

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended May 5, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Broadcom Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation or
organization)

001-38449
(Commission file Number)

35-2617337
(I.R.S. Employer
Identification No.)

**3421 Hillview Ave
Palo Alto, CA 94304
(650) 427-6000**

(Address, including zip code, of principal executive offices and
registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---------------------------------|-------------------|---|
| Common Stock, \$0.001 par value | AVGO | The NASDAQ Global Select Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 31, 2024, there were 465,488,374 shares of our common stock outstanding.

BROADCOM INC.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended May 5, 2024

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements — Unaudited

BROADCOM INC.

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BROADCOM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED

| | May 5, 2024 | October 29, 2023 |
|--|---------------------------------|---------------------|
| | (In millions, except par value) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 9,809 | \$ 14,189 |
| Trade accounts receivable, net | 5,500 | 3,154 |
| Inventory | 1,842 | 1,898 |
| Other current assets | 8,151 | 1,606 |
| Total current assets | 25,302 | 20,847 |
| Long-term assets: | | |
| Property, plant and equipment, net | 2,668 | 2,154 |
| Goodwill | 97,873 | 43,653 |
| Intangible assets, net | 45,407 | 3,867 |
| Other long-term assets | 3,961 | 2,340 |
| Total assets | \$ 175,211 | \$ 72,861 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,441 | \$ 1,210 |
| Employee compensation and benefits | 1,385 | 935 |
| Current portion of long-term debt | 2,426 | 1,608 |
| Other current liabilities | 14,919 | 3,652 |
| Total current liabilities | 20,171 | 7,405 |
| Long-term liabilities: | | |
| Long-term debt | 71,590 | 37,621 |
| Other long-term liabilities | 13,489 | 3,847 |
| Total liabilities | 105,250 | 48,873 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value; 100 shares authorized; none issued and outstanding | — | — |
| Common stock, \$0.001 par value; 2,900 shares authorized; 465 and 414 shares issued and outstanding as of May 5, 2024 and October 29, 2023, respectively | — | — |
| Additional paid-in capital | 69,754 | 21,099 |
| Retained earnings | — | 2,682 |
| Accumulated other comprehensive income | 207 | 207 |
| Total stockholders' equity | 69,961 | 23,988 |
| Total liabilities and equity | \$ 175,211 | \$ 72,861 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED

| | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
|--|----------------------|-------------------|---------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| (In millions, except per share data) | | | | |
| Net revenue: | | | | |
| Products | \$ 7,192 | \$ 6,741 | \$ 14,604 | \$ 13,823 |
| Subscriptions and services | 5,295 | 1,992 | 9,844 | 3,825 |
| Total net revenue | 12,487 | 8,733 | 24,448 | 17,648 |
| Cost of revenue: | | | | |
| Cost of products sold | 2,429 | 2,019 | 4,589 | 4,244 |
| Cost of subscriptions and services | 713 | 158 | 1,667 | 307 |
| Amortization of acquisition-related intangible assets | 1,516 | 441 | 2,896 | 976 |
| Restructuring charges | 53 | — | 145 | 2 |
| Total cost of revenue | 4,711 | 2,618 | 9,297 | 5,529 |
| Gross margin | 7,776 | 6,115 | 15,151 | 12,119 |
| Research and development | 2,415 | 1,312 | 4,723 | 2,507 |
| Selling, general and administrative | 1,277 | 438 | 2,849 | 786 |
| Amortization of acquisition-related intangible assets | 827 | 348 | 1,619 | 696 |
| Restructuring and other charges | 292 | 9 | 912 | 19 |
| Total operating expenses | 4,811 | 2,107 | 10,103 | 4,008 |
| Operating income | 2,965 | 4,008 | 5,048 | 8,111 |
| Interest expense | (1,047) | (405) | (1,973) | (811) |
| Other income, net | 87 | 113 | 272 | 256 |
| Income from continuing operations before income taxes | 2,005 | 3,716 | 3,347 | 7,556 |
| Provision for (benefit from) income taxes | (116) | 235 | (48) | 301 |
| Income from continuing operations | 2,121 | 3,481 | 3,395 | 7,255 |
| Income from discontinued operations, net of income taxes | — | — | 51 | — |
| Net income | \$ 2,121 | \$ 3,481 | \$ 3,446 | \$ 7,255 |
| Basic income per share: | | | | |
| Income per share from continuing operations | \$ 4.56 | \$ 8.39 | \$ 7.41 | \$ 17.40 |
| Income per share from discontinued operations | — | — | 0.11 | — |
| Net income per share | \$ 4.56 | \$ 8.39 | \$ 7.52 | \$ 17.40 |
| Diluted income per share: | | | | |
| Income per share from continuing operations | \$ 4.42 | \$ 8.15 | \$ 7.18 | \$ 16.95 |
| Income per share from discontinued operations | — | — | 0.11 | — |
| Net income per share | \$ 4.42 | \$ 8.15 | \$ 7.29 | \$ 16.95 |
| Weighted-average shares used in per share calculations: | | | | |
| Basic | 465 | 415 | 458 | 417 |
| Diluted | 480 | 427 | 473 | 428 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME — UNAUDITED

| | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
|---|----------------------|-------------------|---------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| (In millions) | | | | |
| Net income | \$ 2,121 | \$ 3,481 | \$ 3,446 | \$ 7,255 |
| Other comprehensive loss, net of tax: | | | | |
| Change in unrealized loss on derivative instruments | — | (2) | — | (128) |
| Other comprehensive loss, net of tax | — | (2) | — | (128) |
| Comprehensive income | <u>\$ 2,121</u> | <u>\$ 3,479</u> | <u>\$ 3,446</u> | <u>\$ 7,127</u> |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED

