03 Sep 2026 06:55:39 ET | 15 pages

Broadcom Inc (AVGO.O)

AI Revenues to Double Again in F28; Maintain Buy

CITI'S TAKE

AVGO raised F27 AI semiconductor outlook from $100B to $115B (up ~100% YoY), guided F28 AI semi sales to $230B (up ~100% YoY), and F28 EPS to $30, above prior consensus of ~$25. Management highlighted that its AI guidance is constrained by supply and expects Frontier AI labs to be its biggest customers (~35% and 17% of sales) and Google (15%) in F28. We lift our F26/F27/F28 EPS by 2%/1%/18% to $11.68/$18.50/$30.48 to align with the updated outlook. We maintain Buy and raise our TP to $515 from $500, or 19X multiple applied to revised F28 EPS of ~$30, discounted back.

Raises AI sales to $115B in F27 and to $230B in F28 – AVGO raised its AI semiconductor revenue outlook from $100B to $115B (up ~100% YoY) for F27 and now guides to $230B (up 100% YoY) for F28 driven by the AI labs.

Frontier AI labs to be over 50% of sales by F28 – We model ~10GW of deployments in F27, including 6.3GW from the AI labs, and 1GW from Meta, and increasing to roughly 20GW in F28, with 15GW contribution from the AI labs, and 1GW from Meta. AVGO stated that each GW of XPU compute generates roughly $30B ARR for a frontier AI lab.

Google relationship remains stable - AVGO highlighted that they are now shipping TPU v8i ahead of MediaTek's TPU v8t which was initiated earlier. TPU v8i is more complex and has a higher ASP. AVGO reiterated its long-term agreements with Google which stipulated volume commitments of XPU/networking products and expects to be the dominant TPU ASIC vendor.

AI mix pressures gross margin, but operating margin remains stable – Oct-Q gross margin is guided to 73.0%, down 200bps Q/Q, in line with consensus of 72.9%, as the mix of AI ASIC revenue increases from ~40% of sales to 45% of sales. However, AVGO guided F4Q26 operating margin to be relatively stable at 66% with F4Q26 OpEx of $2.1B.

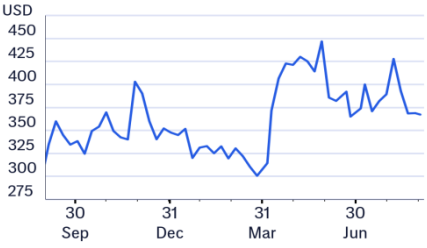
EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2025A	1.60A	1.58A	1.69A	1.95A	6.82A	6.82A	6.82A
2026E	**2.05A**	**2.44A**	**3.32A**	**3.87E**	**11.68E**	**11.56E**	**11.65E**
Previous	2.05A	2.44A	3.24E	3.74E	11.48E	na	na
2027E	**4.02E**	**4.49E**	**4.83E**	**5.16E**	**18.50E**	**19.33E**	**19.95E**
Previous	4.06E	4.32E	4.77E	5.10E	18.24E	na	na
2028E	**5.75E**	**6.83E**	**8.13E**	**9.78E**	**30.48E**	**25.86E**	**28.81E**
Previous	5.58E	6.11E	6.71E	7.53E	25.93E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

Click here for Visible Alpha consensus data

Buy	
Price (02 Sep 26 16:00)	US$367.24
Target price	US$515.00↑
from US$500.00	
Expected share price return	40.2%
Expected dividend yield	0.6%
Expected total return	40.9%
Market Cap	US$1,747,174M

Price Performance
(RIC: AVGO.O, BB: AVGO US)



Atif Malik[AC]

Kelsey Chia, CFA

James Bowlin

AVGO.O: Fiscal year end 31-Oct — **Price: US$367.24; TP: US$515.00; Market Cap: US$1,747,174m; Recomm: Buy**

