02 Sep 2026 16:52:32 ET | 11 pages

Broadcom Inc (AVGO.O)

F3Q26 Earnings Quick Take

CITI'S TAKE

AVGO reported in-line Jul-Q with AI sales of $16.7B (up 55% Q/Q), above prior guide of $16.0B (up 48% Q/Q). AI momentum continues with Oct-Q AI sales growing 30% Q/Q to $21.7B. We are awaiting commentary on the earnings call at 5pm ET. Please see preview.

F3Q26 results — AVGO reported Jul-Q sales/non-GAAP EPS (ex-SBC) of $29.6B (up 33% Q/Q)/$3.32 above our estimates of $29.4B (33% Q/Q)/$3.24 and FactSet consensus of $29.2B (33% Q/Q)/$3.21. Jul-Q gross margin (ex-SBC) was 75.0%, above Citi's estimate of 74.0% and consensus of 73.5%.

F3Q26 segment results — Jul-Q semiconductor segment (70% of sales) was up 39% Q/Q vs. Citi's/Street's +37%/+37%. Of which, AI semiconductor segment (54% of sales) was up 55% Q/Q vs. Citi's/Street's +48%/+49%. Infrastructure Software segment (30% of sales) was up 22% Q/Q vs. Citi's/Street's +22%/+21%.

F4Q26 guidance — AVGO guided Oct-Q sales to $34.8B (up 18% Q/Q), above our estimate of $34.0B (up 16% Q/Q) and consensus of $34.5B (up 18% Q/Q). AVGO guided Oct-Q AI sales of $21.7B (up 30% Q/Q), above our estimate of $21.3B and consensus of $21.4B. Oct-Q operating margin guide of 66.0% was below our estimate of 66.5% and consensus of 67.7%.

Focus on earnings call — a) Customer ramps and AI revenue trajectory in 2027/2028, b) Supply components/wafer allocation updates, c) rising component costs on margins, d) VMware AI Factory and revenue impact.

Buy	
Price (02 Sep 26 16:00)	US$367.24
Target price	US$500.00
Expected share price return	36.2%
Expected dividend yield	0.6%
Expected total return	36.8%
Market Cap	US$1,747,174M

Atif Malik[AC]

Kelsey Chia, CFA

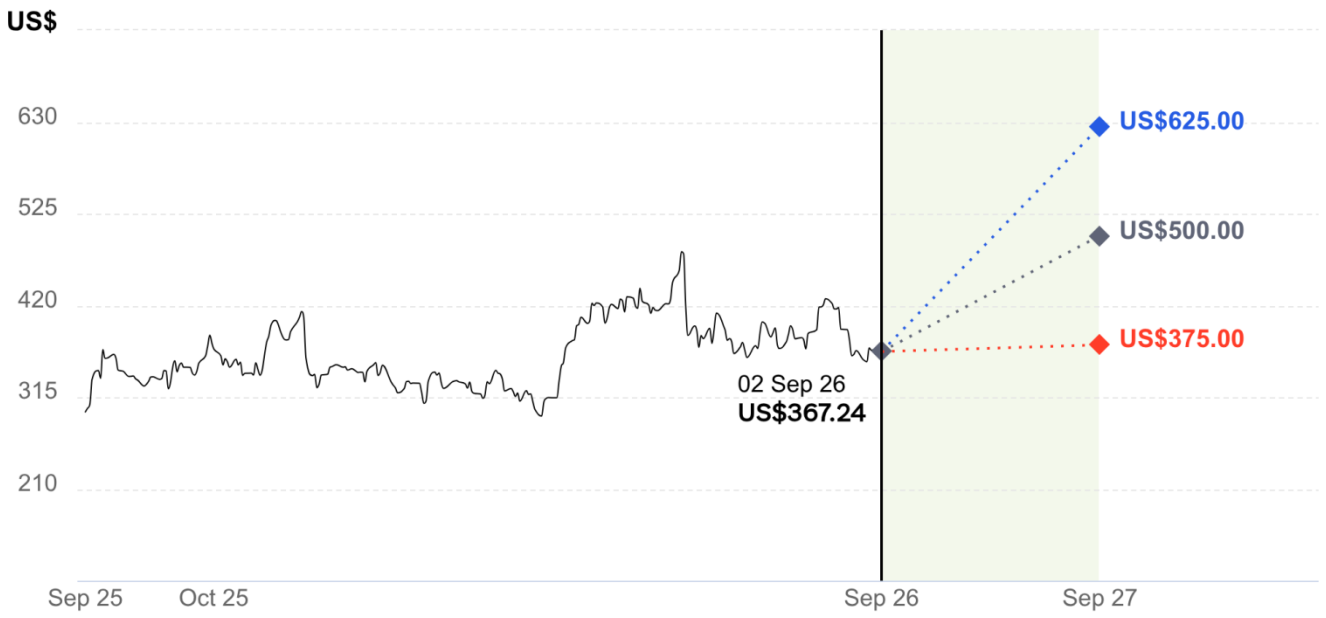
James Bowlin

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliati



Bull/Bear: Broadcom Inc

US$ 625.00 ▲70% Upside | US$ 500.00 ▲36% Upside | US$ 375.00 ▲2.1% Upside



Spread 68pp
Current Price and expected returns (upside/downside) as of 02 Sep 2026

BULL Assumptions

- Higher demand for custom AI accelerators and AI networking
- Higher revenue growth and cost synergies from the VMware acquisition
- Multiple expansion to 25X P/E

BASE Assumptions

- AI sales of more than $100B by F27E
- 20X P/E

BEAR Assumptions

- Severe decline across all its businesses
- Lower margins
- Multiple compression to 15X P/E

Broadcom Inc

Valuation
Our PT of $500, or 19X F28 EPS, is at the low end of recent trading range of 20-40X to reflect intensifying competition.

Risks
We see the following key risks to our target price:

Customer: We estimate it derives ~35-40% of sales from its largest customer, Google. Therefore, any major uptick/downtick in demand for Google's products could result in upside/downside to our estimates and rating for Broadcom.

SG&A target: Broadcom's long-term SG&A target is <3% of revenue (excluding stock-based compensation), one of the lowest among semi peers. However, if Broadcom is unable to reach its SG&A target, it could result in downside to our estimates and rating for Broadcom.

Competition: Any fluctuations in market share between Broadcom and its competitors could result in upside/downside risk to our estimates.

M&A: If Broadcom pursues further acquisitions, it could lead to margin/EPS accretion/dilution and result in upside/downside to our estimates.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. However, should they be less than anticipated, the stock could trade above our target price.