| | Two Fiscal Quarters Ended | |
|---|---------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 |
| | (In millions) | |
| Cash flows from operating activities: | | |
| Net income | \$ 3,446 | \$ 7,255 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of intangible and right-of-use assets | 4,587 | 1,715 |
| Depreciation | 288 | 256 |
| Stock-based compensation | 3,039 | 904 |
| Deferred taxes and other non-cash taxes | (805) | (889) |
| Non-cash interest expense | 221 | 65 |
| Other | 130 | (18) |
| Changes in assets and liabilities, net of acquisitions and disposals: | | |
| Trade accounts receivable, net | 1,243 | (91) |
| Inventory | 68 | 39 |
| Accounts payable | (167) | (194) |
| Employee compensation and benefits | (409) | (566) |
| Other current assets and current liabilities | (2,568) | 405 |
| Other long-term assets and long-term liabilities | 322 | (343) |
| Net cash provided by operating activities | 9,395 | 8,538 |
| Cash flows from investing activities: | | |
| Acquisitions of businesses, net of cash acquired | (25,976) | — |
| Purchases of property, plant and equipment | (254) | (225) |
| Purchases of investments | (72) | (197) |
| Sales of investments | 131 | — |
| Other | (12) | 1 |
| Net cash used in investing activities | (26,183) | (421) |
| Cash flows from financing activities: | | |
| Proceeds from long-term borrowings | 30,010 | — |
| Payments on debt obligations | (2,934) | (260) |
| Payments of dividends | (4,878) | (3,840) |
| Repurchases of common stock - repurchase program | (7,176) | (3,994) |
| Shares repurchased for tax withholdings on vesting of equity awards | (2,662) | (947) |
| Issuance of common stock | 64 | 63 |
| Other | (16) | (2) |
| Net cash provided by (used in) financing activities | 12,408 | (8,980) |
| Net change in cash and cash equivalents | (4,380) | (863) |
| Cash and cash equivalents at beginning of period | 14,189 | 12,416 |
| Cash and cash equivalents at end of period | \$ 9,809 | \$ 11,553 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY — UNAUDITED
Two Fiscal Quarters Ended May 5, 2024

| | Common Stock | | Additional | Retained | Accumulated | Total |
|---|---------------|-------------|------------------|-------------|---------------|------------------|
| | Shares | Par Value | Paid-in | Earnings | Other | Stockholders' |
| | | | Capital | | Comprehensive | Equity |
| | (In millions) | | | | | |
| Balance as of October 29, 2023 | 414 | \$ — | \$ 21,099 | \$ 2,682 | \$ 207 | \$ 23,988 |
| Net income | — | — | — | 1,325 | — | 1,325 |
| Issuance of common stock upon the acquisition of VMware, Inc. | 54 | — | 53,421 | — | — | 53,421 |
| Fair value of partially vested equity awards assumed in connection with the acquisition of VMware, Inc. | — | — | 749 | — | — | 749 |
| Dividends to common stockholders | — | — | — | (2,435) | — | (2,435) |
| Common stock issued | 3 | — | — | — | — | — |
| Stock-based compensation | — | — | 1,582 | — | — | 1,582 |
| Repurchases of common stock | (7) | — | (5,655) | (1,572) | — | (7,227) |
| Shares repurchased for tax withholdings on vesting of equity awards | (1) | — | (1,119) | — | — | (1,119) |
| Balance as of February 4, 2024 | 463 | — | 70,077 | — | 207 | 70,284 |
| Net income | — | — | — | 2,121 | — | 2,121 |
| Dividends to common stockholders | — | — | (322) | (2,121) | — | (2,443) |
| Common stock issued | 3 | — | 64 | — | — | 64 |
| Stock-based compensation | — | — | 1,457 | — | — | 1,457 |
| Shares repurchased for tax withholdings on vesting of equity awards | (1) | — | (1,548) | — | — | (1,548) |
| Other | — | — | 26 | — | — | 26 |
| Balance as of May 5, 2024 | <u>465</u> | <u>\$ —</u> | <u>\$ 69,754</u> | <u>\$ —</u> | <u>\$ 207</u> | <u>\$ 69,961</u> |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY — UNAUDITED
Two Fiscal Quarters Ended April 30, 2023

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Stockholders' Equity |
|---|---------------|-----------|----------------------------------|----------------------|---|----------------------------------|
| | Shares | Par Value | | | | |
| | (In millions) | | | | | |
| Balance as of October 30, 2022 | 418 | \$ — | \$ 21,159 | \$ 1,604 | \$ (54) | \$ 22,709 |
| Net income | — | — | — | 3,774 | — | 3,774 |
| Other comprehensive loss | — | — | — | — | (126) | (126) |
| Dividends to common stockholders | — | — | — | (1,926) | — | (1,926) |
| Common stock issued | 2 | — | — | — | — | — |
| Stock-based compensation | — | — | 391 | — | — | 391 |
| Repurchases of common stock | (2) | — | (107) | (1,081) | — | (1,188) |
| Shares repurchased for tax withholdings on vesting of equity awards | (1) | — | (324) | — | — | (324) |
| Balance as of January 29, 2023 | 417 | — | 21,119 | 2,371 | (180) | 23,310 |
| Net income | — | — | — | 3,481 | — | 3,481 |
| Other comprehensive loss | — | — | — | — | (2) | (2) |
| Dividends to common stockholders | — | — | — | (1,914) | — | (1,914) |
| Common stock issued | 3 | — | 63 | — | — | 63 |
| Stock-based compensation | — | — | 513 | — | — | 513 |
| Repurchases of common stock | (5) | — | (248) | (2,575) | — | (2,823) |
| Shares repurchased for tax withholdings on vesting of equity awards | (1) | — | (621) | — | — | (621) |
| Balance as of April 30, 2023 | 414 | \$ — | \$ 20,826 | \$ 1,363 | \$ (182) | \$ 22,007 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BROADCOM INC.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Overview, Basis of Presentation and Significant Accounting Policies****Overview**

Broadcom Inc. ("Broadcom"), a Delaware corporation, is a global technology leader that designs, develops and supplies a broad range of semiconductor and infrastructure software solutions. We develop semiconductor devices with a focus on complex digital and mixed signal complementary metal oxide semiconductor based devices and analog III-V based products. We have a history of innovation in the semiconductor industry and offer thousands of products that are used in end products such as enterprise and data center networking, home connectivity, set-top boxes, broadband access, telecommunication equipment, smartphones and base stations, data center servers and storage systems, factory automation, power generation and alternative energy systems, and electronic displays. Our infrastructure software solutions enable customers to plan, develop, deliver, automate, manage and secure applications across mainframe, distributed, edge, mobile, and private and hybrid cloud platforms. Our portfolio of infrastructure and security software is designed to modernize, optimize, and secure the most complex private and hybrid cloud environments, enabling scalability, agility, automation, insights, resiliency and security. We also offer mission critical fibre channel storage area networking ("FC SAN") products and related software in the form of modules, switches and subsystems incorporating multiple semiconductor products. Unless stated otherwise or the context otherwise requires, references to "Broadcom," "we," "our," and "us" mean Broadcom and its consolidated subsidiaries. We have two reportable segments: semiconductor solutions and infrastructure software.

