# Broadcom Inc.

## A Line of Sight to FY28 AI Revenues of $230B and $30+ EPS

**Equities**

United States
Semiconductors

**12-month rating** **Buy**

**12m price target** **US$470.00**

**Price (02 Sep 2026)** **US$367.24**

**RIC:** AVGO.O **BBG:** AVGO US

**Trading data and key metrics**

| | |
|---|---|
| **52-wk range** | US$481.57-293.41 |
| **Market cap.** | US$1,741b |
| **Shares o/s** | 4,741m (COM) |
| **Free float** | 100% |
| **Avg. daily volume ('000)** | 25,556 |
| **Avg. daily value (m)** | US$9,940.3 |
| **Common s/h equity (10/26E)** | US$113b |
| **P/BV (10/26E)** | 15.5x |
| **Net debt to EBITDA (10/26E)** | 0.3x |

**EPS (UBS, diluted) (USD)**

| | 10/26E | | | |
|---|---|---|---|---|
| | From | To | % ch | Cons. |
| **Q1** | 2.05 | 2.05 | 0 | 2.05 |
| **Q2** | 2.44 | 2.44 | 0 | 2.44 |
| **Q3** | 3.23 | 3.32 | 3 | 3.24 |
| **Q4E** | 3.78 | 3.83 | 1 | 3.88 |
| **10/26E** | 11.51 | 11.64 | 1 | 11.56 |
| **10/27E** | 20.21 | 19.32 | -4 | 19.33 |
| **10/28E** | 27.95 | 30.68 | 10 | 25.86 |

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### Summary

AVGO delivered incrementally bullish AI commentary regarding its FY27/FY28 revenue outlook and visibility into longer-term demand, although we do not view the update as fundamentally changing the debate given that FY28 guidance came in only modestly above buy-side expectations heading into the print. The company highlighted exceptionally strong AI momentum across all six XPU customers and suggested it now has line of sight to ~30GW of custom AI infrastructure demand across FY27-FY28. In doing so, management increased its FY27 AI revenue outlook to $115B (from $100B previously) and indicated FY28 AI revenue could double Y/Y to $230B, approximately $30B above our prior estimates. Importantly, management suggested this outlook remains a conservative, "judged-down" estimate reflecting its current assumptions around LPS (land, power, shell) availability and broader supply chain constraints. AVGO also reiterated that foundational model labs will become an increasingly important driver of AI demand over time, with a handful of frontier LLM vendors (ex-China) already representing roughly 70% of AI compute workloads at hyperscalers and neoclouds. The two leading US frontier labs are increasingly seeking to control their own infrastructure through custom silicon deployments and may become larger customers of AVGO compared to Google over time. Regarding Google, management emphasized the strength and durability of its TPU partnership, highlighting a multi-year, take-or-pay agreement, while indicating it expects to maintain the majority share of TPU ecosystem unit shipments regardless of MediaTek's roadmap. We continue to model AVGO TPU unit share materially above MediaTek's, reaching approximately 6MM TPUs in CY27E and potentially 6.5MM to 7MM in CY28E. We make modest estimate revisions, as some LLM vendor-related revenues (TPUs and XPUs) appear increasingly weighted toward FY28 relative to FY27 compared with our prior estimates. Our PT remains unchanged at $470.

### Analysis/Key Highlights

- **Results:** FQ3 revenue of $29.6B came in slightly ahead of guidance and UBSe/Street, as Semi Solutions came in ~1% ahead of our expectations while Infra Software 2% lighter than anticipated. Gross margin of 75% and operating margin of 67.9% were ~100bps ahead of our expectations, resulting in EPS of $3.32 - above UBSe $3.23/Street $3.22. AI revenue was $700MM above guidance at $16.7B which we estimate AI compute grew ~78% Q/Q to $11.5B and AI networking 21% Q/Q to $5.2B.
- **Guidance:** FQ4 revenue was guided to $34.8B - largely in-line with UBSe/Street - led by AI revenue guidance of $21.7B (+30% Q/Q) above UBSe $21.0B with both AI networking and Custom Compute expected to more than triple Y/Y. Overall, Semi Solutions was guided up 25% Q/Q to $26.1B and Infra Software flattish Q/Q

| Highlights (US$m) | 10/23 | 10/24 | 10/25 | 10/26E | 10/27E | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | 35,819 | 51,574 | 63,887 | 105,920 | 178,107 | 286,708 | 321,747 | 399,389 |
| **EBIT (UBS)** | 22,125 | 30,736 | 41,997 | 70,991 | 117,748 | 189,101 | 211,741 | 263,977 |
| **Net earnings (UBS)** | 18,378 | 23,733 | 33,728 | 57,543 | 96,675 | 156,690 | 175,872 | 219,948 |
| **EPS (UBS, diluted) (US$)** | 4.22 | 4.87 | 6.82 | 11.64 | 19.32 | 30.68 | 33.74 | 41.32 |
| **DPS (net) (US$)** | 1.84 | 2.11 | 2.36 | 2.60 | 3.90 | 5.38 | 6.94 | 8.96 |
| **Net (debt) / cash** | (25,040) | (58,218) | (48,958) | (23,615) | 29,961 | 133,292 | 260,128 | 413,428 |
| **Profitability/valuation** | **10/23** | **10/24** | **10/25** | **10/26E** | **10/27E** | **10/28E** | **10/29E** | **10/30E** |
| **EBIT (UBS) margin %** | 61.8 | 59.6 | 65.7 | 67.0 | 66.1 | 66.0 | 65.8 | 66.1 |
| **ROIC (EBIT) %** | 44.8 | 35.1 | 32.8 | 53.2 | 84.1 | 125.9 | 134.4 | 162.0 |
| **EV/EBITDA (UBS core) x** | 13.7 | 20.5 | 27.6 | 24.5 | 14.9 | 9.3 | 8.3 | 6.6 |
| **P/E (UBS, diluted) x** | 16.7 | 28.3 | 36.1 | 31.5 | 19.0 | 12.0 | 10.9 | 8.9 |
| **Equity FCF (UBS) yield %** | 6.0 | 3.1 | 2.3 | 2.7 | 4.6 | 7.9 | 9.7 | 11.9 |
| **Dividend yield (net) %** | 2.6 | 1.5 | 1.0 | 0.7 | 1.1 | 1.5 | 1.9 | 2.4 |

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 367.24 on 02-Sep-2026

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to $8.7B. Gross margin should be down 200bps to ~73% while operating margin down 190bps to ~66%. Opex was guided flattish Q/Q to $2.1B.

- **FY27:** AVGO expects FY27 revenue doubling to ~$115B, although management suggested the outlook is supply constrained. While the company indicated customer demand already exceeds the FY27 outlook, growth will ultimately be limited by the availability of leading-edge wafers, HBM, advanced packaging and substrates, as well as customer deployment readiness. Notably, mgmt reiterated that infrastructure buildouts are increasingly gated by land, power, and shell availability, determining how quickly customers can bring capacity online. To help address one of the key bottlenecks (substrates), AVGO highlighted their Singapore substrate facility that entered production in September with expectations to begin contributing meaningfully in FY27 - providing incremental capacity for both XPUs and networking products while reducing dependence on a constrained substrate supply chain.
- **FY28:** Beyond FY27, AVGO outlined a path for AI semiconductor revenue to double again to ~$230B in FY28, and EPS in excess of $30. The outlook puts the combined FY27-FY28 AI semiconductor revenue opportunity at ~$345B. Mgmt expressed confidence in this outlook based on extended visibility across Google, OAI, a second large U.S. frontier lab, and Meta, noting the company has line of sight to ~30GW of deployments across its largest AI customers over F27-FY28. However, for revenue outlook, AVGO is "judging down" the total opportunity set and only incorporating deployments where AVGO has high confidence in customer demand, site readiness, and execution timelines. Mgmt also emphasized that the opportunity extends beyond custom accelerators into networking infrastructure, DSPs, optics, and system-level architecture support. In particular, the company highlighted its extended support for OAI and a second large frontier model provider in designing and deploying full AI systems (including networking and rack-level architectures), offering a broader value proposition. Finally, the company reiterated its AI XPV platform with Apollo and Blackstone with intention to facilitate >20GW of compute infrastructure by the end of FY28.
- **Google:** Mgmt characterized its relationship with Google as stronger than ever, highlighting a recently signed long-term agreement (which we wrote about here) under which Google committed to purchasing tens of billions of dollars annually of TPU and networking infrastructure over the coming years. The agreement is set as a take-or-pay with revenues increasing on an annual basis. AVGO expects demand to be supported by successive generations of increasingly complex TPUs, with Ironwood TPU v7 shipping in high volume during FQ3 and the company simultaneously beginning production shipments of the next-generation TPU v8i, an inference-optimized architecture expected to ramp in volume during FQ4. Interestingly, while AVGO expects Google volumes to continue increasing, it now sees opportunities for both of the U.S. frontier lab customers to surpass Google as its largest XPU customer position in 2028.
- **The Two U.S. frontier Labs:** Mgmt provided additional color on its two largest frontier-model customers, outlining a significantly larger custom AI opportunity over the next several years. For OAI, AVGO noted that the first-generation Jalapeno accelerator entered production shipments in FQ3 and is expected by mgmt to continue ramping through FQ4, supporting an estimated ~1.3GW deployment in FY27 and providing line of sight to >5GW of deployments in FY28. AVGO indicated it is working on both the next-generation and third-generation OpenAI XPUs, positioning OAI as the company's second-largest XPU customer over time. Separately, the company highlighted accelerating deployments at a second large frontier model provider, where Ironwood TPU v7 shipped in volume during FQ3 and is expected by mgmt to ramp further in FQ4. Taken together, mgmt outlined a path from ~1GW of deployment scale in FY26 to ~5GW in FY27, followed by an incremental ~10GW in FY28, which would make this customer AVGO's largest XPU customer. The disclosed GW figures are ultimately tied to planned rack deployments and first-party datacenter buildouts, with AVGO's role extending beyond accelerator development to include networking, rack architecture, system validation, and deployment support. While total infrastructure spending can approach $20-30B per GW when including land, power, and facility costs, AVGO noted its TPU/XPU and networking content represents only a fraction of that value (we previously estimated ~$10-15B/GW). Management also suggested that $/content per GW should remain relatively stable over time, implying future AI revenue growth will be driven primarily by

increasing deployment volumes rather than higher content intensity per GW.

