amortization of intangible assets, restructuring charges, discontinued operations and loss on extinguishment of debt  
(1) Pro forma net leverage calculated using a) pro forma LTM EBITDA based on Broadcom management's view of current expected annualized contributions from Brocade's FC SAN business, and b) pro forma net debt unadjusted for any proceeds from the divestitures of IP Networking and Ruckus Wireless

# Strategically and Financially Compelling Transaction

Strengthens position in enterprise data centers

Complements existing enterprise storage offerings

Accretive to non-GAAP gross margins and operating margins

Immediately accretive to non-GAAP EPS and free cash flow (FCF)



**Boosts FCF generation to support significant increase in future capital return**



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