On November 22, 2023, we completed the acquisition of VMware, Inc. ("VMware") in a cash-and-stock transaction (the "VMware Merger"). The VMware stockholders received approximately \$30,788 million in cash and 54.4 million shares of Broadcom common stock with a fair value of \$53,398 million. VMware was a leading provider of multi-cloud services for all applications, enabling digital innovation with enterprise control. We acquired VMware to enhance our infrastructure software capabilities. The results of operations of VMware are included in the unaudited condensed consolidated financial statements commencing on November 22, 2023. See Note 3. "Acquisitions" for additional information.

Basis of Presentation

We operate on a 52- or 53-week fiscal year ending on the Sunday closest to October 31 in a 52-week year and the first Sunday in November in a 53-week year. Our fiscal year ending November 3, 2024 ("fiscal year 2024") is a 53-week fiscal year, with our first fiscal quarter containing 14 weeks. Our fiscal year ended October 29, 2023 ("fiscal year 2023") was a 52-week fiscal year.

The accompanying condensed consolidated financial statements include the accounts of Broadcom and its subsidiaries, and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information. The financial information included herein is unaudited, and reflects all adjustments which are, in the opinion of our management, of a normal recurring nature and necessary for a fair statement of the results for the periods presented. The October 29, 2023 condensed consolidated balance sheet data were derived from Broadcom's audited consolidated financial statements included in its Annual Report on Form 10-K for fiscal year 2023 as filed with the Securities and Exchange Commission. All intercompany balances and transactions have been eliminated in consolidation. The operating results for the fiscal quarter ended May 5, 2024 are not necessarily indicative of the results that may be expected for fiscal year 2024, or for any other future period.

Significant Accounting Policies

Use of estimates. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates, and such differences could affect the results of operations reported in future periods.

2. Revenue from Contracts with Customers

We account for a contract with a customer when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that we will collect substantially all of the consideration to which we are entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

Disaggregation

We have considered (1) information that is regularly reviewed by our Chief Executive Officer, who has been identified as the chief operating decision maker (the “CODM”) as defined by the authoritative guidance on segment reporting, in evaluating financial performance and (2) disclosures presented outside of our financial statements in our earnings releases and used in investor presentations to disaggregate revenues. The principal category we use to disaggregate revenues is the nature of our products and subscriptions and services, as presented in our condensed consolidated statements of operations. In addition, revenues by reportable segment are presented in Note 10. “Segment Information.”

The following tables present revenue disaggregated by type of revenue and by region for the periods presented:

| Fiscal Quarter Ended May 5, 2024 | | | | |
|----------------------------------|---------------|--------------|------------------------------------|-----------|
| | Americas | Asia Pacific | Europe, the Middle East and Africa | Total |
| | (In millions) | | | |
| Products | \$ 473 | \$ 6,267 | \$ 452 | \$ 7,192 |
| Subscriptions and services | 3,401 | 487 | 1,407 | 5,295 |
| Total | \$ 3,874 | \$ 6,754 | \$ 1,859 | \$ 12,487 |

| Fiscal Quarter Ended April 30, 2023 | | | | |
|-------------------------------------|---------------|--------------|------------------------------------|----------|
| | Americas | Asia Pacific | Europe, the Middle East and Africa | Total |
| | (In millions) | | | |
| Products | \$ 780 | \$ 5,458 | \$ 503 | \$ 6,741 |
| Subscriptions and services | 1,454 | 126 | 412 | 1,992 |
| Total | \$ 2,234 | \$ 5,584 | \$ 915 | \$ 8,733 |

| Two Fiscal Quarters Ended May 5, 2024 | | | | |
|---------------------------------------|---------------|--------------|------------------------------------|-----------|
| | Americas | Asia Pacific | Europe, the Middle East and Africa | Total |
| | (In millions) | | | |
| Products | \$ 1,181 | \$ 12,458 | \$ 965 | \$ 14,604 |
| Subscriptions and services | 5,778 | 993 | 3,073 | 9,844 |
| Total | \$ 6,959 | \$ 13,451 | \$ 4,038 | \$ 24,448 |

| Two Fiscal Quarters Ended April 30, 2023 | | | | |
|--|---------------|--------------|------------------------------------|-----------|
| | Americas | Asia Pacific | Europe, the Middle East and Africa | Total |
| | (In millions) | | | |
| Products | \$ 1,389 | \$ 11,395 | \$ 1,039 | \$ 13,823 |
| Subscriptions and services | 2,684 | 326 | 815 | 3,825 |
| Total | \$ 4,073 | \$ 11,721 | \$ 1,854 | \$ 17,648 |

Although we recognize revenue for the majority of our products when title and control transfer in Penang, Malaysia, we disclose net revenue by region based primarily on the geographic shipment location or delivery location specified by our distributors, original equipment manufacturer customers, contract manufacturers, channel partners, or software customers.

Contract Balances

Contract assets and contract liabilities balances were as follows:

| | May 5, 2024 | October 29, 2023 |
|----------------------|----------------|---------------------|
| | (In millions) | |
| Contract Assets | \$ 2,430 | \$ 955 |
| Contract Liabilities | \$ 16,702 | \$ 2,786 |

Changes in our contract assets and contract liabilities primarily result from the timing difference between our performance and the customer's payment. Contract assets and contract liabilities as of May 5, 2024 included the impact of VMware balances acquired on November 22, 2023. We fulfill our obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. We recognize a contract asset when we transfer products or services to a customer and the right to consideration is conditional on something other than the passage of time. Accounts receivable are recorded when the customer has been billed or the right to consideration is unconditional. We recognize contract liabilities when we have received consideration or an amount of consideration is due from the customer and we have a future obligation to transfer products or services. As of May 5, 2024, approximately 50% of contract liabilities related to contracts subject to termination for convenience provisions. The amount of revenue recognized during the two fiscal quarters ended May 5, 2024 that was included in the contract liabilities balance as of October 29, 2023 was \$1,965 million. The amount of revenue recognized during the two fiscal quarters ended April 30, 2023 that was included in the contract liabilities balance as of October 30, 2022 was \$2,287 million.