- **Networking:** AVGO highlighted that AI networking revenue grew >2.5x Y/Y in FQ3 and is expected to triple Y/Y in FQ4, matching the growth trajectory of its XPU business. While XPUs account for ~70% of AI revenue today, mgmt emphasized the remaining networking mix is anchored by highly profitable Tomahawk Ethernet switch deployments, which remain the largest component of networking spend within AI clusters. Beyond switching, management highlighted significant incremental upside from optical interconnects, as it estimates its current 1.6T DSP market share at ~90%. While DSPs, lasers, and optics all see strong growth, they ultimately remain a smaller revenue driver relative to XPUs. AVGO described the optical opportunity as already worth billions of dollars annually, with demand for EMLs and CW lasers exceeding industry supply and prompting substantial capacity expansions.

**Read Across**

We see AVGO's commentary on longer-term XPU demand from foundational model vendors and increasingly vital role of AI networking positive for key compute players, like NVDA and AMD, as well as AI networking players in general.

**Valuation: PT $470 (unchanged)**

We maintain our price target at $470, based on applying a multiple of ~17x EV/FCF multiple (vs prior 12x) to the CY27E Software FCF contribution of $31.2B (vs prior $35.1B) and applying a multiple of ~30x EV/FCF multiple (unchanged) to the CY27E Semis FCF contribution of $60.4B (vs prior $65.6B).

**Figure 1: UBS TPU unit estimates**

| TPU $ revs | C2024 | C2025 | C2026 | C2027 | C2028 |
|---|---|---|---|---|---|
| **AVGO TPU Revs** | | | | | |
| GCP | $7,676 | $13,204 | $29,284 | $37,500 | $50,700 |
| 2nd US LLM Lab | -- | -- | $13,470 | $35,700 | $50,600 |
| UBSe Total TPU revs | $7,676 | $13,204 | $42,754 | $73,200 | $101,300 |
| UBSe AI Revs | $12,982 | $24,428 | $72,928 | $146,902 | $244,261 |

| TPU Units, K | | C2024 | C2025 | C2026 | C2027 | C2028 |
|---|---|---|---|---|---|---|
| **AVGO** | **Node** | | | | | |
| v5 | | 1,280 | 440 | | | |
| v6 (Trillium) | N5 | | 1,160 | 790 | | |
| v7 (Ironwood) | N3 | | 140 | 3,470 | 2,440 | |
| v8i (Sunfish) | N3 | | | 310 | 3,660 | 6,150 |
| v9 (Pumafish) | N2 | | | | | 890 |
| AVGO Total | | 1,280 | 1,740 | 4,570 | 6,100 | 7,040 |
| MediaTek Total | | - | - | 467 | 4,000 | 2,400 |
| TPU Total (AVGO+Mediatek) | | 1,280 | 1,740 | 5,037 | 10,100 | 9,440 |

Source: UBS estimates

**Figure 2: FQ3:26 Results**

| Key Metrics | Reported Q: FQ3:26 Actual | UBS Estimate | Street Estimate | Act vs UBS | Act vs Street |
|---|---|---|---|---|---|
| **Revenue ($MM)** | $29,591 | $29,480 | $29,241 | +0.4% | +1.2% |
| Y/Y Growth | 85.5% | 84.8% | 83.3% | | |
| Guidance | ~$29.4B | | | | |
| **Gross Margin** | 75.0% | 74.0% | 73.5% | +1.0% | +1.5% |
| Guidance | ~74% | | | | |
| **Adj EBITDA Margin** | 68.8% | 67.8% | 68.1% | +1.0% | +0.7% |
| Guidance | ~68% | | | | |
| **Operating Margin** | 67.9% | 67.0% | 66.3% | +0.9% | +1.6% |
| **Non-GAAP EPS** | $3.32 | $3.23 | $3.22 | +2.8% | +3.1% |
| **Free Cash Flow** | $13,665 | $11,187 | $13,924 | +22.2% | -1.9% |
| **Segment Revenue ($MM)** | | | | | |
| **Semiconductor Solutions** | $20,839 | $20,582 | $20,287 | +1.2% | +2.7% |
| Y/Y Growth | 126.6% | 123.8% | 120.6% | | |
| Guidance | ~$20.5B | | | | |
| **AI Revenue** | $16,740 | $16,051 | $16,109 | +4.3% | +3.9% |
| Y/Y Growth | 225.1% | 211.7% | 212.8% | | |
| Guidance | ~$16.0B | | | | |
| **AI Networking** | $5,200 | $4,956 | $5,411 | +4.9% | -3.9% |
| Q/Q Growth | 21.5% | 15.8% | 26.4% | | |
| **Custom Compute** | $11,540 | $11,095 | $10,637 | +4.0% | +8.5% |
| Q/Q Growth | 77.8% | 71.0% | 63.9% | | |
| **Non-AI Revenue** | $4,099 | $4,531 | $4,484 | -9.5% | -8.6% |
| Y/Y Growth | 1.3% | 12.0% | 10.9% | | |
| Guidance | | | | | |
| **Infrastructure Software** | $8,752 | $8,898 | $8,815 | -1.6% | -0.7% |
| Y/Y Growth | 29.5% | 31.7% | 30.5% | | |
| Guidance | ~$8.9B | | | | |

Source: Company data, UBS estimates, FactSet

**Figure 3: FQ4:26 Estimates**

| Key Metrics | Next Q: FQ4:26 Guidance | UBSe New | UBSe Old | Street Est. |
|---|---|---|---|---|
| **Revenue ($MM)** | ~$34.8B | $34,831 | $34,499 | $34,680 |
| Y/Y Growth | | 93.3% | 91.5% | 92.5% |
| **Gross Margin** | ~73% | 72.7% | 73.4% | 72.9% |
| **Adj EBITDA Margin** | | 67.2% | 67.8% | 68.0% |
| **Operating Margin** | ~66% | 66.4% | 67.0% | 66.5% |
| **Non-GAAP EPS** | | $3.83 | $3.78 | $3.85 |
| **Free Cash Flow** | | $14,926 | $15,668 | $16,861 |
| **Segment Revenue ($MM)** | | | | |
| **Semiconductor Solutions** | $26.1B | $26,101 | $25,697 | $25,621 |
| Y/Y Growth | | 135.7% | 132.1% | 131.4% |
| **AI Revenue** | $21.7B | $21,788 | $21,017 | $21,721 |
| Y/Y Growth | | 237.7% | 225.7% | 236.6% |
| **AI Networking** | | $7,083 | $7,227 | $5,931 |
| Q/Q Growth | | 36.2% | 45.8% | 14.0% |
| **Custom Compute** | | $14,705 | $13,790 | $15,788 |
| Q/Q Growth | | 27.4% | 24.3% | 36.8% |
| **Non-AI Revenue** | $4.3B | $4,313 | $4,680 | $4,387 |
| Y/Y Growth | | -6.6% | 1.3% | -5.0% |
| **Infrastructure Software** | $8.7B | $8,730 | $8,802 | $9,093 |
| Y/Y Growth | | 25.7% | 26.8% | 31.0% |