Profit & Loss (US$m)	2024	2025	2026E	2027E	2028E
Sales revenue	51,574	63,887	106,039	169,000	282,000
Cost of sales	-12,779	-14,486	-27,303	-50,119	-89,219
Gross profit	38,795	49,401	78,736	118,881	192,781
Gross Margin (%)	75.2	77.3	74.3	70.3	68.4
EBITDA (Adj)	**35,076**	**43,204**	**70,868**	**107,409**	**175,072**
EBITDA Margin (Adj) (%)	68.0	67.6	66.8	63.6	62.1
Depreciation	-10,010	-8,775	-8,004	-5,380	-4,926
Amortisation	0	0	0	0	0
EBIT (Adj)	**25,066**	**34,429**	**62,863**	**102,029**	**170,146**
EBIT Margin (Adj) (%)	48.6	53.9	59.3	60.4	60.3
Net interest	0	0	0	0	0
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	-3,378	-2,778	-2,378	-1,932	-1,258
Pre-tax profit	**21,688**	**31,651**	**60,485**	**100,097**	**168,887**
Tax	-3,625	-5,491	-11,127	-17,980	-29,514
Extraord./Min.Int./Pref.div.	-12,168	-3,034	-3,392	-3,180	-3,180
Reported net profit	**5,895**	**23,126**	**45,966**	**78,937**	**136,193**
Net Margin (%)	11.4	36.2	43.3	46.7	48.3
Core NPAT	23,804	33,728	57,705	90,991	149,361

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS ($)	1.21	4.68	9.30	16.05	27.80
Core EPS ($)	4.88	6.82	11.68	18.50	30.48
DPS ($)	2.10	2.36	2.60	2.86	3.14
CFPS ($)	4.09	5.57	9.01	15.27	25.94
FCFPS ($)	3.98	5.44	8.73	14.96	25.17
BVPS ($)	14.28	16.75	22.57	34.77	63.89
Wtd avg ord shares (m)	4,740	4,853	4,883	4,870	4,850
Wtd avg diluted shares (m)	4,880	4,943	4,942	4,920	4,900

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	44.0	23.9	66.0	59.4	66.9
EBIT (Adj) (%)	25.6	37.4	82.6	62.3	66.8
Core NPAT (%)	29.5	41.7	71.1	57.7	64.1
Core EPS (%)	15.5	39.9	71.1	58.4	64.8

Balance Sheet (US$m)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	9,348	16,178	24,395	57,032	159,003
Accounts receivables	4,416	7,145	17,060	22,942	36,609
Inventory	1,760	2,270	7,919	11,612	19,340
Net fixed & other tangibles	7,594	9,445	12,016	12,871	15,249
Goodwill & intangibles	138,456	130,074	122,850	118,374	114,817
Financial & other assets	4,071	5,980	9,968	9,968	9,968
Total assets	**165,645**	**171,092**	**194,207**	**232,799**	**354,987**
Accounts payable	1,662	1,560	4,276	6,270	10,443
Short-term debt	1,271	3,152	3,152	3,152	3,152
Long-term debt	66,295	61,984	51,539	29,027	6,515
Provisions & other liab	28,739	23,104	25,039	25,039	25,039
Total liabilities	**97,967**	**89,800**	**84,006**	**63,488**	**45,149**
Shareholders' equity	67,678	81,292	110,201	169,311	309,838
Minority interests	0	0	0	0	0
Total equity	**67,678**	**81,292**	**110,201**	**169,311**	**309,838**
Net debt (Adj)	**58,218**	**48,958**	**30,296**	**-24,853**	**-149,336**
Net debt to equity (Adj) (%)	86.0	60.2	27.5	-14.7	-48.2

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	75.3	53.8	31.4	19.9	12.0
PB (x)	25.7	21.9	16.3	10.6	5.7
EV/EBITDA (x)	51.0	41.7	25.2	16.3	9.5
FCF yield (%)	1.1	1.5	2.4	4.1	6.9
Dividend yield (%)	0.6	0.6	0.7	0.8	0.9
Payout ratio (%)	43	35	22	15	10
ROE (%)	12.9	31.0	48.0	56.5	56.8

Cashflow (US$m)	2024	2025	2026E	2027E	2028E
EBITDA	35,076	43,204	70,868	107,409	175,072
Working capital	-4,637	-8,500	-17,292	-17,490	-24,658
Other	-10,477	-7,167	-9,046	-14,823	-23,325
Operating cashflow	**19,962**	**27,537**	**44,530**	**75,097**	**127,089**
Capex	-548	-623	-1,377	-1,512	-3,748
Net acq/disposals	-19,008	600	0	0	0
Other	-10	92	13	8	0
Investing cashflow	**-19,566**	**69**	**-1,364**	**-1,504**	**-3,748**
Dividends paid	-9,814	-11,142	-12,449	-13,905	-25,336
Financing cashflow	**-41,031**	**-35,793**	**-38,987**	**-36,534**	**-55,848**
Net change in cash	**-40,635**	**-8,187**	**4,179**	**37,059**	**67,493**
Free cashflow to s/holders	**19,414**	**26,914**	**43,153**	**73,585**	**123,341**

For definitions of the items in this table, please click here.