Remaining Performance Obligations

Revenue allocated to remaining performance obligations represents the transaction price allocated to unsatisfied or partially unsatisfied performance obligations. Remaining performance obligations include unearned revenue and amounts that will be invoiced and recognized as revenue in future periods, but do not include contracts for software, subscriptions or services where the customer is not committed. The customer is not considered committed when termination for convenience without payment of a substantive penalty exists, either contractually or through customary business practice. Additionally, as a practical expedient, we have not included contracts that have an original duration of one year or less, nor have we included contracts with sales-based or usage-based royalties promised in exchange for a license of intellectual property ("IP").

Certain multi-year customer contracts contain firmly committed amounts and the remaining performance obligations under these contracts as of May 5, 2024 were approximately \$22.9 billion. We expect approximately 49% of this amount to be recognized as revenue over the next 12 months. For contracts with termination for convenience rights, our customers generally do not exercise those rights. In addition, the majority of our contracts have a duration of one year or less. Accordingly, our remaining performance obligations disclosed above are not indicative of revenue for future periods.

3. Acquisitions

Acquisition of VMware, Inc.

On November 22, 2023, we completed the VMware Merger. Pursuant to the Agreement and Plan of Merger, each share of VMware common stock issued and outstanding immediately prior to the VMware Merger was indirectly converted into the right to receive, at the election of the holder of such share of VMware common stock, either \$142.50 in cash or 0.2520 shares of Broadcom common stock. The stockholder election was prorated, such that the total number of shares of VMware common stock entitled to receive cash and the total number of shares of VMware common stock entitled to receive Broadcom common stock, in each case, was equal to 50% of the aggregate number of shares of VMware common stock issued and outstanding immediately prior to the VMware Merger. Based on the VMware stockholders' elections, the VMware stockholders received approximately \$30,788 million in cash and 54.4 million shares of Broadcom common stock with a fair value of \$53,398 million.

We funded the cash portion of the VMware Merger with the net proceeds from the issuance of the 2023 Term Loans, as defined and discussed in Note 7. "Borrowings", as well as cash on hand. We assumed \$8,250 million of VMware's outstanding senior unsecured notes.

Purchase Consideration

| | (In millions) |
|---|---------------|
| Fair value of Broadcom common stock issued for outstanding VMware common stock | \$ 53,398 |
| Cash paid for outstanding VMware common stock | 30,788 |
| Cash paid by Broadcom to retire VMware's term loan | 1,257 |
| Fair value of partially vested assumed VMware equity awards | 805 |
| Fair value of Broadcom common stock issued for accelerated VMware equity awards | 23 |
| Cash paid for accelerated VMware equity awards | 13 |
| Effective settlement of pre-existing relationships | 6 |
| Total purchase consideration | 86,290 |
| Less: cash acquired | 6,642 |
| Total purchase consideration, net of cash acquired | \$ 79,648 |

We assumed all outstanding VMware restricted stock unit ("RSU") awards and performance stock unit ("PSU") awards held by continuing employees. The assumed awards were converted into RSU awards for shares of Broadcom common stock. All outstanding in-the-money VMware stock options and RSU awards held by non-employee directors were accelerated and converted into the right to receive cash and shares of Broadcom common stock, in equal parts.

We allocated the purchase price to tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. These fair values were based on estimates and assumptions made by management at the time of acquisition. As additional information becomes available, we may further revise our preliminary purchase price allocation during the remainder of the measurement period, which will not exceed 12 months from the date of the VMware Merger. Any such revisions or changes may be material.

The following table presents our preliminary allocation of the total purchase price, net of cash acquired, updated as of May 5, 2024:

| | Estimated Fair Value (In millions) |
|--|---------------------------------------|
| Trade accounts receivable | \$ 3,571 |
| Inventory | 15 |
| Assets held-for-sale | 5,206 |
| Other current assets | 757 |
| Property, plant and equipment | 531 |
| Goodwill | 54,206 |
| Intangible assets | 45,572 |
| Other long-term assets | 1,064 |
| Total assets acquired | 110,922 |
| Accounts payable | (359) |
| Employee compensation and benefits | (848) |
| Current portion of long-term debt | (1,264) |
| Liabilities held-for-sale | (1,901) |
| Other current liabilities | (11,041) |
| Long-term debt | (6,254) |
| Other long-term liabilities | (9,607) |
| Total liabilities assumed | (31,274) |
| Fair value of net assets acquired | \$ 79,648 |

Goodwill is primarily attributable to the assembled workforce and anticipated synergies and economies of scale expected from the integration of the VMware business. The synergies include certain cost savings, operating efficiencies and other strategic benefits projected to be achieved as a result of the VMware Merger. Goodwill is not deductible for tax purposes.

Assets and liabilities held-for-sale primarily included VMware's end-user computing ("EUC") business and certain other assets and liabilities, which were not aligned with our strategic objectives. We do not expect to have significant continuing involvement after disposal and have presented the results in discontinued operations. In February 2024, we signed a definitive agreement to sell EUC for approximately \$3.8 billion, before working capital adjustments and estimated selling costs. The sale is expected to close in calendar year 2024, subject to customary closing conditions.

Our results of continuing operations included \$2,674 million and \$4,776 million of net revenue attributable to VMware for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively. It is impracticable to determine the effect on net income attributable to VMware as we have integrated a substantial portion of VMware into our ongoing operations. Transaction costs related to the VMware Merger of \$20 million and \$240 million, respectively, were primarily included in selling, general and administrative expense for the fiscal quarter and two fiscal quarters ended May 5, 2024.

Intangible Assets

| | Fair Value (In millions) | Weighted-Average Amortization Periods (In years) |
|---|-----------------------------|--|
| Developed technology | \$ 24,156 | 8 |
| Customer contracts and related relationships | 15,239 | 8 |
| Trade name | 1,205 | 14 |
| Off-market component of customer contracts | 242 | 2 |
| Total identified finite-lived intangible assets | 40,842 | |
| In-process research and development | 4,730 | N/A |
| Total identified intangible assets | \$ 45,572 | |

Developed technology relates to products used for VMware cloud foundation, application management, security, application networking and security, and software defined edge. We valued the developed technology using the multi-period excess earnings method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the developed technology less charges representing the contribution of other assets to those cash flows. The economic useful life was determined based on the technology cycle related to each developed technology, as well as the cash flows over the forecast period.

