Broadcom Inc. (AVGO): Communacopia + Technology 2026 — Key Takeaways

James Schneider, Ph.D.
+1(212)357-2929 | jim.schneider@gs.com
Goldman Sachs & Co. LLC

Anmol Makkar
+1(212)357-1366 | anmol.makkar@gs.com
Goldman Sachs & Co. LLC

Luya You
+1(212)902-5297 | luya.you@gs.com
Goldman Sachs & Co. LLC

Khalil Fenina
+1(212)357-6392 | khalil.fenina@gs.com
Goldman Sachs & Co. LLC

Marshall Wong
+1(646)446-0222 | marshall.wong@gs.com
Goldman Sachs & Co. LLC



Presenters: Hock Tan, President and CEO

Bottom Line: We have three key takeaways: (1) Broadcom reaffirmed its FY27/FY28 AI revenue targets of $115 bn /$230 bn, while emphasizing that supply is constrained; (2) Broadcom expects the majority of AI economics to accrue to owners of leading frontier models; (3) The $35 bn XPV partnership is designed to accelerate AI infrastructure buildouts, funding more than 20GW of compute capacity while minimizing balance sheet risk.

Key Takeaways

- **Customer trends:** Broadcom believes its differentiated capabilities across custom chip design, advanced packaging, and AI networking position it to maintain and expand wallet share with strategic customers. Management highlighted its long-term partnership with Google that continues to deepen, while noting its relationship with OpenAI including its Jalapeno custom silicon program, as well as its strategic relationship with Anthropic.
- **Supply constraints:** Broadcom views datacenter land, power, and facility buildouts as the primary AI deployment bottlenecks, while supply chain constraints remain comparatively manageable and more directly influenced by the company. As a result, management reiterated its FY27/FY28 AI revenue targets of $115 bn /$230 bn, noting they are grounded in clear customer visibility and deployment readiness.
- **Customer financing:** Broadcom highlighted its XPV construct as a strategic financing vehicle designed to accelerate AI infrastructure deployment, citing a recently announced $35 bn partnership with Blackstone and Apollo which can support more than 20GW of AI compute capacity. Management emphasized that the structure provides access to a broad customer base while providing attractive financing for emerging AI labs and limiting Broadcom's direct financial

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liability, helping remove a key bottleneck to AI infrastructure expansion.

- **Value creation:** Broadcom expects the majority of AI economics to accrue to owners of leading frontier models. At current economics, a 1GW AI cluster can generate roughly $30 bn of revenue against about $10 bn of annual operating costs, which is further shared across the broader infrastructure stack including hardware and semiconductor vendors and datacenter operators.
- **Open source vs closed source models:** Broadcom believes long-term AI value will accrue primarily to leading frontier model developers, rather than open-weight models. Management noted that while industry training spending is roughly $200 bn annually and split relatively evenly between frontier and open-source ecosystems, frontier models generate approximately 75% of industry revenue (~$120 bn on ~$100 bn of costs), compared to only ~$30 bn of revenue from open-weight models despite a similar level of investment.

Valuation/Risks

AVGO (Buy): Our 12-month target price of $540 is based on 30X our normalized EPS estimate of $18.00. 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.

AVGO	12m Price Target: **$540.00**	Price: **$357.90**	Upside: **50.9%**

Buy

Market cap: $1.8tr
Enterprise value: $1.8tr
3m ADTV: $9.6bn
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	106,130.3	177,004.2	294,373.7
EBITDA ($ mn)	35,477.0	63,893.8	111,094.9	189,848.1
EBIT ($ mn)	34,429.0	62,758.8	110,294.9	188,948.1
EPS ($)	5.39	10.16	18.67	32.77
P/E (X)	45.7	35.2	19.2	10.9
EV/EBITDA (X)	34.0	26.9	15.0	8.2
FCF yield (%)	2.3	2.9	5.4	8.8
Dividend yield (%)	1.0	0.7	0.8	1.0
Net debt/EBITDA (X)	1.3	0.3	(0.2)	(0.6)

	7/26	10/26E	1/27E	4/27E
EPS ($)	2.94	3.53	3.88	4.26

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 4 Sep 2026 close.