F3Q26 Earnings Review

I- Results and Outlook

- **Good 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%.

- **Guides F4Q26 sales above consensus —** 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.

- **Guides F4Q26 gross margins lower -** Oct-Q gross margin is guided down 200 basis points Q/Q to 73.0%, in line with consensus of 72.9% as mix of AI ASIC business increases from ~40% of sales to ~45% of sales. Oct-Q operating margin guide of 66.0% was below our estimate of 66.5% and consensus of 67.4%. AVGO guides F4Q26 opex to be $2.1B.

Figure 1. F3Q26 Results and F4Q26 Guidance

AVGO

F3Q26 (Jul-Q)	Actual	Citi Prior	Street	Actual vs Street	Citi vs Street
Sales	$29,600	$29,400	$29,200	1%	1%
QoQ Change	33%	33%	32%		
Gross Margins excl. SBC	75.0%	75.0%	73.6%	133 bps	135 bps
Operating Margins ex. SBC	67.9%	67.9%	67.4%	46 bps	48 bps
EPS (exc. SBC)	$3.32	$3.24	$3.21	3%	1%

F4Q26E (Oct-Q)	Guidance	Citi Prior	Street	Actual vs Street	Citi vs Street
Sales	$34,800	$34,000	$34,500	1%	-1%
QoQ Change	18%	16%	18%		
Gross Margins excl. SBC		72.9%	73.3%	-7333 bps	-42 bps
Operating Margins ex. SBC	66.0%	66.5%	67.8%	-179 bps	-133 bps
EPS (exc. SBC)		$3.87	$3.85		1%

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Source: Citi Research, Company Results

II. AI Sales and Commentary

- AVGO highlighted that they are now shipping TPU v8i, ahead of Mediatek's TPUv8t which was initiated earlier. AVGO reiterated its long-term agreements with Google which stipulated volume commitments of XPU/networking products and expects to be the dominant TPU ASIC vendor.

- 1GW of Ironwood TPU v7 in 2026 and expected to deploy another 5GW of TPU v8i in 2027 for the AI labs. In 2028, AVGO has a clear line of sight to deliver another incremental 10GW to the largest XPU customer in 2027 and sustained through 2028, despite continued growth of Google.

- Jalapenos chip is on track for the planned 1.3GW deployment in 2027. AVGO is in deep development of next gen XPU beyond Jalapenos which is approaching tape-out. In 2028, AVGO has line of sight to deploy 5GW of Jalapenos and successive XPUs to the second largest customer. AVGO is also working on the third generation of XPU.

- **Meta** –AVGO has line of sight for Meta to deploy 3GW by 2028 across three generations of MTIA chips. Shipments of MTIA begin in 4QF26.

- **AVGO networking**– Tomahawk 6 saw the fastest ramp in company history. AVGO taped out Tomahawk 7, the industry's first 200Tb/s Ethernet switch. Tomahawk Ultra gaining traction for scale-up Ethernet networks. AVGO reiterated that AI networking revenue is expected to grow at roughly the same pace as XPU revenue over the next several years, supported by Ethernet switching, PCIe switching, optical DSPs, EMLs, VCSELs, and CW lasers. Demand for EML and CW lasers is exceeding industry supply. Broadcom is significantly expanding capacity in both the U.S. and Singapore and is more than tripling its optical manufacturing infrastructure.

III – Raising F28 EPS by 18%

Given the higher AI guidance, we raise our F26/F27/F28 EPS by 2%/1%/18% to $11.68/$18.50/$30.48. We see upside to our EPS estimates driven by operating leverage. Our estimates assumed low-single digit growth from non-AI semis and software.