Customer contracts and related relationships represent the fair value of future projected revenue that will be derived from sales of products to existing customers of VMware. Customer contracts and related relationships were valued using the with-and-without-method under the income approach. In the with-and-without method, the fair value was measured by the difference between the present values of the cash flows with and without the existing customers in place over the period of time necessary to reacquire the customers. The economic useful life was determined by evaluating many factors, including the useful life of other intangible assets, the length of time remaining on the acquired contracts and the historical customer turnover rates.

Trade name relates to the “VMware” trade name. The fair value was determined by applying the relief-from-royalty method under the income approach. This method is based on the application of a royalty rate to forecasted revenue under the trade name. The economic useful life was determined based on the expected life of the trade name and the cash flows anticipated over the forecast period.

Off-market component of customer contracts relate to rebates and marketing development funds provided to customers prior to the VMware Merger. We valued these contracts based on their remaining unamortized balances, which approximate their fair value. The economic useful life was determined based on the remaining terms of customer contracts.

The fair value of in-process research and development (“IPR&D”) was determined using the multi-period excess earnings method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the IPR&D, less charges representing the contribution of other assets to those cash flows.

The following table presents the details of IPR&D by category as of the date of the VMware Merger:

| Description | IPR&D | Percentage of Completion | Estimated Cost to Complete | Expected Release Date (By Fiscal Year) |
|--|----------|-----------------------------|----------------------------------|---|
| | | (Dollars in millions) | | |
| VMware cloud foundation July 2024 releases | \$ 790 | 67 % | \$ 38 | 2024 |
| VMware cloud foundation March 2025 releases | \$ 2,900 | 58 % | \$ 185 | 2025 |
| VMware cloud foundation July 2025 releases | \$ 750 | 43 % | \$ 65 | 2025 |
| VMware cloud foundation networking and security virtualization | \$ 265 | 21 % | \$ 59 | 2024 |
| Application networking and security | \$ 25 | 21 % | \$ 47 | 2024 |

VMware cloud foundation is a flexible and simplified private cloud platform with public cloud extensibility that integrates leading products including compute, storage, networking, and management into a single solution. It enables customers to modernize infrastructure and accelerate developer productivity, with greater resilience and security.

We believe the amounts of purchased intangible assets recorded above represent the fair values of, and approximate the amounts a market participant would pay for, these intangible assets as of the date of the VMware Merger.

Unaudited Pro Forma Information

The following unaudited pro forma financial information presents combined results of operations for each of the periods presented, as if VMware had been acquired as of the beginning of fiscal year 2023. The unaudited pro forma information includes adjustments to amortization for intangible assets acquired, stock-based compensation expense, interest expense for acquisition financing, amortization of deferred assets and liabilities, and depreciation for property and equipment acquired. The unaudited pro forma information presented below is for informational purposes only and is not necessarily indicative of our consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2023 or of the results of our future operations of the combined business.

| | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
|-----------------------|----------------------|----------------|---------------------------|----------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| | (In millions) | | | |
| Pro forma net revenue | \$ 12,507 | \$ 11,665 | \$ 25,030 | \$ 23,889 |
| Pro forma net income | \$ 2,261 | \$ 1,796 | \$ 3,876 | \$ 3,849 |

Acquisition of Seagate's SoC Operations

On April 23, 2024, we acquired certain assets related to the design, development, and manufacture of System-on-Chip ("SoC") operations of Seagate Technology Holdings plc for \$600 million. We acquired these assets to strengthen our portfolio of SoC products.

The following table presents our preliminary allocation of the total purchase price. Goodwill is allocated to the semiconductor solutions segment and is deductible for tax purposes.

| | Estimated Fair Value (In millions) |
|-----------------------|---------------------------------------|
| Intangible assets | \$ 570 |
| Goodwill | 14 |
| Other assets | 16 |
| Total assets acquired | \$ 600 |

Intangible Assets

| | Fair Value (In millions) | Weighted-Average Amortization Periods (In years) |
|---|-----------------------------|--|
| Customer contracts and related relationships | \$ 410 | 11 |
| Developed technology | 90 | 11 |
| Total identified finite-lived intangible assets | 500 | |
| In-process research and development | 70 | N/A |
| Total identified intangible assets | \$ 570 | |

Customer contracts and related relationships represent the fair value of future projected revenue that will be derived from sales of SoC controller products for hard disk drive applications. Customer contracts and related relationships were valued using the multi-period excess earnings method under the income approach. This method reflects the present value of the projected cash flows that are expected to be generated by the customer contracts and related relationships less charges representing the contribution of other assets to those cash flows. The economic useful life was determined based on the useful lives of other intangible assets and the length of time remaining on the acquired contracts.

Developed technology relates to SoC controller products for hard disk drive applications. We valued the developed technology using the relief-from-royalty method under the income approach. This method is based on the application of a royalty rate to forecasted revenue under the developed technology. The economic useful life was determined based on the technology cycle related to each developed technology, as well as the cash flows over the forecast period.

The fair value of IPR&D was determined using the relief-from-royalty method under the income approach. This method is based on the application of a royalty rate to forecasted revenue from the IPR&D.

4. Supplemental Financial Information

Cash Equivalents

Cash equivalents included \$1,382 million and \$1,470 million of time deposits and \$1,438 million and \$1,650 million of money-market funds as of May 5, 2024 and October 29, 2023, respectively. For time deposits, carrying value approximates fair value due to the short-term nature of the instruments. The fair value of money-market funds, which was consistent with their carrying value, was determined using unadjusted prices in active, accessible markets for identical assets, and as such, they were classified as Level 1 assets in the fair value hierarchy.

Accounts Receivable Factoring

We sell certain of our trade accounts receivable on a non-recourse basis to third-party financial institutions pursuant to factoring arrangements. We account for these transactions as sales of receivables and present cash proceeds as cash provided by operating activities in the condensed consolidated statements of cash flows. Total trade accounts receivable sold under the factoring arrangements were \$1,250 million and \$2,500 million during the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, and \$900 million and \$1,925 million during the fiscal quarter and two fiscal quarters ended April 30, 2023, respectively.