Source: Company data, UBS estimates, FactSet

## Figure 4: New vs. Old Estimates

| | FY 2026E | | | FY 2027E | | | FY 2028E | | |
|---|---|---|---|---|---|---|---|---|---|
| | New | Old | % Change | New | Old | % Change | New | Old | % Change |
| **Revenue ($MM)** | $105,920 | $105,478 | +0.4% | $178,107 | $185,733 | -4.1% | $286,708 | $258,475 | +10.9% |
| Y/Y Growth | 65.8% | 65.1% | +0.7% | 68.2% | 76.1% | -7.9% | 61.0% | 39.2% | +21.8% |
| **Gross Margin (Non-GAAP)** | 75.0% | 75.0% | +0.0% | 71.4% | 72.1% | -0.7% | 69.6% | 71.6% | -2.0% |
| **Adj EBITDA Margin** | 68.1% | 67.9% | +0.1% | 66.8% | 67.5% | -0.6% | 66.6% | 67.9% | -1.3% |
| **Operating Margin** | 67.0% | 67.0% | +0.1% | 66.1% | 67.0% | -0.9% | 66.0% | 67.5% | -1.5% |
| **Non-GAAP EPS** | $11.64 | $11.51 | +1.1% | $19.32 | $20.21 | -4.4% | $30.68 | $27.95 | +9.8% |
| **Free Cash Flow** | $46,863 | $45,127 | +3.8% | $80,754 | $87,920 | -8.2% | $137,671 | $136,284 | +1.0% |
| **Segment Revenue ($MM)** | | | | | | | | | |
| **Semiconductor Solutions** | $74,465 | $73,804 | +0.9% | $141,757 | $149,157 | -5.0% | $248,746 | $220,281 | +12.9% |
| Y/Y Growth | 101.9% | 100.1% | | 90.4% | 102.1% | | 75.5% | 47.7% | |
| **AI Revenue** | $57,698 | $56,238 | +2.6% | $124,143 | $129,902 | -4.4% | $230,287 | $199,994 | +15.1% |
| Y/Y Growth | 192.5% | 185.1% | | 115.2% | 131.0% | | 85.5% | 54.0% | |
| **AI Networking** | $19,335 | $19,235 | +0.5% | $39,621 | $40,812 | -2.9% | $62,797 | $55,966 | +12.2% |
| Y/Y Growth | 184.5% | 183.1% | | 104.9% | 112.2% | | 58.5% | 37.1% | |
| **Custom Compute** | $38,364 | $37,003 | +3.7% | $84,522 | $89,090 | -5.1% | $167,490 | $144,028 | +16.3% |
| Y/Y Growth | 217.8% | 206.5% | | 120.3% | 140.8% | | 98.2% | 61.7% | |
| **Non-AI Revenue** | $16,766 | $17,566 | -4.6% | $17,614 | $19,255 | -8.5% | $18,458 | $20,287 | -9.0% |
| Y/Y Growth | -2.3% | 2.4% | | 5.1% | 9.6% | | 4.8% | 5.4% | |
| **Infrastructure Software** | $31,456 | $31,674 | -0.7% | $36,350 | $36,575 | -0.6% | $37,962 | $38,193 | -0.6% |
| Y/Y Growth | 16.5% | 17.3% | | 15.6% | 15.5% | | 4.4% | 4.4% | |

Source: UBS estimates

## Figure 5: UBS vs. Street

| | 2025 | Jan'26 2026/1F | Apr'26 2026/2F | Jul'26 2026/3F | Oct'26 2026/4F | 2026 | Jan'27 2027/1F | Apr'27 2027/2F | Jul'27 2027/3F | Oct'27 2027/4F | 2027 | Jan'28 2028/1F | Apr'28 2028/2F | Jul'28 2028/3F | Oct'28 2028/4F | 2028 | CY2024 | CY2025 | CY2026 | CY2027 | CY2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue ($MM)** | | | | | | | | | | | | | | | | | | | | | |
| UBS (new) | **$63,887** | $19,311 | $22,187 | $29,591 | $34,831 | **$105,920** | $37,002 | $41,435 | $47,088 | $52,582 | **$178,107** | $60,380 | $69,422 | $74,511 | $82,395 | **$286,708** | **$54,529** | **$68,282** | **$123,611** | **$201,486** | **$301,277** |
| UBS (old) | | | | | $34,499 | **$105,478** | $36,530 | $43,071 | $50,554 | $55,577 | **$185,733** | $59,635 | $65,113 | $66,080 | $67,647 | **$258,475** | | | **$122,697** | **$208,837** | **$268,727** |
| Consensus | | | | | $34,615 | **$105,704** | $36,935 | $40,901 | $45,194 | $51,050 | **$174,079** | $58,526 | $61,772 | $64,590 | $68,182 | **$253,070** | | | **$123,327** | **$192,719** | **$256,007** |
| Delta | | | | | 0.6% | 0.2% | 0.2% | 1.3% | 4.2% | 3.0% | 2.3% | 3.2% | 12.4% | 15.4% | 20.8% | 13.3% | | | 0.2% | 4.5% | 17.7% |
| **EPS (non-GAAP)** | | | | | | | | | | | | | | | | | | | | | |
| UBS (new) | **$ 6.82** | $ 2.05 | $ 2.44 | $ 3.32 | $ 3.83 | **$ 11.64** | $ 4.04 | $ 4.49 | $ 5.09 | $ 5.69 | **$ 19.32** | $ 6.46 | $ 7.44 | $ 7.98 | $ 8.79 | **$ 30.68** | **$ 5.36** | **$ 7.28** | **$ 13.63** | **$ 21.73** | **$ 32.14** |
| UBS (old) | | | | | $ 3.78 | **$ 11.51** | $ 3.98 | $ 4.69 | $ 5.49 | $ 6.04 | **$ 20.21** | $ 6.49 | $ 7.07 | $ 7.14 | $ 7.25 | **$ 27.95** | | | **$ 13.43** | **$ 22.71** | **$ 28.95** |
| Consensus | | | | | $ 3.82 | **$ 11.63** | $ 4.09 | $ 4.52 | $ 5.05 | $ 5.74 | **$ 19.40** | $ 6.33 | $ 7.03 | $ 7.35 | $ 7.76 | **$ 28.48** | | | **$ 13.67** | **$ 21.56** | **$ 28.46** |
| Delta | | | | | 0.1% | 0.1% | (1.3%) | (0.7%) | 0.7% | (0.8%) | (0.4%) | 2.0% | 5.8% | 8.5% | 13.3% | 7.7% | | | (0.3%) | 0.8% | 12.9% |

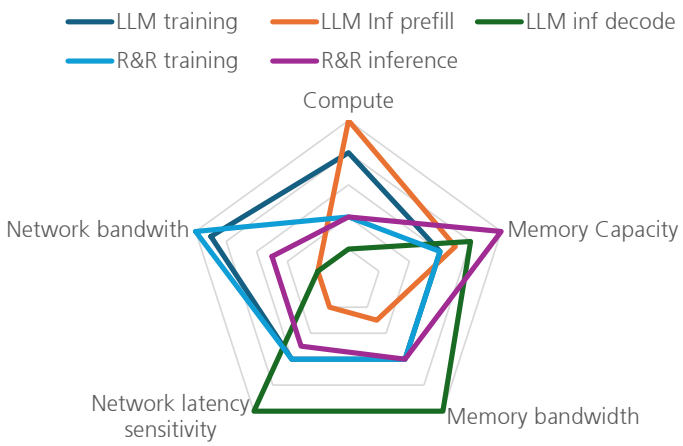
Source: Company data, FactSet, UBS estimates

