

Broadcom's Acquisition of VMware: Deal Terms, Financing, and Segment Margin Validation

Reconstructed from Broadcom's 8-K, 8-K/A, and FY2023-FY2025 10-K filings

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The answer in one paragraph

Broadcom closed its acquisition of VMware on November 22, 2023 for total consideration of \$86,290 million, split roughly 62% stock (\$53,421M) / 37% cash (\$32,058M) / 1% assumed equity awards (\$811M), funded in part by a \$30,390 million floating-rate term loan facility. The final purchase price allocation (FY2024 10-K) recorded \$54,206 million of goodwill (63% of gross consideration) and \$45,572 million of identifiable intangibles, led by developed technology (\$24,156M, 8-year life) and customer relationships (\$15,239M, 8-year life). Broadcom's total debt rose from \$39,229M (FY2023) to \$65,136M (FY2025) and interest expense nearly doubled from \$1,622M to \$3,210M (peaking at \$3,953M in the FY2024 transition year), but interest coverage stayed above 7x throughout and debt/equity actually fell (1.64x to 0.80x) because \$53,421M of new equity was issued in the deal. The VMware-linked floating-rate term loans have since been fully repaid and refinanced with fixed-rate notes. Infrastructure Software segment margin, which excludes deal-related amortization/SBC/restructuring, dipped to 65.1% in the transition year (FY2024) before recovering to 76.8% in FY2025 - above the pre-deal 73.8% baseline - though this is a segment-wide (not VMware-standalone) figure, since VMware's standalone results are not separately disclosed post-close.

Deal Terms and Consideration

Each VMware common share was converted into the right to receive \$142.50 in cash or 0.2520 Broadcom shares, at the holder's election, prorated so exactly 50% of VMware shares received cash and 50% received stock (8-K, accession 0001140361-23-054354). At the deal level this produced a 62%/37%/1% stock/cash/other split of total consideration.

Merger consideration transferred (\$M)

Component	\$M	% of total
Broadcom stock issued for VMware common stock	53,398	61.9%
Cash paid for VMware common stock	30,788	35.7%
Cash to retire VMware's term loan	1,257	1.5%
Fair value of assumed VMware equity awards	805	0.9%
Broadcom stock for accelerated VMware equity awards	23	0.03%
Cash for accelerated VMware equity awards	13	0.01%
Settlement of pre-existing Broadcom-VMware relationship	6	0.01%
Total merger consideration	86,290	100%

8-K/A, accession 0001140361-24-006447; final total confirmed in FY2024 10-K, accession 0001730168-24-000139.

Closing date	November 22, 2023
Cash election	\$142.50 per VMware share
Stock election	0.2520 Broadcom shares per VMware share
Proration	Exactly 50% cash / 50% stock across all shares
Net of cash acquired	\$79,648M (total consideration less \$6,642M cash acquired)

Purchase Price Allocation

The final allocation (FY2024 10-K, accession 0001730168-24-000139) superseded the preliminary figures in the 8-K/A. Goodwill increased from a preliminary \$53,889M to a final \$54,206M, and intangible-asset lives lengthened during the measurement period (e.g. developed technology moved from a preliminary 6-year to a final 8-year life), which slows the annual amortization run-rate versus the initial estimate.

Final purchase price allocation (\$M)

Line item	Fair value (\$M)
Goodwill	54,206
Intangible assets	45,572
Trade receivables, inventory, PP&E, other tangible assets	11,144
Total assets acquired	110,922
Total liabilities assumed	-31,274
Fair value of net assets acquired	79,648

FY2024 10-K, accession 0001730168-24-000139.