Inventory

| | May 5, 2024 | October 29, 2023 |
|-----------------|-----------------|---------------------|
| | (In millions) | |
| Finished goods | \$ 569 | \$ 676 |
| Work-in-process | 866 | 901 |
| Raw materials | 407 | 321 |
| Total inventory | <u>\$ 1,842</u> | <u>\$ 1,898</u> |

Assets and Liabilities Held-for-Sale

In connection with the VMware Merger, we classified VMware's EUC business and certain other assets and liabilities, which were not aligned with our strategic objectives, as assets and liabilities held-for-sale. The carrying value of these assets and liabilities as of May 5, 2024 represented the fair value determined in the preliminary purchase price allocation of the VMware Merger, adjusted for operating activities since the date of the VMware Merger. As of May 5, 2024, the carrying values of these assets, net of liabilities, approximated the expected selling prices.

| | May 5, 2024 | | |
|-----------------------------------|-----------------|---------------|-----------------|
| | EUC | Other | Total |
| | (In millions) | | |
| Assets held-for-sale: | | | |
| Goodwill | \$ 2,268 | \$ — | \$ 2,268 |
| Intangible assets, net | 2,545 | — | 2,545 |
| Other assets | 57 | 351 | 408 |
| Total assets held-for-sale | <u>\$ 4,870</u> | <u>\$ 351</u> | <u>\$ 5,221</u> |
| Liabilities held-for-sale: | \$ 1,581 | \$ 176 | \$ 1,757 |

Discontinued Operations

We have presented the operating results of these assets and liabilities held-for-sale in discontinued operations as follows:

| | Fiscal Quarter Ended May 5, 2024 | Two Fiscal Quarters Ended May 5, 2024 |
|--|-------------------------------------|--|
| | (In millions) | |
| Net revenue | \$ 329 | \$ 680 |
| Income from discontinued operations before income taxes | \$ 11 | \$ 69 |
| Provision for income taxes | (11) | (18) |
| Income from discontinued operations, net of income taxes | \$ — | \$ 51 |

Other Current Assets

| | May 5, 2024 | October 29, 2023 |
|----------------------------|----------------|---------------------|
| | (In millions) | |
| Assets held-for-sale | \$ 5,221 | \$ — |
| Prepaid expenses | 1,742 | 743 |
| Other | 1,188 | 863 |
| Total other current assets | \$ 8,151 | \$ 1,606 |

Other Current Liabilities

| | May 5, 2024 | October 29, 2023 |
|---------------------------------|----------------|---------------------|
| | (In millions) | |
| Contract liabilities | \$ 10,519 | \$ 2,487 |
| Liabilities held-for-sale | 1,757 | — |
| Tax liabilities | 1,127 | 473 |
| Interest payable | 450 | 380 |
| Other | 1,066 | 312 |
| Total other current liabilities | \$ 14,919 | \$ 3,652 |

Other Long-Term Liabilities

| | May 5, 2024 | October 29, 2023 |
|-----------------------------------|----------------|---------------------|
| | (In millions) | |
| Unrecognized tax benefits | \$ 3,209 | \$ 2,792 |
| Contract liabilities | 6,183 | 299 |
| Deferred tax liabilities | 2,219 | 99 |
| Other | 1,878 | 657 |
| Total other long-term liabilities | \$ 13,489 | \$ 3,847 |

Supplemental Cash Flow Information

| | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
|----------------------------|----------------------|-------------------|---------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| | (In millions) | | | |
| Cash paid for interest | \$ 946 | \$ 397 | \$ 1,696 | \$ 758 |
| Cash paid for income taxes | \$ 834 | \$ 891 | \$ 1,738 | \$ 1,164 |

5. Goodwill and Intangible Assets

Goodwill

| | Semiconductor Solutions | Infrastructure Software | Total |
|---|----------------------------|----------------------------|------------------|
| | (In millions) | | |
| Balance as of October 29, 2023 | \$ 26,001 | \$ 17,652 | \$ 43,653 |
| Acquisition of VMware | — | 54,206 | 54,206 |
| Acquisition of Seagate's SoC operations | 14 | — | 14 |
| Balance as of May 5, 2024 | <u>\$ 26,015</u> | <u>\$ 71,858</u> | <u>\$ 97,873</u> |

Intangible Assets

| | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
|--|--------------------------|-----------------------------|-------------------|
| | (In millions) | | |
| As of May 5, 2024: | | | |
| Purchased technology | \$ 37,193 | \$ (13,616) | \$ 23,577 |
| Customer contracts and related relationships | 22,950 | (7,397) | 15,553 |
| Trade names | 1,854 | (445) | 1,409 |
| Other | 177 | (109) | 68 |
| Intangible assets subject to amortization | 62,174 | (21,567) | 40,607 |
| In-process research and development | 4,800 | — | 4,800 |
| Total | <u>\$ 66,974</u> | <u>\$ (21,567)</u> | <u>\$ 45,407</u> |

As of October 29, 2023:

| | | | |
|--|------------------|--------------------|-----------------|
| Purchased technology | \$ 12,938 | \$ (10,723) | \$ 2,215 |
| Customer contracts and related relationships | 7,059 | (5,753) | 1,306 |
| Trade names | 649 | (388) | 261 |
| Other | 177 | (102) | 75 |
| Intangible assets subject to amortization | 20,823 | (16,966) | 3,857 |
| In-process research and development | 10 | — | 10 |
| Total | <u>\$ 20,833</u> | <u>\$ (16,966)</u> | <u>\$ 3,867</u> |

Based on the amount of intangible assets subject to amortization as of May 5, 2024, the expected amortization expense was as follows:

| Fiscal Year: | Expected Amortization Expense |
|------------------|-------------------------------------|
| | (In millions) |
| 2024 (remainder) | \$ 4,728 |
| 2025 | 7,604 |
| 2026 | 7,035 |
| 2027 | 6,065 |
| 2028 | 5,051 |
| Thereafter | 10,124 |
| Total | <u>\$ 40,607</u> |

The weighted-average remaining amortization periods by intangible asset category were as follows:

| Amortizable intangible assets: | May 5, 2024 |
|--|----------------|
| | (In years) |
| Purchased technology | 7 |
| Customer contracts and related relationships | 7 |
| Trade names | 13 |
| Other | 7 |

6. Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of common stock and potentially dilutive shares of common stock outstanding during the period.