Figure 2. F26/F27/F28 EPS Changes

	Old	New		Old	New		Old	New	
	F26E	**F26E**	**Delta**	**F27E**	**F27E**	**Delta**	**F28E**	**F28E**	**Delta**
Total Revenue	**104,898.0**	**106,039.0**	**1%**	**166,500.0**	**169,000.0**	**2%**	**235,000.0**	**282,000.0**	**20%**
% Change Y/Y	64.2%	66.0%	3%	58.7%	59.4%	1%	41.1%	66.9%	63%
Gross Margins	**73.6%**	**74.3%**	**62 bps**	**69.7%**	**70.3%**	**60 bps**	**68.4%**	**68.4%**	**-4 bps**
SG&A %	3.9%	3.9%	-5 bps	2.6%	2.7%	3 bps	2.0%	2.1%	5 bps
R&D %	11.2%	11.1%	-15 bps	7.3%	7.3%	0 bps	5.9%	5.9%	2 bps
Operating Income	61,323.6	62,863.3	3%	99,567.0	102,029.3	2%	142,047.7	170,145.8	20%
Operating Margin %	**58.5%**	**59.3%**	**82 bps**	**59.8%**	**60.4%**	**57 bps**	**60.4%**	**60.3%**	**-11 bps**
Other Income (Expense)	(2,299.6)	(2,378.1)	3%	(1,497.3)	(1,931.9)	29%	(504.4)	(1,258.3)	149%
Tax Rate	18.7%	18.4%	-28 bps	18.1%	18.0%	-12 bps	17.7%	17.5%	-25 bps
Net Income	48,001.9	49,358.2	3%	80,340.7	82,117.1	2%	116,446.9	139,373.0	20%
Net Profit Margin %	**45.8%**	**46.5%**	**79 bps**	**48.3%**	**48.6%**	**34 bps**	**49.6%**	**49.4%**	**-13 bps**
Diluted Shares	4,940.5	4,941.5	0%	4,917.5	4,919.5	0%	4,897.5	4,899.5	0%
EPS ex-amort/charges, incl	**$9.72**	**$9.99**	**3%**	**$16.34**	**$16.69**	**2%**	**$23.78**	**$28.45**	**20%**
% Change Y/Y	83.6%	88.7%	6%	67.7%	67.1%	-1%	45.5%	70.4%	55%
% Change Q/Q									
SBC EPS Impact	$1.74	$1.69	-3%	$1.91	$1.80	-5%	$2.16	$2.04	-5%
EPS ex-amort/charges, exc	**$11.45**	**$11.68**	**2%**	**$18.24**	**$18.50**	**1%**	**$25.93**	**$30.48**	**18%**
% Change Y/Y	67.8%	71.1%	5%	59.0%	58.4%	-1%	42.1%	64.8%	54%
% Change Q/Q									
Cash dividends per share	$2.60	$2.60	0%	$2.86	$2.86	0%	$3.14	$3.14	0%