Identifiable intangible assets acquired (\$M) and amortization lives

Intangible asset	Fair value (\$M)	Weighted-avg. life (yrs)
Developed technology	24,156	8
Customer contracts and related relationships	15,239	8
Trade name	1,205	14
Off-market component of customer contracts	242	2
In-process R&D	4,730	N/A (indefinite until complete)

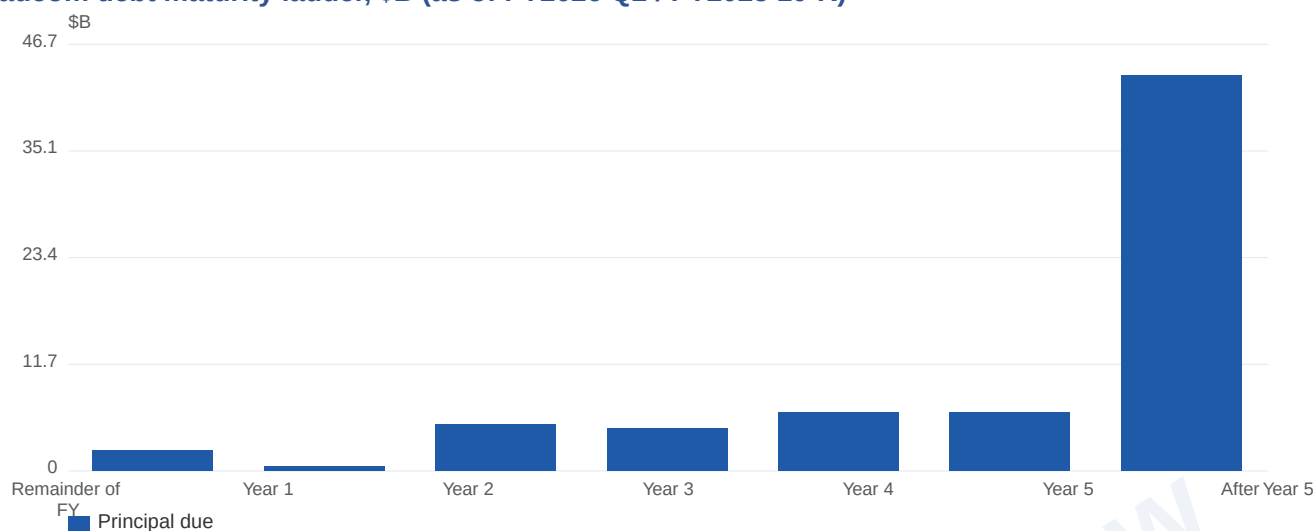
FY2024 10-K, accession 0001730168-24-000139. Goodwill (\$54,206M) is not amortized and not tax-deductible.

Debt Financing and Maturity Ladder

Broadcom funded the cash consideration via an August 15, 2023 senior unsecured term loan Credit Agreement (accession 0001140361-23-040084) plus cash on hand. At closing it drew \$30,390M of floating-rate 2023 Term Loans (Term A-2 \$11,195M, Term A-3 \$11,195M, Term A-5 \$8,000M, all SOFR-based), assumed \$8,250M of VMware's own senior notes, and paid \$1,257M cash to retire VMware's pre-existing term loan.

The 2023 Term Loans were fully retired within two fiscal years: \$11,195M (Term A-2) plus \$5,600M of Term A-3 was repaid in FY2024 using new senior-note proceeds and EUC-business sale cash (write-off of \$157M unamortized discount/issuance costs); the remaining \$13,595M was repaid in FY2025 (write-off of \$118M), replaced with fixed-rate senior notes issued in January (\$3.0B), July (\$6.0B) and September 2025 (\$5.0B) and two 3-year fixed-rate term loans (\$750M at 4.489%, \$1.0B at 4.540%, both due May 2028). None of Broadcom's VMware-linked floating-rate debt remains outstanding.