Potentially dilutive shares outstanding include the dilutive effect of unvested RSUs and employee stock purchase plan ("ESPP") rights (collectively referred to as "equity awards"). Potentially dilutive shares whose effect would have been antidilutive are excluded from the computation of diluted net income per share.

The dilutive effect of equity awards is calculated based on the average stock price for each fiscal period, using the treasury stock method. Under the treasury stock method, the amount the employee must pay for purchasing shares under the ESPP and the amount of stock-based compensation expense for future service that we have not yet recognized are collectively assumed to be used to repurchase shares.

The following is a reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the periods presented:

| | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
|--|----------------------|-------------------|---------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| (In millions, except per share data) | | | | |
| Numerator: | | | | |
| Income from continuing operations | \$ 2,121 | \$ 3,481 | \$ 3,395 | \$ 7,255 |
| Income from discontinued operations, net of income taxes | — | — | 51 | — |
| Net income | <u>\$ 2,121</u> | <u>\$ 3,481</u> | <u>\$ 3,446</u> | <u>\$ 7,255</u> |
| Denominator: | | | | |
| Weighted-average shares outstanding - basic | 465 | 415 | 458 | 417 |
| Dilutive effect of equity awards | 15 | 12 | 15 | 11 |
| Weighted-average shares outstanding - diluted | <u>480</u> | <u>427</u> | <u>473</u> | <u>428</u> |
| Basic income per share: | | | | |
| Income per share from continuing operations | \$ 4.56 | \$ 8.39 | \$ 7.41 | \$ 17.40 |
| Income per share from discontinued operations | — | — | 0.11 | — |
| Net income per share | <u>\$ 4.56</u> | <u>\$ 8.39</u> | <u>\$ 7.52</u> | <u>\$ 17.40</u> |
| Diluted income per share: | | | | |
| Income per share from continuing operations | \$ 4.42 | \$ 8.15 | \$ 7.18 | \$ 16.95 |
| Income per share from discontinued operations | — | — | 0.11 | — |
| Net income per share | <u>\$ 4.42</u> | <u>\$ 8.15</u> | <u>\$ 7.29</u> | <u>\$ 16.95</u> |

7. Borrowings

| | Effective Interest Rate | May 5, 2024 | October 29, 2023 |
|---|-------------------------|----------------|---------------------|
| (Dollars in millions) | | | |
| <u>2023 Term Loans - floating rate</u> | | | |
| SOFR plus 1.125% term loan due November 2025 | 7.10 % | \$ 9,195 | \$ — |
| SOFR plus 1.250% term loan due November 2026 | 7.01 % | 11,195 | — |
| SOFR plus 1.625% term loan due November 2028 | 7.21 % | 8,000 | — |
| | | 28,390 | — |
| <u>April 2022 Senior Notes - fixed rate</u> | | | |
| 4.000% notes due April 2029 | 4.17 % | 750 | 750 |
| 4.150% notes due April 2032 | 4.30 % | 1,200 | 1,200 |
| 4.926% notes due May 2037 | 5.33 % | 2,500 | 2,500 |
| | | 4,450 | 4,450 |
| <u>September 2021 Senior Notes - fixed rate</u> | | | |
| 3.137% notes due November 2035 | 4.23 % | 3,250 | 3,250 |
| 3.187% notes due November 2036 | 4.79 % | 2,750 | 2,750 |
| | | 6,000 | 6,000 |
| <u>March 2021 Senior Notes - fixed rate</u> | | | |
| 3.419% notes due April 2033 | 4.66 % | 2,250 | 2,250 |
| 3.469% notes due April 2034 | 4.63 % | 3,250 | 3,250 |
| | | 5,500 | 5,500 |
| <u>January 2021 Senior Notes - fixed rate</u> | | | |
| 1.950% notes due February 2028 | 2.10 % | 750 | 750 |
| 2.450% notes due February 2031 | 2.56 % | 2,750 | 2,750 |
| 2.600% notes due February 2033 | 2.70 % | 1,750 | 1,750 |
| 3.500% notes due February 2041 | 3.60 % | 3,000 | 3,000 |
| 3.750% notes due February 2051 | 3.84 % | 1,750 | 1,750 |
| | | 10,000 | 10,000 |
| <u>June 2020 Senior Notes - fixed rate</u> | | | |
| 3.459% notes due September 2026 | 4.19 % | 752 | 752 |
| 4.110% notes due September 2028 | 5.02 % | 1,118 | 1,118 |
| | | 1,870 | 1,870 |
| <u>May 2020 Senior Notes - fixed rate</u> | | | |
| 2.250% notes due November 2023 | 2.40 % | — | 105 |
| 3.150% notes due November 2025 | 3.29 % | 900 | 900 |
| 4.150% notes due November 2030 | 4.27 % | 1,856 | 1,856 |
| 4.300% notes due November 2032 | 4.39 % | 2,000 | 2,000 |
| | | 4,756 | 4,861 |
| <u>April 2020 Senior Notes - fixed rate</u> | | | |
| 5.000% notes due April 2030 | 5.18 % | 606 | 606 |
| <u>April 2019 Senior Notes - fixed rate</u> | | | |
| 3.625% notes due October 2024 | 3.98 % | 622 | 622 |
| 4.750% notes due April 2029 | 4.95 % | 1,655 | 1,655 |
| | | 2,277 | 2,277 |

