Broadcom Inc. (AVGO): First Take: Solid quarter and guidance; commentary on call will be key

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Key stock takeaways: We expect the stock to trade down modestly following a solid quarter with overall guidance above the Street, but with AI revenue guidance just below the Street - set against elevated expectations heading into the quarter. On the conference call, we expect investors to focus on : (1) FY26/27 AI revenue growth targets and potential update; (2) engagements at existing and new XPU customers; (3) margin progression in FY26/27.

Quarterly results were in line with the Street: Broadcom reported revenue of $22.2 bn, in line with GS at $22.2 bn and the Street at $22.1 bn. Gross margin of 77.1% was just above GS at 77.0% and the Street at 76.8%. Operating margin of 67.3% was in line with GS at 67.4% and above the Street at 66.9%. Operating EPS of $2.44 was just below GS at $2.50 but above the Street at $2.39. AI Semiconductor revenue grew 143% YoY to $10.8 bn, and compares to GS at $10.9 bn and the Street at $10.7 bn. Semiconductor Solutions revenue of $15.0 bn was in line with GS at $15.0 bn and just above the Street at $14.8 bn. Infrastructure Software revenue of $7.2 bn was in line with GS and the Street at $7.2 bn.

3Q guidance is above the Street, but AI revenue is slightly below. Broadcom guided 3Q revenue and adjusted EBITDA margin above the Street. Revenue was guided to $29.4 bn, which is in line with GS at $29.5 bn but well above the Street at $28.2 bn. AI Semiconductor revenue was guided to $16.0 bn, which is below GS at $17.4 bn and the Street at $16.4 bn. Adjusted EBITDA margin guidance of 68% is in line with GS at 68.1% and just below the Street at 69.1%.

Price target and risks: We are Buy rated on AVGO. Our 12-month target price of $500 is based on 30X our normalized EPS estimate of $17.00. Key downside risks include: (1) slowdown in AI infrastructure spending, (2) share loss in custom compute franchise, (3) persistent inventory digestion in non-AI; (4) increased competition in VMware.

Exhibit 1: AVGO - Variance summary

Financials ($ mn, except EPS)	Actual	GS	FY2Q26 Street	Actual/GS	Actual/Street
AI Semis	10,800	10,900	10,740	-0.9%	0.6%
Non-AI Semis	4,209	4,138	4,126	1.7%	2.0%
Semiconductor Solutions	15,009	15,038	14,838	-0.2%	1.2%
Infrastructure Software	7,178	7,202	7,231	-0.3%	-0.7%
Total Revenue	22,187	22,240	22,065	-0.2%	0.6%
QoQ	*14.9%*	*15.2%*	*14.3%*		
YoY	*47.9%*	*48.2%*	*47.1%*		
Gross Margin (excl. SBC)	77.1%	77.0%	76.8%	*+10 bps*	*+29 bps*
Operating Income (excl. SBC)	14,928	14,995	14,758	-0.4%	1.2%
Operating Margin (%)	67.3%	67.4%	66.9%	*-14 bps*	*+40 bps*
EPS (excl. SBC)	$2.44	$2.50	2.39	-2.2%	2.0%

Source: Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 2: AVGO - Guidance

Financials ($ mn, except EPS)	Guidance	GS	FY3Q26 Street	Guidance/GS	Guidance/Street
AI Semiconductor Revenue	16,000	17,436	16,355	-8.2%	-2.2%
Total Revenue	29,400	29,500	28,244	-0.3%	4.1%
QoQ	*32.5%*	*32.6%*	*28.0%*		
YoY	*84.3%*	*84.9%*	*77.1%*		
Adjusted EBITDA margin (%)	68.0%	68.1%	69.1%	*-6 bps*	*-108 bps*

Source: Company data, Goldman Sachs Global Investment Research

AVGO	12m Price Target: **$500.00**	Price: **$481.57**	Upside: **3.8%**

Buy CL

Market cap: $2.4tr
Enterprise value: $2.4tr
3m ADTV: $9.0bn
United States
Americas Semiconductors, Telecom & IT Services
M&A Rank: 3

GS Forecast

	10/25	10/26E	10/27E	10/28E
Revenue ($ mn)	63,887.0	108,501.9	183,167.7	226,590.3
EBITDA ($ mn)	35,477.0	65,087.0	115,790.2	145,121.2
EBIT ($ mn)	34,429.0	64,335.0	114,990.2	144,221.2
EPS ($)	5.39	10.53	19.49	24.74
P/E (X)	45.7	45.7	24.7	19.5
EV/EBITDA (X)	34.0	35.3	19.1	14.5
FCF yield (%)	2.3	2.3	4.5	5.6
Dividend yield (%)	1.0	0.5	0.6	0.7
Net debt/EBITDA (X)	1.3	0.4	(0.4)	(0.9)

	1/26	4/26E	7/26E	10/26E
EPS ($)	1.64	2.09	2.92	3.89

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 2 Jun 2026 close.