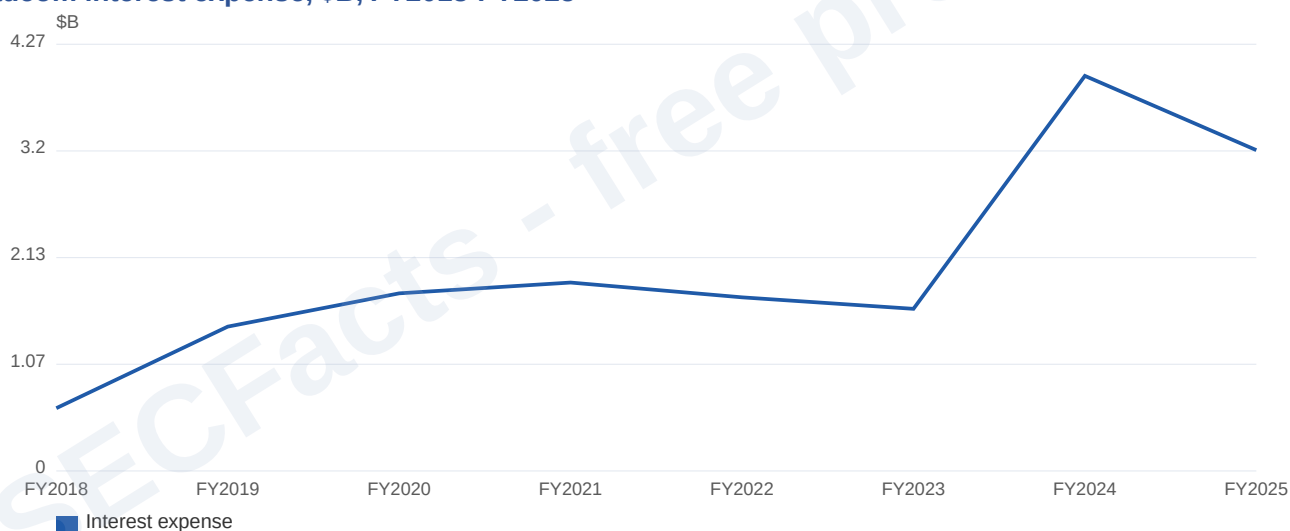
Broadcom debt maturity ladder, \$B (as of FY2026 Q2 / FY2025 10-K)



10-Q accession 0001730168-26-000054 (remainder/Y1-Y4) and 10-K accession 0001730168-25-000121 (Y5/after-Y5); ladder sums to \$68.6B vs. balance-sheet long-term debt of \$64.9B (unamortized discount/issuance costs).

Leverage and Interest Expense: Pre-Close vs. Latest 10-K

Broadcom interest expense, \$B, FY2018-FY2025



10-K filings FY2018 (accn 0001730168-20-000226) through FY2025 (accn 0001730168-25-000121); VMware deal closed Nov 22, 2023, inside FY2024.

Leverage: last pre-close 10-K (FY2023) vs. latest 10-K (FY2025)