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Source: Citi Research

Figure 3. AVGO Business Segments – Raising F28 AI Sales by 26%

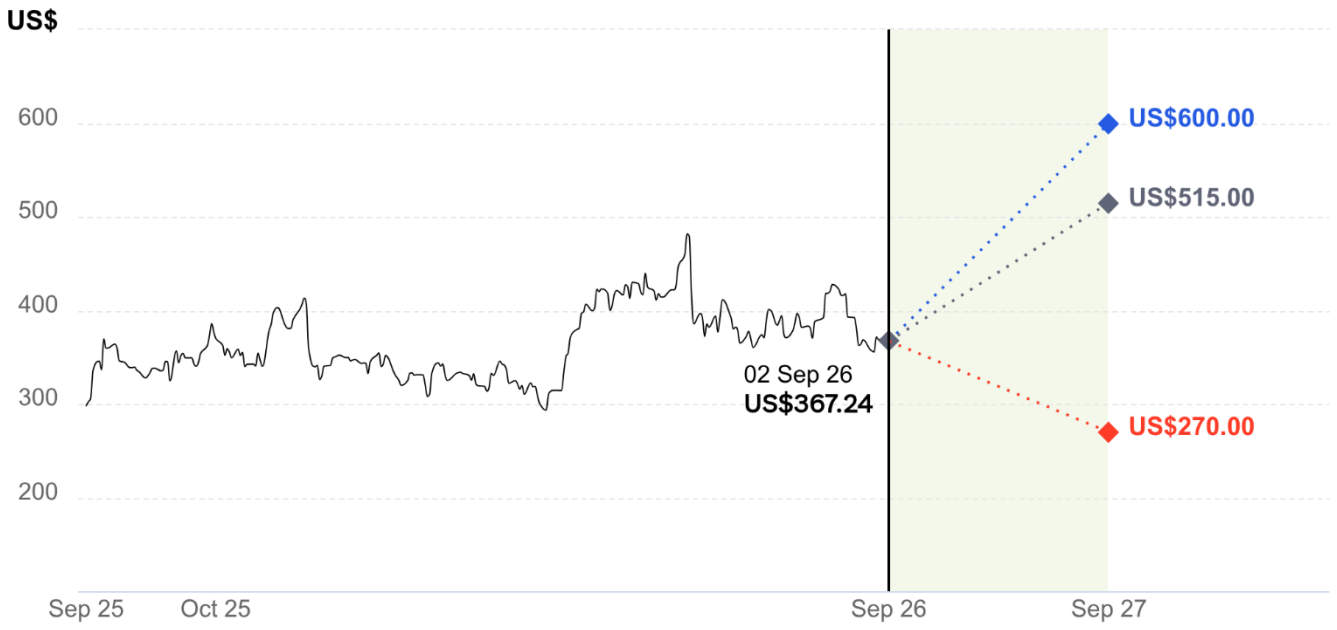
	F25	F26E			F27E			F28E		
		Old	New	Delta	Old	New	Delta	Old	New	Delta
Semiconductor Revenue	**$36,858**	**$74,501**	**$74,607**	0%	**$135,523**	**$136,045**	0%	**$203,064**	**$247,852**	22%
% of Sales	58%	71%	70%		81%	81%		86%	88%	
YoY		102%	102%		82%	82%		50%	82%	
AI semis	**$20,200**	**$56,450**	**$57,750**	2%	**$116,200**	**$118,500**	2%	**$182,700**	**$230,000**	26%
% of Sales	32%	54%	54%		70%	70%		78%	82%	
YoY		179%	186%		106%	105%		57%	94%	
Non-AI semis	$16,658	**$18,051**	$16,857	-7%	**$19,323**	**$17,545**	-9%	**$20,364**	**$17,852**	-12%
% of Sales	26%	17%	16%		12%	10%		9%	6%	
YoY		8%	1%		7%	4%		5%	2%	
Infrastructure Software	**$27,029**	**$30,397**	**$31,432**	3%	**$30,977**	**$32,955**	6%	**$31,936**	**$34,148**	7%
% of Sales	42%	29%	30%		19%	19%		14%	12%	
YoY		12%	16%		2%	5%		3%	4%	
Total	**$63,887**	**$104,898**	**$106,039**	1%	**$166,500**	**$169,000**	2%	**$235,000**	**$282,000**	20%
YoY		64%	66%		59%	59%		41%	67%	

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Source: Citi Research

Bull/Bear: Broadcom Inc (AVGO.O)

US$ 600.00 ▲63% Upside | US$ 515.00 ▲40% Upside | US$ 270.00 ▼26% Downside



Spread 90pp
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
- 19X P/E

BEAR Assumptions

- Severe decline across all its businesses
- Lower margins
- Multiple compression to 13X P/E



Broadcom Inc

Company description

Broadcom Inc (AVGO) is a semiconductor company that specializes in semiconductor solutions for wired infrastructure and wireless communications and was formed as a result of the merger of Avago Technologies and Broadcom Corporation in 2016. Headquartered in San Jose, CA, and Singapore, Broadcom has roughly 15,000 employees worldwide. The company's products are used primarily in wired infrastructure, networking, handset, connectivity, broadband, storage and industrial applications. Broadcom's major customers include handset OEMs and communications equipment OEMs. Broadcom has manufacturing facilities in Fort Collins, CO, Breinigsville, PA, Matamoros, Mexico, and Singapore. The company also outsources part of its manufacturing to third-party foundries.

Investment strategy

We are Buy-rated on AVGO given accelerating Y/Y AI sales in 2026 & 2027.

Valuation

Our PT of $515, 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.