## Figure 6: Summary Model

| Broadcom (AVGO) - Key Metrics (in $MM except EPS) | C2023 | C2024 | C2025 | FQ2A CQ1A | FQ3A CQ2A | Estimates FQ4:26E CQ3E | FQ1E CQ4E | C2026E | FQ2E CQ1E | FQ3E CQ2E | FQ4:27E CQ3E | FQ1E CQ4E | C2027E | FQ2E CQ1E | FQ3E CQ2E | FQ4:28E CQ3E | FQ1E CQ4E | C2028E | FISCAL YEAR SUMMARY F2023A | F2024A | F2025A | F2026E | F2027E | F2028E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **$38,865** | **$54,529** | **$68,282** | **$22,187** | **$29,591** | **$34,831** | **$37,002** | **$123,611** | **$41,435** | **$47,088** | **$52,582** | **$60,380** | **$201,486** | **$69,422** | **$74,511** | **$82,395** | **$74,949** | **$301,277** | **$35,819** | **$14,916** | **$63,887** | **$105,920** | **$178,107** | **$286,708** |
| Y/Y Growth | 13% | 40% | 25% | 48% | 86% | 93% | 92% | 81% | 87% | 59% | 51% | 63% | 63% | 68% | 58% | 57% | 24% | 50% | 8% | (58%) | 328% | 66% | 68% | 61% |
| Gross Profit (Non-GAAP) | $29,193 | $42,241 | $53,317 | $17,109 | $22,191 | $25,322 | $26,752 | $91,374 | $29,709 | $33,432 | $37,228 | $42,085 | $142,455 | $48,317 | $51,859 | $57,182 | $52,090 | $209,449 | $26,757 | $11,796 | $50,245 | $79,490 | $127,122 | $199,444 |
| **Gross Margin** | **75.1%** | **77.5%** | **78.1%** | **77.1%** | **75.0%** | **72.7%** | **72.3%** | **73.9%** | **71.7%** | **71.0%** | **70.8%** | **69.7%** | **70.7%** | **69.6%** | **69.6%** | **69.4%** | **69.5%** | **69.5%** | **74.7%** | **79.1%** | **78.6%** | **75.0%** | **71.4%** | **69.7%** |
| R&D | $4,255 | $5,834 | $6,044 | $1,600 | $1,551 | $1,613 | $1,678 | $6,442 | $1,761 | $1,814 | $1,832 | $1,906 | $7,314 | $1,982 | $2,041 | $2,103 | $2,001 | $8,127 | $3,740 | $1,431 | $5,957 | $6,282 | $7,086 | $8,032 |
| SG&A | $1,412 | $2,674 | $2,278 | $581 | $545 | $567 | $545 | $2,238 | $587 | $567 | $589 | $550 | $2,293 | $593 | $572 | $595 | $578 | $2,338 | $892 | $537 | $2,291 | $2,217 | $2,288 | $2,311 |
| **Opex (Non-GAAP)** | **$5,667** | **$8,508** | **$8,322** | **$2,181** | **$2,096** | **$2,180** | **$2,223** | **$8,679** | **$2,348** | **$2,381** | **$2,422** | **$2,456** | **$9,607** | **$2,575** | **$2,614** | **$2,698** | **$2,579** | **$10,465** | **$4,632** | **$1,968** | **$8,248** | **$8,499** | **$9,374** | **$10,343** |
| Y/Y Growth | 18% | 50% | (2%) | 3% | 3% | 3% | 9% | 4% | 8% | 14% | 11% | 11% | 11% | 10% | 10% | 11% | 5% | 9% | (4%) | (58%) | 319% | 3% | 10% | 10% |
| Operating Income (Non-GAAP) | $23,526 | $33,733 | $44,995 | $14,928 | $20,095 | $23,142 | $24,530 | $82,695 | $27,361 | $31,051 | $34,806 | $39,629 | $132,847 | $45,743 | $49,245 | $54,484 | $49,511 | $198,983 | $22,125 | $9,828 | $41,997 | $70,991 | $117,748 | $189,101 |
| **Operating Margin** | **60.5%** | **61.9%** | **65.9%** | **67.3%** | **67.9%** | **66.4%** | **66.3%** | **66.9%** | **66.0%** | **65.9%** | **66.2%** | **65.6%** | **65.9%** | **65.9%** | **66.1%** | **66.1%** | **66.1%** | **66.0%** | **61.8%** | **65.9%** | **65.7%** | **67.0%** | **66.1%** | **66.0%** |
| **Non-GAAP EPS** | **$4.29** | **$5.36** | **$7.28** | **$2.44** | **$3.32** | **$3.83** | **$4.04** | **$13.63** | **$4.49** | **$5.09** | **$5.69** | **$6.46** | **$21.73** | **$7.44** | **$7.98** | **$8.79** | **$7.94** | **$32.14** | **$4.22** | **$1.60** | **$6.82** | **$11.64** | **$19.32** | **$30.68** |
| **Free Cash Flow** | | | | | | | | | | | | | | | | | | | | | | | | |
| CFFO | $18,864 | $21,260 | $29,684 | $10,493 | $14,197 | $16,320 | $18,797 | $59,807 | $20,016 | $22,585 | $26,481 | $29,692 | $98,773 | $34,114 | $38,937 | $42,096 | $45,305 | $160,452 | $18,085 | $6,113 | $27,537 | $49,270 | $87,878 | $144,838 |
| Capex | $471 | $526 | $773 | $231 | $532 | $1,393 | $1,480 | $3,636 | $1,657 | $1,884 | $2,103 | $1,509 | $7,154 | $1,736 | $1,863 | $2,060 | $1,349 | $7,007 | $452 | $100 | $623 | $2,406 | $7,124 | $7,168 |
| **FCF** | **$18,393** | **$20,734** | **$28,911** | **$10,262** | **$13,665** | **$14,926** | **$17,317** | **$56,171** | **$18,358** | **$20,701** | **$24,378** | **$28,182** | **$91,619** | **$32,378** | **$37,074** | **$40,036** | **$43,956** | **$153,444** | **$17,633** | **$6,013** | **$26,914** | **$46,863** | **$80,754** | **$137,671** |
| % revenue | 47% | 38% | 42% | 46% | 46% | 43% | 47% | 45% | 44% | 44% | 46% | 47% | 45% | 47% | 50% | 49% | 59% | 51% | 49% | 40% | 42% | 44% | 45% | 48% |
| Y/Y Growth | 9% | 13% | 39% | 60% | 95% | 100% | 116% | 94% | 79% | 51% | 63% | 63% | 63% | 76% | 79% | 64% | 56% | 67% | 8% | (66%) | 348% | 74% | 72% | 70% |
| **Segment Revenue** | | | | | | | | | | | | | | | | | | | | | | | | |
| **Total Semiconductor Solutions** | **$28,465** | **$30,918** | **$41,189** | **$15,009** | **$20,839** | **$26,101** | **$28,257** | **$90,206** | **$32,360** | **$37,812** | **$43,328** | **$51,248** | **$164,748** | **$59,945** | **$64,823** | **$72,730** | **$65,411** | **$262,909** | **$28,182** | **$8,212** | **$36,886** | **$74,465** | **$141,757** | **$248,746** |
| Q/Q Growth | | | | 20% | 39% | 25% | 8% | | 15% | 17% | 15% | 18% | | 17% | 8% | 12% | (10%) | | | | | | | |
| Y/Y Growth | 5% | 9% | 33% | 79% | 127% | 136% | 126% | 119% | 116% | 81% | 66% | 81% | 83% | 85% | 71% | 68% | 28% | 60% | 9% | (71%) | 349% | 102% | 90% | 75% |
| **AI Revenue** | | **$12,982** | **$24,428** | **$10,770** | **$16,740** | **$21,788** | **$23,630** | **$72,928** | **$28,203** | **$33,695** | **$38,614** | **$46,389** | **$146,902** | **$55,605** | **$60,570** | **$67,723** | **$60,363** | **$244,261** | **$4,227** | **$3,700** | **$19,728** | **$57,698** | **$124,143** | **$230,287** |
| Q/Q Growth | | | | 28% | 55% | 30% | 8% | | 19% | 19% | 15% | 20% | | 20% | 9% | 12% | (11%) | | | | | | | |
| Y/Y Growth | | | 88% | 143% | 225% | 238% | 181% | 199% | 162% | 101% | 77% | 96% | 101% | 97% | 80% | 75% | 30% | 66% | | (12%) | 433% | 192% | 115% | 86% |
| **AI Networking** | | **$4,453** | **$8,947** | **$4,280** | **$5,200** | **$7,083** | **$7,484** | **$24,047** | **$8,988** | **$10,400** | **$12,749** | **$12,723** | **$44,860** | **$14,830** | **$16,120** | **$19,123** | **$17,813** | **$67,886** | **$1,057** | **$1,480** | **$6,795** | **$19,335** | **$39,621** | **$62,797** |
| Q/Q Growth | | | | 54% | 21% | 36% | 6% | | 20% | 16% | 23% | (0%) | | 17% | 9% | 19% | (7%) | | | | | | | |
| Y/Y Growth | | | 101% | 168% | 215% | 243% | 170% | 169% | 110% | 100% | 80% | 70% | 87% | 65% | 55% | 50% | 40% | 51% | | 40% | 359% | 185% | 105% | 58% |
| **Custom Compute** | | **$8,529** | **$15,481** | **$6,490** | **$11,540** | **$14,705** | **$16,145** | **$48,881** | **$19,215** | **$23,295** | **$25,865** | **$33,665** | **$102,042** | **$40,775** | **$44,450** | **$48,600** | **$42,550** | **$176,375** | **$3,170** | **$2,220** | **$12,073** | **$38,364** | **$84,522** | **$167,490** |
| Q/Q Growth | | | | 15% | 78% | 27% | 10% | | 19% | 21% | 11% | 30% | | 21% | 9% | 9% | (12%) | | | | | | | |
| Y/Y Growth | | | 82% | 171% | 276% | 235% | 187% | 216% | 196% | 102% | 76% | 109% | 109% | 112% | 91% | 88% | 26% | 73% | | (30%) | 444% | 218% | 120% | 98% |
| **TPU** | | | | | | | | | | | | | | | | | | | | | | | | |
| Google (All TPU) | | $7,676 | $13,204 | $5,384 | $7,400 | $8,000 | $8,500 | $29,284 | $8,700 | $9,000 | $9,300 | $10,500 | $37,500 | $11,300 | $12,100 | $12,900 | $14,400 | $50,700 | $3,170 | $1,998 | $10,485 | $25,502 | $35,500 | $46,800 |
| 2nd US LLM Lab | | -- | -- | -- | $2,900 | $5,070 | $5,500 | $13,470 | $7,000 | $8,500 | $9,500 | $10,700 | $35,700 | $11,900 | $12,900 | $13,900 | $11,900 | $50,600 | -- | -- | -- | $7,970 | $30,500 | $49,400 |
| **XPU** | | | | | | | | | | | | | | | | | | | | | | | | |
| META | | $150 | $1,230 | $770 | $800 | $860 | $800 | $3,230 | $800 | $1,800 | $2,400 | $3,800 | $8,800 | $4,800 | $4,900 | $5,000 | $5,200 | $19,900 | -- | $150 | $780 | $3,030 | $5,800 | $18,500 |
| 2nd US LLM Lab | | -- | -- | -- | -- | -- | | | -- | -- | -- | | | -- | -- | -- | $50 | $50 | -- | -- | -- | -- | -- | -- |
| Unnamed #1 (ByteDance) | | $703 | $1,047 | $335 | $360 | $385 | $395 | $1,477 | $395 | $445 | $415 | $465 | $1,722 | $475 | $500 | $550 | $650 | $2,175 | -- | $72 | $808 | $1,392 | $1,652 | $1,990 |
| Unnamed #2 (Apple) | | -- | -- | -- | -- | $20 | $150 | $170 | $300 | $500 | $600 | $3,000 | $4,400 | $4,500 | $4,500 | $5,000 | $4,500 | $18,500 | -- | -- | -- | $20 | $1,550 | $17,000 |
| Customer #6 | | -- | -- | -- | $80 | $370 | $800 | $1,250 | $2,000 | $3,000 | $3,500 | $5,000 | $13,500 | $7,500 | $9,000 | $10,500 | $5,000 | $32,000 | -- | -- | -- | $450 | $9,300 | $32,000 |
| Potential (Softbank?) | | -- | -- | -- | -- | -- | | | $20 | $50 | $150 | $200 | $420 | $300 | $550 | $750 | $850 | $2,450 | -- | -- | -- | -- | $220 | $1,800 |
| **Non-AI Semi Rev** | **$28,465** | **$17,936** | **$16,762** | **$4,239** | **$4,099** | **$4,313** | **$4,627** | **$17,278** | **$4,156** | **$4,116** | **$4,714** | **$4,859** | **$17,846** | **$4,339** | **$4,253** | **$5,007** | **$5,049** | **$18,648** | **$23,955** | **$4,512** | **$17,158** | **$16,766** | **$17,614** | **$18,458** |
| Q/Q Growth | | | | 3% | (3%) | 5% | 7% | | (10%) | (1%) | 15% | 3% | | (11%) | (2%) | 18% | 1% | | | | | | | |
| Y/Y Growth | 5% | (37%) | (7%) | 6% | 1% | (7%) | 12% | 3% | (2%) | 0% | 9% | 5% | 3% | 4% | 3% | 6% | 4% | 4% | (7%) | (81%) | 280% | (2%) | 5% | 5% |
| **Total Infrastructure Software** | **$10,400** | **$23,611** | **$27,091** | **$7,178** | **$8,752** | **$8,730** | **$8,745** | **$33,405** | **$9,076** | **$9,276** | **$9,254** | **$9,132** | **$36,738** | **$9,477** | **$9,687** | **$9,666** | **$9,538** | **$38,368** | **$7,637** | **$6,704** | **$27,000** | **$31,456** | **$36,350** | **$37,962** |
| Q/Q Growth | | | | 6% | 22% | (0%) | 0% | | 4% | 2% | (0%) | (1%) | | 4% | 2% | (0%) | (1%) | | | | | | | |
| Y/Y Growth | 41% | 127% | 15% | 9% | 30% | 26% | 29% | 23% | 26% | 6% | 6% | 4% | 10% | 4% | 4% | 4% | 4% | 4% | 3% | (12%) | 303% | 17% | 16% | 4% |
| **CA** | **$4,410** | **$4,617** | **$4,527** | **$1,187** | **$1,200** | **$1,184** | **$1,088** | **$4,658** | **$1,222** | **$1,236** | **$1,220** | **$1,120** | **$4,798** | **$1,259** | **$1,273** | **$1,256** | **$1,154** | **$4,942** | **$4,158** | **$1,299** | **$4,770** | **$4,627** | **$4,765** | **$4,908** |
| Q/Q Growth | | | | 12% | 1% | (1%) | (8%) | | 12% | 1% | (1%) | (8%) | | 12% | 1% | (1%) | (8%) | | | | | | | |
| Y/Y Growth | 11% | 5% | (2%) | 3% | 7% | (1%) | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 6% | (69%) | 267% | (3%) | 3% | 3% |
| **VMW** | **$2,100** | **$14,555** | **$18,845** | **$5,117** | **$6,687** | **$6,696** | **$6,762** | **$25,262** | **$6,959** | **$7,155** | **$7,165** | **$7,100** | **$28,379** | **$7,306** | **$7,513** | **$7,523** | **$7,455** | **$29,797** | | **$4,305** | **$18,285** | **$23,364** | **$28,040** | **$29,442** |
| Q/Q Growth | | | | 5% | 31% | 0% | 1% | | 3% | 3% | 0% | (1%) | | 3% | 3% | 0% | (1%) | | | | | | | |
| Y/Y Growth | | 593% | 29% | 14% | 43% | 40% | 39% | 34% | 36% | 7% | 7% | 5% | 12% | 5% | 5% | 5% | 5% | 5% | | | 325% | 28% | 20% | 5% |

