# Broadcom Inc. (AVGO): First Take: Solid quarter but tepid guidance; FY27 AI revenue commentary on call will be key

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**Key stock takeaways:** We expect the stock to trade down modestly following an in-line quarter with guidance just below the Street but AI revenue guidance above the Street - relative to somewhat muted expectations heading into the quarter. We believe investor expectations have been muted given concerns around competitive trends at top customers including Google, despite the upcoming ramp of custom silicon programs across a number of customers in 2027. On the conference call, we expect investors to focus on: (1) Any update to FY27 AI revenue growth targets; (2) market share trends at key XPU customers; (3) the expected trajectory of gross margins through FY27.

**Quarterly results were in line with the Street:** Broadcom reported revenue of $29.6 bn, in line with GS at $29.6 bn and the Street at $29.5 bn. Gross margin of 75.0% was above GS and the Street at 74.1%. Operating margin of 67.9% was above GS at 67.0% and the Street at 66.9%. Operating EPS of $3.32 was in line with GS at $3.33 but above the Street at $3.24. AI Semiconductor revenue grew 221% YoY to $16.7 bn, and was above to GS and the Street at $16.1 bn. Semiconductor Solutions revenue of $20.8 bn was in line with GS and the Street at $20.6 bn. Infrastructure Software revenue of $8.8 bn was in line with GS and the Street at $8.9 bn.

**FY4Q guidance is just below the Street.** Broadcom guided 4Q revenue in line but adjusted EBITDA margin below the Street. Revenue was guided to $34.8 bn, which is below GS at $36.2 bn but in line with the Street at $35.2 bn. AI Semiconductor revenue was guided to $21.7 bn, which is in line with GS at $21.7 bn and above the Street at $21.3 bn. Adjusted operating margin guidance of 66.0% is above GS at 67.5% and the Street at 66.8%.

**Price target and risks:** We are Buy rated on AVGO. Our 12-month target price of $525 is based on 30X our normalized EPS estimate of $17.50. Key downside risks include: (1) slowdown in AI infrastructure spending, (2) share loss in custom compute franchise, (3) increased competition in VMware.

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**Exhibit 1: AVGO - Variance summary**

| Financials ($ mn, except EPS) | FY3Q26 Actual | GS | Street | Actual/GS | Actual/Street |
|---|---|---|---|---|---|
| AI Semis | 16,700 | 16,096 | 16,109 | 3.8% | 3.7% |
| Non-AI Semis | 4,139 | 4,544 | 4,484 | -8.9% | -7.7% |
| Semiconductor Solutions | 20,839 | 20,640 | 20,599 | 1.0% | 1.2% |
| Infrastructure Software | 8,752 | 8,931 | 8,883 | -2.0% | -1.5% |
| Total Revenue | 29,591 | 29,571 | 29,477 | 0.1% | 0.4% |
| *QoQ* | *33.4%* | *33.3%* | *32.9%* | | |
| *YoY* | *85.5%* | *85.4%* | *84.8%* | | |
| Gross Margin (excl. SBC) | 75.0% | 74.1% | 74.1% | *+85 bps* | *+87 bps* |
| Operating Income (excl. SBC) | 20,095 | 19,823 | 19,707 | 1.4% | 2.0% |
| Operating Margin (%) | 67.9% | 67.0% | 66.9% | *+87 bps* | *+105 bps* |
| EPS (excl. SBC) | $3.32 | $3.33 | 3.24 | -0.3% | 2.3% |

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

**Exhibit 2: AVGO - Guidance**

| Financials ($ mn, except EPS) | FY4Q26 Guidance | GS | Street | Guidance/GS | Guidance/Street |
|---|---|---|---|---|---|
| AI Semiconductor Revenue | 21,700 | 21,730 | 21,327 | -0.1% | 1.7% |
| Total Revenue | 34,800 | 36,162 | 35,175 | -3.8% | -1.1% |
| *QoQ* | *17.6%* | *22.3%* | *19.3%* | | |
| *YoY* | *93.2%* | *100.7%* | *95.3%* | | |
| Operating margin (%) | 66.0% | 67.5% | 66.8% | *-155 bps* | *-84 bps* |

Source: Company data, Goldman Sachs Global Investment Research

| AVGO | 12m Price Target: **$525.00** | Price: **$369.68** | Upside: **42.0%** |
|---|---|---|---|

**Buy**

Market cap: $1.8tr
Enterprise value: $1.8tr
3m ADTV: $10.0bn
United States
Americas Semiconductors & IT Services
M&A Rank: 3

## GS Forecast

| | 10/25 | 10/26E | 10/27E | 10/28E |
|---|---|---|---|---|
| Revenue ($ mn) | 63,887.0 | 107,230.3 | 186,986.3 | 249,256.8 |
| EBITDA ($ mn) | 35,477.0 | 64,456.8 | 118,291.3 | 160,641.2 |
| EBIT ($ mn) | 34,429.0 | 63,488.8 | 117,491.3 | 159,741.2 |
| EPS ($) | 5.39 | 10.36 | 19.88 | 27.35 |
| P/E (X) | 45.7 | 35.7 | 18.6 | 13.5 |
| EV/EBITDA (X) | 34.0 | 27.5 | 14.4 | 9.9 |
| FCF yield (%) | 2.3 | 2.9 | 5.7 | 8.0 |
| Dividend yield (%) | 1.0 | 0.7 | 0.8 | 0.9 |
| Net debt/EBITDA (X) | 1.3 | 0.4 | (0.4) | (0.9) |

| | 4/26 | 7/26E | 10/26E | 1/27E |
|---|---|---|---|---|
| EPS ($) | 2.05 | 2.94 | 3.73 | 4.04 |

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 1 Sep 2026 close.