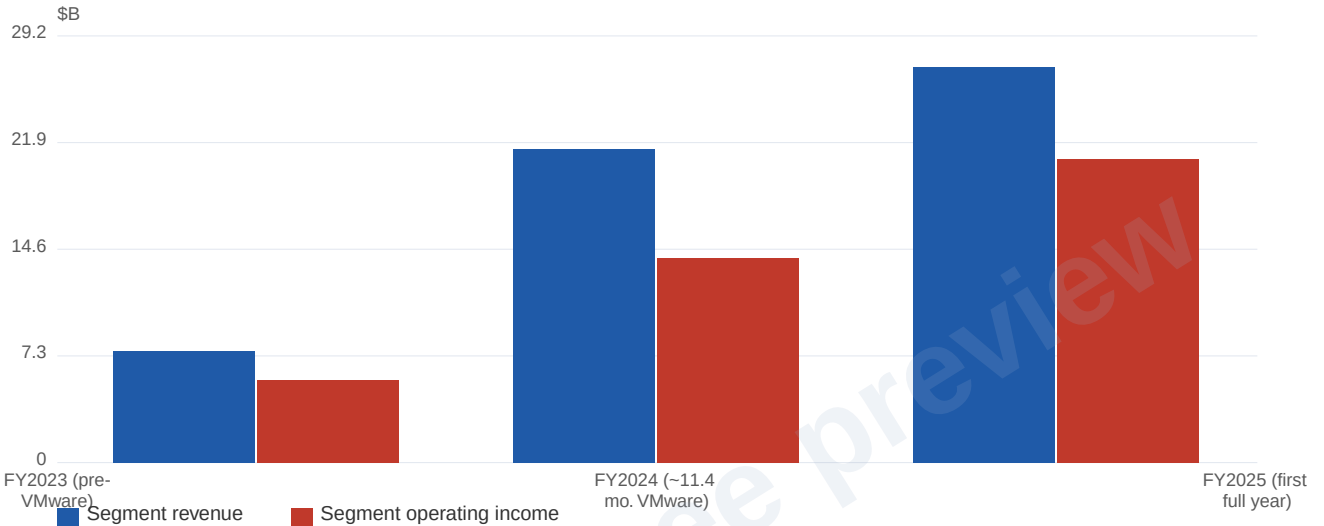
Metric	FY2023 (10-K, accn 0001730168-23-000096)	FY2025 (10-K, accn 0001730168-25-000121)
Total debt (current + long-term)	\$39,229M	\$65,136M
Stockholders' equity	\$23,988M	\$81,292M
Debt / equity	1.64x	0.80x
Interest expense	\$1,622M	\$3,210M
Operating income	\$16,207M	\$25,484M
Interest coverage (op. income / interest expense)	9.99x	7.94x

FY2024 was the tough transition year: interest expense peaked at \$3,953M against operating income of only \$13,463M (still carrying integration costs), for coverage of 3.41x - weaker than either FY2023 or FY2025.

What this means: Gross debt rose 66% and interest expense nearly doubled from FY2023 to FY2025, but debt/equity actually improved because \$53,421M of new Broadcom equity was issued to fund the deal, and interest coverage - after bottoming at 3.41x in the FY2024 transition year - recovered to 7.94x by FY2025 as the floating-rate VMware term loans were retired and operating income grew. The open questions for a finance team: how much of the FY2025 coverage recovery is refinancing execution versus semiconductor-cycle upside in operating income, and whether the now-larger fixed-rate maturity wall in years 4-5+ (\$6.4B and \$43.3B respectively) creates

Segment Margins and Deal-Price Validation

Infrastructure Software segment: revenue vs. operating income, \$B, FY2023-FY2025



FY2023 10-K accession 0001730168-23-000096; FY2024 and FY2025 figures from FY2025 10-K accession 0001730168-25-000121 (segment table excludes unallocated amortization, SBC, restructuring).

Infrastructure Software segment margin

Fiscal year	Segment revenue (\$M)	Segment operating income (\$M)	Segment margin
FY2023 (pre-VMware)	7,637	5,639	73.8%
FY2024 (~11.4 mo. VMware, \$12,384M VMware revenue)	21,478	13,977	65.1%
FY2025 (first full year)	27,029	20,765	76.8%

FY2023 10-K accn 0001730168-23-000096; FY2024/FY2025 from FY2025 10-K accn 0001730168-25-000121.

Segment revenue grew \$19,392M and segment operating income grew \$15,126M from FY2023 to FY2025, with margin dipping in the transition year (VMware's perpetual-license-to-VCF-subscription conversion) before recovering to a new high as segment SG&A fell from \$2,488M (FY2024) to \$1,812M (FY2025) despite higher revenue. But Broadcom does not disclose VMware standalone financials post-close - the FY2025 figures blend VMware into the pre-existing Symantec/CA/mainframe software business that was already running at 73.8% margin, so this is a segment-wide signal, not a VMware-only one. At the consolidated GAAP level the picture is more mixed: unallocated amortization of acquisition-related intangibles alone was \$8,062M in FY2025 versus \$3,247M in FY2023, and total-company GAAP operating margin fell from 45.3% (FY2023: \$16,207M/\$35,819M) to 39.9% (FY2025: \$25,484M/\$63,887M) once those unallocated deal costs are included.