Source: Company data, UBS estimates

**Figure 7: Varying requirements for different workloads**



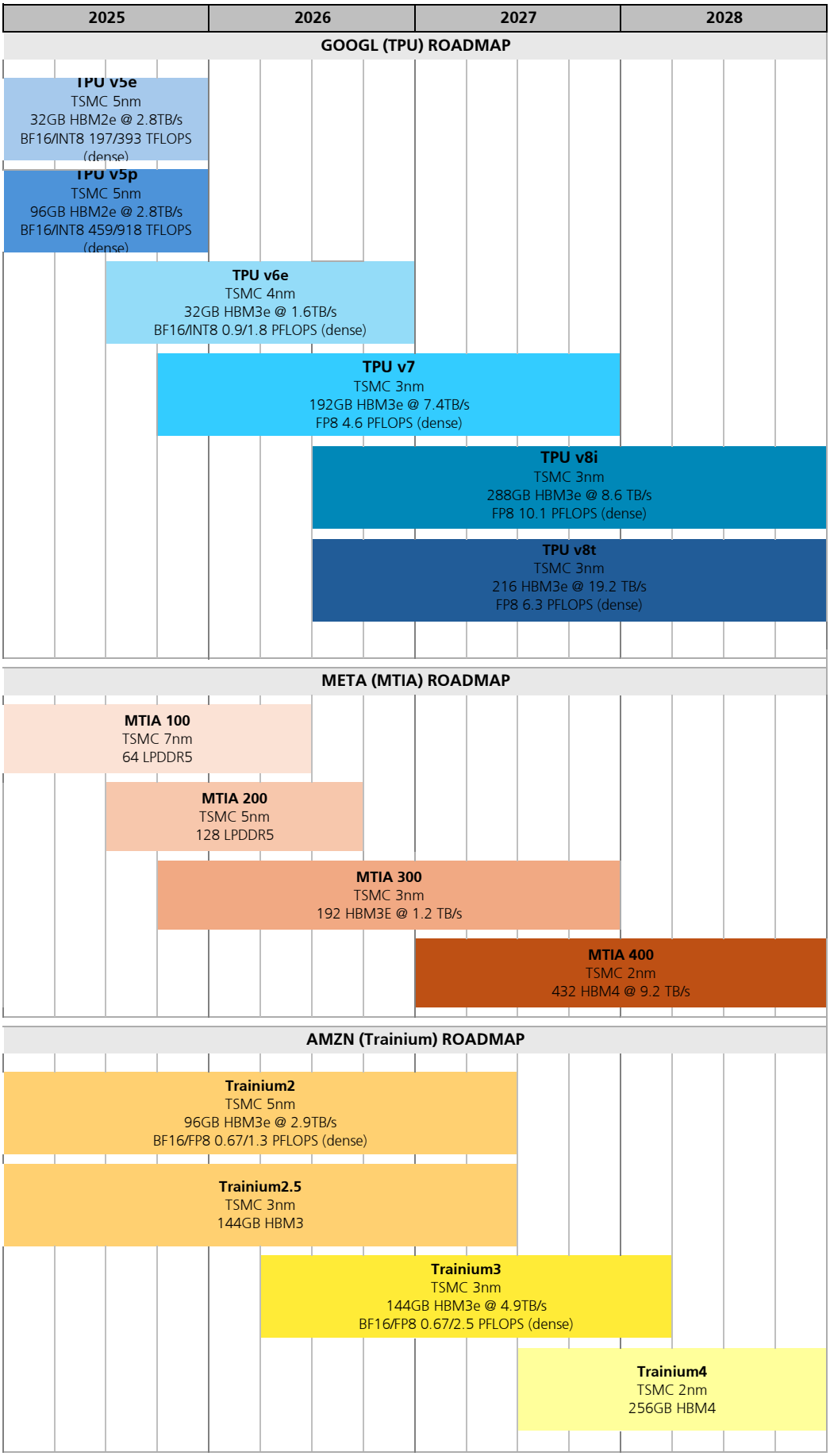

Source: META (2023)

**Figure 8: GPUs vs Custom ASICs Overview**

| | NVDA | | AMD | AMZN | GOOGL | | | MSFT | | META | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| HW Specifications | VR200 | VR300 | MI450 | Trainium3 | TPU v7 | TPU v8t | TPU v8i | Maia 200 | Maia 300 | MTIA 300 | MTIA 400 |
| IC Partner | - | - | - | Alchip, MRVL | Broadcom | MediaTek | Broadcom | GUC | MRVL | Broadcom | Broadcom |
| Ramp Year | 2026 | 2027 | 2026 | 2026 | 2026 | 2027 | 2027 | 2026 | 2026+ | 2025 | 2026+ |
| Front-End Foundry | TSMC | TSMC | TSMC | TSMC | TSMC | TSMC | TSMC | TSMC | TSMC | TSMC | TSMC |
| Foundry Node | N3 | N3P | N2 | N3P | N3 | N3 | N3 | N3 | N2 | N3 | N2 |
| Die Size (mm^2) | 1,628 | 1,628 | 840 | 1,600 | 750 | 800 | 1,600 | 820 | - | - | - |
| Dies per GPU/XPU | 2 | 2 | 1 | 2 | 1 | 1 | 2 | 1 | - | - | - |
| Dies per Rack | 72 | 144 | 72 | 64 | 64 | 64 | 64 | - | - | - | - |
| CoWoS Type | CoWoS-L | CoWoS-L | CoWoS-L | CoWoS-R | CoWoS-L | CoWoS-L | CoWoS-L | CoWoS-L | CoWoS-L | - | - |
| HBM type | HBM4 | HBM4 | HBM4 | HBM3E | HBM3E | HBM3E | HBM3E | HBM3E | HBM4 | HBM3E | HBM4 |
| HBM Capacity (GB) | 288 | 384 | 432 | 144 | 192 | 216 | 288 | 288 | 288 | 192 | 432 |
| FP8 TFLOPS per Package | 16,000 | 32,000 | 20,000 | 2,517 | 4,688 | 6,302 | 10,069 | 5,072 | - | 1,120 | - |
| Power per Die (W) | 1,150 | 1,200 | 2,500 | 700 | 550 | 800 | 600 | 750 | 667 | - | - |