What this means: Partially, with a real disclosure limit. Segment-level evidence is favorable: Infrastructure Software absorbed the VMware integration without diluting profitability, and margin is now above the pre-deal baseline. A rough, explicitly approximate cross-check of \$86,290M total consideration against \$15,126M of segment operating-income growth over two years implies a high-single-digit multiple on that growth - but this conflates VMware's own contribution with organic growth in legacy software and excludes the unallocated amortization/SBC drag that depresses consolidated GAAP margins. The open questions: what portion of the FY2025 segment operating income is attributable to VMware specifically (not disclosed), how the multiple compares once the ~\$8B/year of unallocated deal amortization is allocated back, and whether the FY2024 margin trough was a one-time integration cost or a preview of subscription-transition friction still to come.

Coverage

Broadcom Inc. (CIK 1730168) SEC filings: the May 2022 merger agreement 8-K, the November 2023 closing 8-K, the February 2024 8-K/A pro formas and purchase price allocation, the August 2023 Credit Agreement 8-K, and the FY2023, FY2024, and FY2025 Form 10-Ks, plus the FY2026 Q2 10-Q for the current debt maturity ladder. Interest expense and long-term debt series span FY2018-FY2025 via XBRL for the leverage trend chart.

Honest limits

- VMware's standalone pre-deal financials were not pulled and are not disclosed by Broadcom on a standalone basis post-close, so segment-level margin cannot be decomposed into VMware-only vs. legacy-software contribution.
- The Infrastructure Software segment definition excludes unallocated amortization of acquisition-related intangibles, stock-based compensation, and restructuring charges - all of which are materially higher post-VMware - so segment margin overstates consolidated GAAP profitability from the deal.
- The \$86,290M-consideration-vs-segment-operating-income-growth comparison in the final section is an explicitly approximate cross-check, not a precise deal multiple, since it mixes VMware and legacy-software growth and excludes unallocated deal costs.
- The debt maturity ladder reflects Broadcom's total company debt as of the FY2026 Q2 10-Q / FY2025 10-K, not a VMware-specific sub-ladder, since the original floating-rate VMware-linked term loans have been fully repaid and refinanced.

Sources

- 8-K - Merger Agreement consideration terms and Credit Agreement draw (accession 0001140361-23-054354)
<https://www.sec.gov/edgar/search/#/q=%220001140361-23-054354%22>
- 8-K/A - Preliminary pro forma purchase price allocation (accession 0001140361-24-006447)
<https://www.sec.gov/edgar/search/#/q=%220001140361-24-006447%22>
- 8-K - August 2023 Credit Agreement (Term A-2/A-3/A-5) (accession 0001140361-23-040084)
<https://www.sec.gov/edgar/search/#/q=%220001140361-23-040084%22>
- 10-K FY2023 (last pre-close, period ended October 29, 2023) (accession 0001730168-23-000096)
<https://www.sec.gov/edgar/search/#/q=%220001730168-23-000096%22>
- 10-K FY2024 (first post-close, period ended November 3, 2024) - final purchase price allocation, term loan repayments (accession 0001730168-24-000139)
<https://www.sec.gov/edgar/search/#/q=%220001730168-24-000139%22>
- 10-K FY2025 (latest, period ended November 2, 2025) - refinancing, debt ladder, segment results, leverage (accession 0001730168-25-000121)
<https://www.sec.gov/edgar/search/#/q=%220001730168-25-000121%22>
- 10-Q FY2026 Q2 (period ended May 3, 2026) - current debt maturity ladder (accession 0001730168-26-000054)
<https://www.sec.gov/edgar/search/#/q=%220001730168-26-000054%22>