Source: Press reports, UBS Research

**Figure 9: Datacenter ASIC Roadmap**




Source: UBS, Company reports

## Valuation

Our PT $470 (no change) is based on applying a multiple of ~17x EV/FCF multiple (versus prior 12x) to the CY27E Software FCF contribution of $31.2B and applying a multiple of ~30x EV/FCF multiple to the CY27E Semis FCF contribution of $60.4B.

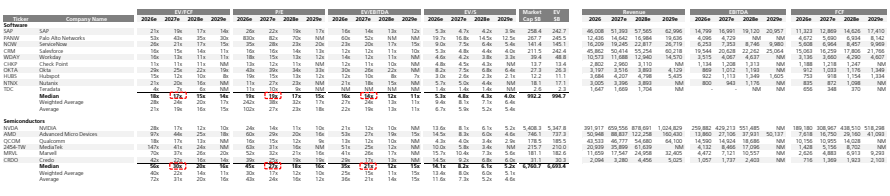
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### Figure 10: Valuation

| SOTP Valuation | New | Old |
|---|---|---|
| **Infrastructure Software FCF** | | |
| **C2027** | **$31,221** | **$35,081** |
| **EV/FCF Multiple** | **17x** | **12x** |
| Infrastructure Software Enterprise Value | $536,997 | $438,162 |
| Shares Outstanding (Non-GAAP) | 5,067 | 5,120 |
| **Software Enterprise Value per Share** | **$106** | **$86** |
| **Semiconductor Solutions FCF** | | |
| **C2027** | **$60,398** | **$65,553** |
| **EV/FCF Multiple** | **30x** | **30x** |
| Semiconductor Solutions Enterprise Value | $1,830,072 | $1,986,243 |
| Shares Outstanding (Non-GAAP) | 5,067 | 5,120 |
| **Semiconductor Solutions Enterprise Value per Share** | **$361** | **$388** |
| **AVGO Total Company (Software + Semiconductor)** | | |
| AVGO Enterprise Value per Share | $467 | $474 |
| + Net Debt | $3 | -$3 |
| **Price Target** | **$470** | **$470** |

Source: UBS estimates, FactSet

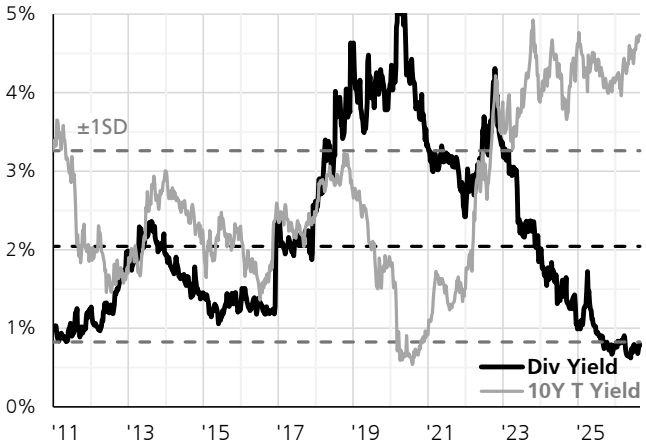
### Figure 11: AVGO Comps



Source: FactSet, UBS estimates; forecasts based on consensus data

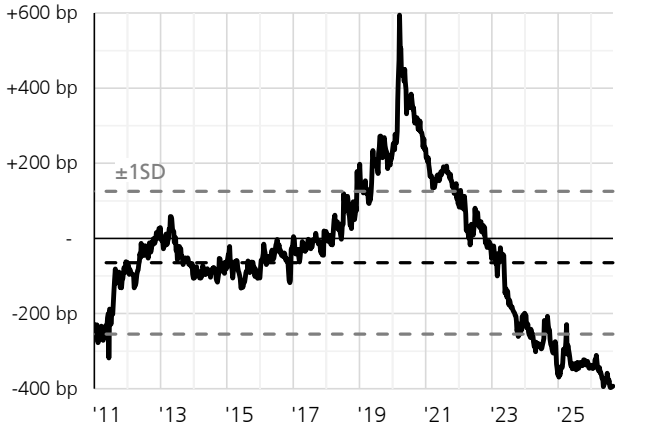
## Valuation Charts

**Figure 12: Broadcom (AVGO) Dividend Yield and US 10-Year T-Yield**



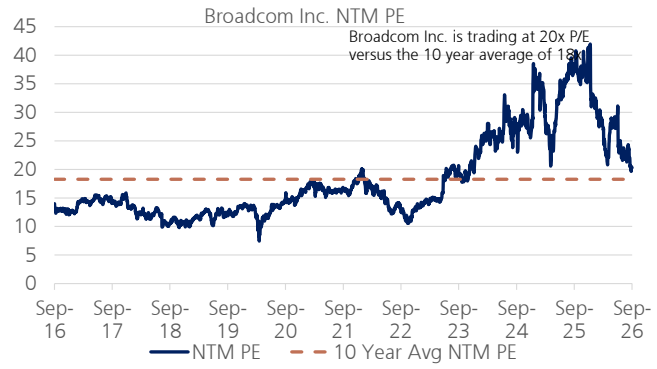

Source: Company reports, UBS research, FactSet

**Figure 13: Broadcom (AVGO) Div. Yield Spread vs 10Y Treasury**



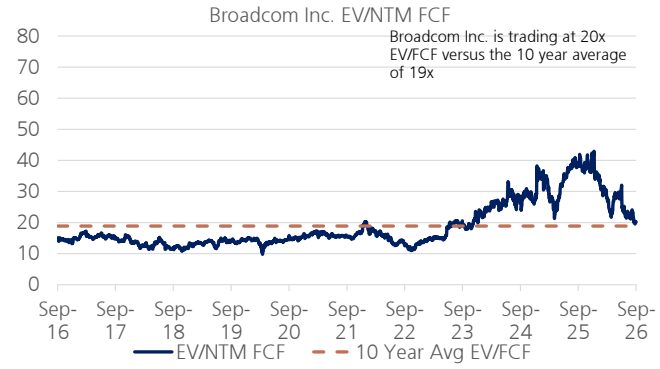

Source: Company reports, UBS research, FactSet

**Figure 14: AVGO is trading at ~20x PE…**



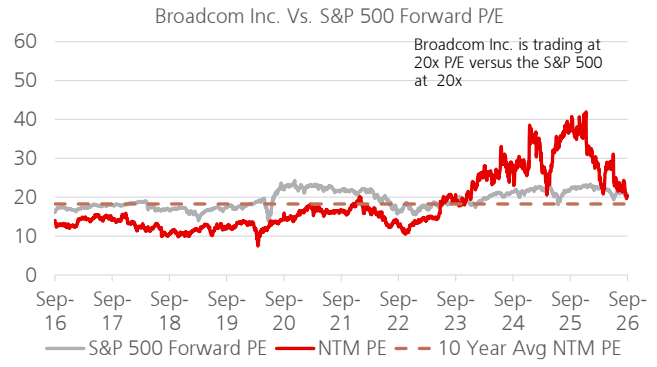

Source: Company reports, UBS, FactSet

**Figure 15: …and ~20x EV/FCF**



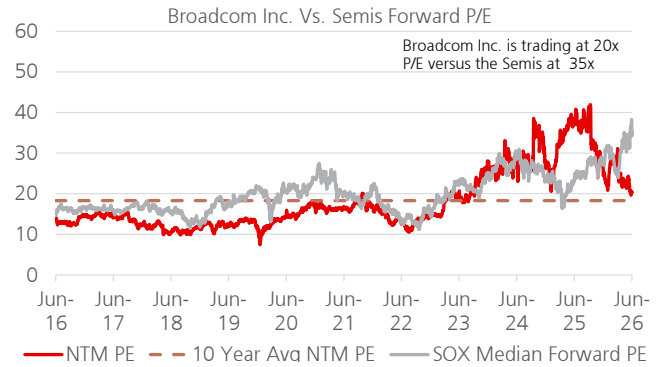

Source: Company reports, UBS, FactSet

**Figure 16: AVGO is trading in line with the S&P 500…**




Source: Company reports, UBS, FactSet

**Figure 17: …and at a ~15 turn P/E discount to Semis**




Source: Company reports, UBS, FactSet

# Broadcom Inc. (AVGO.O)

| Income Statement (US$m) | 10/23 | 10/24 | 10/25 | 10/26E | %ch | 10/27E | %ch | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **35,819** | **51,574** | **63,887** | **105,920** | *65.8* | **178,107** | *68.2* | **286,708** | **321,747** | **399,389** |
| Gross profit | 26,757 | 39,459 | 50,245 | 79,490 | *58.2* | 127,122 | *59.9* | 199,444 | 222,601 | 275,380 |
| **EBITDA (UBS)** | **23,213** | **31,897** | **43,004** | **72,086** | *67.6* | **119,018** | *65.1* | **190,958** | **214,055** | **266,728** |
| Depreciation & amortisation | (1,088) | (1,161) | (1,007) | (1,095) | *-8.7* | (1,270) | *-16.0* | (1,856) | (2,313) | (2,751) |
| **EBIT (UBS)** | **22,125** | **30,736** | **41,997** | **70,991** | *69.0* | **117,748** | *65.9* | **189,101** | **211,741** | **263,977** |
| Associates & investment income | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Other non-operating income | 500 | 418 | 294 | 409 | *39.1* | 100 | *-75.6* | 100 | 100 | 100 |
| Net interest | (1,622) | (3,796) | (3,072) | (2,897) | *5.7* | (2,759) | *4.8* | (2,666) | (2,470) | (2,234) |
| Exceptionals (incl goodwill) | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| **Pre-tax profit** | **21,003** | **27,358** | **39,219** | **68,503** | *74.7* | **115,090** | *68.0* | **186,535** | **209,371** | **261,843** |
| Tax | (2,625) | (3,625) | (5,491) | (10,960) | *-99.6* | (18,414) | *-68.0* | (29,846) | (33,499) | (41,895) |
| **Profit after tax** | **18,378** | **23,733** | **33,728** | **57,543** | *70.6* | **96,675** | *68.0* | **156,690** | **175,872** | **219,948** |
| Preference dividends | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Minorities | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Extraordinary items | (4,296) | (17,565) | (10,602) | (13,471) | *-27.1* | (16,947) | *-25.8* | (13,971) | (12,964) | (12,083) |
| **Net earnings (local GAAP)** | **14,082** | **6,168** | **23,126** | **44,073** | *90.6* | **79,728** | *80.9* | **142,719** | **162,908** | **207,866** |
| **Net earnings (UBS)** | **18,378** | **23,733** | **33,728** | **57,543** | *70.6* | **96,675** | *68.0* | **156,690** | **175,872** | **219,948** |
| Tax rate (%) | 12.5 | 13.3 | 14.0 | 16.0 | *14.3* | 16.0 | *0.0* | 16.0 | 16.0 | 16.0 |

| Per Share (US$) | 10/23 | 10/24 | 10/25 | 10/26E | %ch | 10/27E | %ch | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|---|---|
| EPS (UBS, diluted) | 4.22 | 4.87 | 6.82 | 11.64 | *70.6* | 19.32 | *66.0* | 30.68 | 33.74 | 41.32 |
| EPS (local GAAP, diluted) | 3.24 | 1.26 | 4.68 | 8.92 | *90.6* | 15.93 | *78.7* | 27.95 | 31.25 | 39.05 |
| EPS (UBS, basic) | 4.43 | 5.13 | 7.16 | 12.10 | *69.1* | 20.08 | *65.9* | 32.02 | 35.35 | 43.48 |
| DPS (net) (US$) | 1.84 | 2.11 | 2.36 | 2.60 | *10.2* | 3.90 | *50.0* | 5.38 | 6.94 | 8.96 |
| Cash EPS (UBS, diluted) [1] | 4.47 | 5.10 | 7.03 | 11.86 | *68.8* | 19.58 | *65.0* | 31.05 | 34.18 | 41.84 |
| Book value per share | 5.79 | 14.54 | 17.22 | 23.75 | *38.0* | 36.05 | *51.8* | 59.26 | 84.10 | 114.87 |
| Average shares (diluted) | 4,350 | 4,878 | 4,943 | 4,944 | *0.0* | 5,003 | *1.2* | 5,107 | 5,213 | 5,322 |

| Balance Sheet (US$m) | 10/23 | 10/24 | 10/25 | 10/26E | %ch | 10/27E | %ch | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and equivalents | 14,189 | 9,348 | 16,178 | 39,040 | *141.3* | 92,123 | *136.0* | 190,327 | 312,508 | 459,402 |
| Other current assets | 6,658 | 10,247 | 15,395 | 31,483 | *104.5* | 42,043 | *33.5* | 59,848 | 63,787 | 75,173 |
| **Total current assets** | **20,847** | **19,595** | **31,573** | **70,522** | *123.4* | **134,166** | *90.2* | **250,175** | **376,295** | **534,575** |
| Net tangible fixed assets | 2,154 | 2,521 | 2,530 | 4,335 | *71.4* | 10,290 | *137.3* | 15,701 | 19,279 | 23,817 |
| Net intangible fixed assets | 47,520 | 138,456 | 130,074 | 122,168 | *-6.1* | 115,127 | *-5.8* | 109,233 | 104,345 | 100,338 |
| Investments / other assets | 2,340 | 5,073 | 6,915 | 8,705 | *25.9* | 8,705 | *0.0* | 8,705 | 8,705 | 8,705 |
| **Total assets** | **72,861** | **165,645** | **171,092** | **205,731** | *20.2* | **268,288** | *30.4* | **383,814** | **508,624** | **667,435** |
| Trade payables & other ST liabilities | 5,797 | 15,426 | 15,362 | 19,686 | *28.2* | 22,110 | *12.3* | 26,307 | 27,332 | 29,913 |
| Short term debt | 1,608 | 1,271 | 3,152 | 2,252 | *-28.6* | 2,252 | *0.0* | 2,252 | 2,252 | 2,252 |
| **Total current liabilities** | **7,405** | **16,697** | **18,514** | **21,938** | *18.5* | **24,362** | *11.0* | **28,559** | **29,584** | **32,165** |
| Long term debt | 37,621 | 66,295 | 61,984 | 60,403 | *-2.6* | 59,910 | *-0.8* | 54,783 | 50,128 | 43,722 |
| Other long term liabilities | 3,847 | 14,975 | 9,302 | 10,453 | *12.4* | 10,453 | *0.0* | 10,453 | 10,453 | 10,453 |
| Preferred shares | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| **Total liabilities (incl pref shares)** | **48,873** | **97,967** | **89,800** | **92,794** | *3.3* | **94,725** | *2.1* | **93,795** | **90,165** | **86,340** |
| **Common s/h equity** | **23,988** | **67,678** | **81,292** | **112,937** | *38.9* | **173,563** | *53.7* | **290,018** | **418,459** | **581,095** |
| Minority interests | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| **Total liabilities & equity** | **72,861** | **165,645** | **171,092** | **205,731** | *20.2* | **268,288** | *30.4* | **383,814** | **508,624** | **667,435** |

| Cash Flow (US$m) | 10/23 | 10/24 | 10/25 | 10/26E | %ch | 10/27E | %ch | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|---|---|
| Net income (before pref divs) | 14,082 | 6,168 | 23,126 | 44,073 | *90.6* | 79,728 | *80.9* | 142,719 | 162,908 | 207,866 |
| Depreciation & amortisation | 1,088 | 1,161 | 1,007 | 1,095 | *8.7* | 1,270 | *16.0* | 1,856 | 2,313 | 2,751 |
| Net change in working capital | (1,643) | (4,637) | (8,500) | (11,144) | *-31.1* | (8,137) | *27.0* | (13,608) | (2,915) | (8,805) |
| Other operating | 4,558 | 17,270 | 11,904 | 15,247 | *28.1* | 15,017 | *-1.5* | 13,871 | 12,864 | 11,983 |
| **Operating cash flow** | **18,085** | **19,962** | **27,537** | **49,270** | *78.9* | **87,878** | *78.4* | **144,838** | **175,170** | **213,795** |
| Tangible capital expenditure | (452) | (548) | (623) | (2,406) | *-286.2* | (7,124) | *-196.1* | (7,168) | (5,791) | (7,189) |
| Intangible capital expenditure | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| Net (acquisitions) & disposals | (171) | (22,571) | (49) | (436) | *NM* | 0 | - | 0 | 0 | 0 |
| Other investing | (66) | 49 | 92 | 13 | *-85.9* | 0 | - | 0 | 0 | 0 |
| **Investing cash flow** | **(689)** | **(23,070)** | **(580)** | **(2,829)** | *-387.8* | **(7,124)** | *-151.8* | **(7,168)** | **(5,791)** | **(7,189)** |
| Equity dividends paid | (7,645) | (9,814) | (11,142) | (12,379) | *-11.1* | (18,778) | *-51.7* | (26,340) | (34,543) | (45,306) |
| Share issues / (buybacks) | (6,898) | (7,176) | (2,450) | (8,450) | *-244.9* | (8,400) | *0.6* | (8,000) | (8,000) | (8,000) |
| Other financing | (677) | (5,089) | (3,723) | 68 | - | 0 | - | 0 | 0 | 0 |
| Change in debt & pref shares | (403) | 20,346 | (2,812) | (2,818) | *-0.2* | (493) | *82.5* | (5,127) | (4,655) | (6,406) |
| **Financing cash flow** | **(15,623)** | **(1,733)** | **(20,127)** | **(23,579)** | *-17.2* | **(27,671)** | *-17.4* | **(39,467)** | **(47,198)** | **(59,712)** |
| **Cash flow inc/(dec) in cash** | **1,773** | **(4,841)** | **6,830** | **22,862** | *234.7* | **53,084** | *132.2* | **98,204** | **122,181** | **146,894** |
| FX / non cash items | 0 | 0 | 0 | 0 | - | 0 | - | 0 | 0 | 0 |
| **Balance sheet inc/(dec) in cash** | **1,773** | **(4,841)** | **6,830** | **22,862** | *234.7* | **53,084** | *132.2* | **98,204** | **122,181** | **146,894** |

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

# Broadcom Inc. (AVGO.O)

| Valuation (x) | 10/23 | 10/24 | 10/25 | 10/26E | 10/27E | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|
| P/E (local GAAP, diluted) | 21.8 | NM | 52.7 | 41.2 | 23.0 | 13.1 | 11.8 | 9.4 |
| P/E (UBS, diluted) | 16.7 | 28.3 | 36.1 | 31.5 | 19.0 | 12.0 | 10.9 | 8.9 |
| P/CEPS | 15.0 | 25.6 | 33.4 | 29.8 | 18.1 | 11.3 | 10.3 | 8.3 |
| Equity FCF (UBS) yield % | 6.0 | 3.1 | 2.3 | 2.7 | 4.6 | 7.9 | 9.7 | 11.9 |
| Dividend yield (net) % | 2.6 | 1.5 | 1.0 | 0.7 | 1.1 | 1.5 | 1.9 | 2.4 |
| P/BV | 12.2 | 9.5 | 14.3 | 15.5 | 10.2 | 6.2 | 4.4 | 3.2 |
| EV/revenues (core) | 8.9 | NM | NM | NM | 9.9 | 6.2 | 5.5 | 4.4 |
| EV/EBITDA (UBS core) | 13.7 | 20.5 | 27.6 | 24.5 | 14.9 | 9.3 | 8.3 | 6.6 |
| EV/EBIT (core) | 14.4 | 21.2 | 28.3 | 24.9 | 15.0 | 9.4 | 8.4 | 6.7 |
| EV/OpFCF (core) | 13.8 | 20.5 | 27.6 | 24.5 | 14.9 | 9.3 | 8.3 | 6.6 |
| EV/op. invested capital | 6.5 | 7.5 | 9.3 | 13.3 | 12.6 | 11.8 | 11.2 | 10.9 |

| Enterprise value (US$m) | 10/23 | 10/24 | 10/25 | 10/26E | 10/27E | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|
| Market cap. | 291,747 | 625,284 | 1,159,834 | 1,741,085 | 1,741,085 | 1,741,085 | 1,741,085 | 1,741,085 |
| Net debt (cash) | 27,333 | 27,333 | 27,333 | 27,333 | 27,333 | 27,333 | 30,833 | 30,833 |
| Buy out of minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pension provisions/other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total enterprise value** | **319,080** | **652,617** | **1,187,167** | **1,768,418** | **1,768,418** | **1,768,418** | **1,771,918** | **1,771,918** |
| Non core assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Core enterprise value** | **319,080** | **652,617** | **1,187,167** | **1,768,418** | **1,768,418** | **1,768,418** | **1,771,918** | **1,771,918** |

| Growth (%) | 10/23 | 10/24 | 10/25 | 10/26E | 10/27E | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|
| Revenue | 7.9 | 44.0 | 23.9 | 65.8 | 68.2 | 61.0 | 12.2 | 24.1 |
| EBITDA (UBS) | 10.4 | 37.4 | 34.8 | 67.6 | 65.1 | 60.4 | 12.1 | 24.6 |
| EBIT (UBS) | 9.0 | 38.9 | 36.6 | 69.0 | 65.9 | 60.6 | 12.0 | 24.7 |
| EPS (UBS, diluted) | 12.4 | 15.2 | 40.2 | 70.6 | 66.0 | 58.8 | 9.9 | 22.5 |
| Net DPS | 12.2 | 14.4 | 12.1 | 10.2 | 50.0 | 38.0 | 29.0 | 29.0 |

| Margins & Profitability (%) | 10/23 | 10/24 | 10/25 | 10/26E | 10/27E | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|
| Gross profit margin | 74.7 | NM | NM | 75.0 | 71.4 | 69.6 | 69.2 | 69.0 |
| EBITDA margin | 64.8 | 61.8 | 67.3 | 68.1 | 66.8 | 66.6 | 66.5 | 66.8 |
| EBIT (UBS) margin | 61.8 | 59.6 | 65.7 | 67.0 | 66.1 | 66.0 | 65.8 | 66.1 |
| Net earnings (UBS) margin | 51.3 | 46.0 | 52.8 | 54.3 | 54.3 | 54.7 | 54.7 | 55.1 |
| ROIC (EBIT) | 44.8 | 35.1 | 32.8 | 53.2 | NM | NM | NM | NM |
| ROIC post tax | 39.2 | 30.5 | 28.2 | 44.7 | 70.6 | NM | NM | NM |
| ROE (UBS) | 78.7 | 51.8 | 45.3 | 59.3 | 67.5 | 67.6 | 49.6 | 44.0 |

| Capital structure & Coverage (x) | 10/23 | 10/24 | 10/25 | 10/26E | 10/27E | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|
| Net debt / EBITDA | 1.1 | 1.8 | 1.1 | 0.3 | (0.3) | (0.7) | (1.2) | (1.5) |
| Net debt / total equity % | 104.4 | 86.0 | 60.2 | 20.9 | (17.3) | (46.0) | (62.2) | (71.1) |
| Net debt / (net debt + total equity) % | 51.1 | 46.2 | 37.6 | 17.3 | (20.9) | (85.0) | NM | NM |
| Net debt/EV % | 8.2 | 6.4 | 4.5 | 2.1 | (0.2) | (4.6) | (11.1) | (19.0) |
| Capex / depreciation % | 90.0 | 92.4 | 108.5 | NM | NM | NM | NM | NM |
| Capex / revenue % | 1.3 | 1.1 | 1.0 | 2.3 | 4.0 | 2.5 | 1.8 | 1.8 |
| EBIT / net interest | 13.6 | 8.1 | 13.7 | 24.5 | 42.7 | 70.9 | NM | NM |
| Dividend cover (UBS) | 2.4 | 2.4 | 3.0 | 4.7 | 5.1 | 5.9 | 5.1 | 4.9 |
| Div. payout ratio (UBS) % | 41.5 | 41.0 | 33.0 | 21.5 | 19.4 | 16.8 | 19.6 | 20.6 |

| Revenues by division (US$m) | 10/23 | 10/24 | 10/25 | 10/26E | 10/27E | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|
| Others | 35,819 | 51,574 | 63,887 | 105,920 | 178,107 | 286,708 | 321,747 | 399,389 |
| **Total** | **35,819** | **51,574** | **63,887** | **105,920** | **178,107** | **286,708** | **321,747** | **399,389** |

| EBIT (UBS) by division (US$m) | 10/23 | 10/24 | 10/25 | 10/26E | 10/27E | 10/28E | 10/29E | 10/30E |
|---|---|---|---|---|---|---|---|---|
| Others | 22,125 | 30,736 | 41,997 | 70,991 | 117,748 | 189,101 | 211,741 | 263,977 |
| **Total** | **22,125** | **30,736** | **41,997** | **70,991** | **117,748** | **189,101** | **211,741** | **263,977** |

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

**Forecast returns**

| | |
|---|---|
| Forecast price appreciation | 28.0% |
| Forecast dividend yield | 1.1% |
| Forecast stock return | 29.0% |
| Market return assumption | 9.4% |
| Forecast excess return | 19.7% |

**Company Description**

Broadcom was founded in 1961 and is currently headquartered in San Jose, CA. Broadcom designs and develops digital and analog semiconductors. The company serves the wired infrastructure, wireless communications, enterprise storage, and industrial markets. Broadcom's product portfolio includes solutions for data center networking, connectivity, smartphones, telecommunications equipment, and displays.

**Valuation Method and Risk Statement**

AVGO: We use an EV/FCF methodology for valuation of AVGO. The major risks to our price target come primarily from the fact that AVGO might continue to do M&A and thereby affect FCF and dividend payout ratios that form the basis of our valuation. Should market conditions tighten they could impact the dividend yield and create more downside in our valuation.
Risk to upside and downside for our universe of semiconductor and semiconductor equipment stock include macroeconomic and geopolitical environments, M&A, market share loss/gain, currency fluctuations, tax policies, among others.

**Quantitative Research Review**

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

**Broadcom Inc.**

| Question | Response |
|---|---|
| 1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view) | 3 |
| 2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view) | 3 |
| 3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view) | 4 |
| 4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view) | N/A |
| 5. What's driving the difference? | |
| 6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view) | N/A |
| 7. What's driving the difference? | |
| 8. Is there an upcoming catalyst for the company over the next three months? | |
| 9. Is there an actual or approximate date for the catalyst? | |
| 10. Is the catalyst date an actual or approximate date? | |
| 11. What is the catalyst? | |