| | Effective Interest Rate | May 5, 2024 | October 29, 2023 |
|---|-------------------------|----------------|---------------------|
| (Dollars in millions) | | | |
| <u>2017 Senior Notes - fixed rate</u> | | | |
| 3.625% notes due January 2024 | 3.74 % | — | 829 |
| 3.125% notes due January 2025 | 3.23 % | 495 | 495 |
| 3.875% notes due January 2027 | 4.02 % | 2,922 | 2,922 |
| 3.500% notes due January 2028 | 3.60 % | 777 | 777 |
| | | 4,194 | 5,023 |
| <u>Assumed VMware Senior Notes - fixed rate</u> | | | |
| 1.000% notes due August 2024 | 5.80 % | 1,250 | — |
| 4.500% notes due May 2025 | 5.81 % | 750 | — |
| 1.400% notes due August 2026 | 5.60 % | 1,500 | — |
| 4.650% notes due May 2027 | 5.60 % | 500 | — |
| 3.900% notes due August 2027 | 5.50 % | 1,250 | — |
| 1.800% notes due August 2028 | 5.44 % | 750 | — |
| 4.700% notes due May 2030 | 5.75 % | 750 | — |
| 2.200% notes due August 2031 | 5.74 % | 1,500 | — |
| | | 8,250 | — |
| <u>Assumed CA Senior Notes - fixed rate</u> | | | |
| 4.700% notes due March 2027 | 5.15 % | 215 | 215 |
| <u>Other senior notes - fixed rate</u> | | | |
| 3.500% notes due August 2024 | 3.55 % | 7 | 7 |
| 4.500% notes due August 2034 | 4.55 % | 6 | 6 |
| | | 13 | 13 |
| Total principal amount outstanding | | \$ 76,521 | \$ 40,815 |
| Current portion of principal amount outstanding | | \$ 2,374 | \$ 1,563 |
| Short-term finance lease liabilities | | 52 | 45 |
| Total current portion of long-term debt | | \$ 2,426 | \$ 1,608 |
| Non-current portion of principal amount outstanding | | \$ 74,147 | \$ 39,252 |
| Long-term finance lease liabilities | | 21 | 4 |
| Unamortized discount and issuance costs | | (2,578) | (1,635) |
| Total long-term debt | | \$ 71,590 | \$ 37,621 |

2023 Term Loans

On August 15, 2023, we entered into a credit agreement (the “2023 Credit Agreement”), which provided us with the ability to borrow term loans in connection with the VMware Merger. Upon completion of the VMware Merger, we entered an \$11,195 million unsecured term A-2 facility (the “Term A-2 Loan”), an \$11,195 million unsecured term A-3 facility (the “Term A-3 Loan”), and an \$8,000 million unsecured term A-5 facility (the “Term A-5 Loan”, collectively, the “2023 Term Loans”).

The term loans under the Term A-2 Loan, Term A-3 Loan and Term A-5 Loan bear interest, payable monthly or every three months at our election, at floating interest rates tied to the Secured Overnight Financing Rate (“SOFR”). The term loans will mature and be payable on the second, third or fifth anniversary, respectively, of the date of the VMware Merger. Subject to the terms of the 2023 Credit Agreement, we are permitted to voluntarily make prepayments of the term loans without penalty. Our obligations under the 2023 Credit Agreement are unsecured and are not guaranteed by any of our subsidiaries.

During the fiscal quarter ended May 5, 2024, we made a repayment of \$2.0 billion on our Term A-2 Loan.

Assumed VMware Senior Notes

In connection with the VMware Merger, we assumed \$8,250 million of VMware's outstanding senior unsecured notes (the "Assumed VMware Senior Notes"). We may redeem all or a portion of the Assumed VMware Senior Notes at any time, subject to a specified make-whole premium as set forth in the indenture. Upon the occurrence of a change of control and certain downgrades of the ratings, each note holder will have the right to require us to repurchase all or any part of the holders' notes in cash at a price equal to 101% of the principal amount plus accrued and unpaid interest. Each series of the Assumed VMware Senior Notes pays interest semi-annually.

2021 Credit Agreement

In January 2021, we entered into a credit agreement (the "2021 Credit Agreement"), which provides for a five-year \$7.5 billion unsecured revolving credit facility, of which \$500 million is available for the issuance of multi-currency letters of credit. The issuance of letters of credit and certain other instruments would reduce the aggregate amount otherwise available under our revolving credit facility for revolving loans. Subject to the terms of the 2021 Credit Agreement, we are permitted to borrow, repay and reborrow revolving loans at any time prior to the earlier of (a) January 19, 2026 and (b) the date of termination in whole of the revolving lenders' commitments under the 2021 Credit Agreement. We had no borrowings outstanding under our revolving credit facility at either May 5, 2024 or October 29, 2023.

Commercial Paper

In February 2019, we established a commercial paper program pursuant to which we may issue unsecured commercial paper notes ("Commercial Paper") in principal amount of up to \$2 billion outstanding at any time with maturities of up to 397 days from the date of issue. Commercial Paper is sold under customary terms in the commercial paper market and may be issued at a discount from par or, alternatively, may be sold at par and bear interest at rates dictated by market conditions at the time of their issuance. The discount associated with the Commercial Paper is amortized to interest expense over its term. Outstanding Commercial Paper reduces the amount that would otherwise be available to borrow for general corporate purposes under our revolving credit facility. We had no Commercial Paper outstanding at either May 5, 2024 or October 29, 2023.

Fair Value of Debt

As of May 5, 2024, the estimated aggregate fair value of debt was \$70,754 million. The fair value of our senior notes was determined using quoted prices from less active markets. The carrying value of the 2023 Term Loans approximates its fair value as the 2023 Term Loans are carried at a market observable interest rate that resets periodically. All of our debt obligations are categorized as Level 2 instruments.

Future Principal Payments of Debt

The future scheduled principal payments of debt as of May 5, 2024 were as follows:

| Fiscal Year: | Future Scheduled Principal Payments (In millions) |
|---------------------|--|
| 2024 (remainder) | \$ 1,879 |
| 2025 | 1,245 |
| 2026 | 12,347 |
| 2027 | 16,082 |
| 2028 | 3,395 |
| Thereafter | 41,573 |
| Total | \$ 76,521 |

As of May 5, 2024 and October 29, 2023, we were in compliance with all debt covenants.

8. Stockholders' Equity

Cash Dividends Declared and Paid

| | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
|--|----------------------|----------------|---------------------------|----------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| (In millions, except per share data) | | | | |
| Dividends per share to common stockholders | \$ 5.25 | \$ 4.60 | \$ 10.50 | \$ 9.20 |
| Dividends to common stockholders | \$ 2,443 | \$ 1,914 | \$ 4,878 | \$ 3,840 |

Stock Repurchase Programs

We repurchased and retired approximately 7 million shares of our common stock for \$7,176 million during the fiscal quarter ended February 4, 2024 which completed all \$20 billion under our previously authorized stock repurchase programs prior to expiration on December 31, 2023. During the fiscal quarter and two fiscal quarters ended April 30, 2023, we repurchased and retired approximately 5 million and 7 million shares of our common stock for \$2,806 million and \$3,994 million, respectively.

VMware, Inc. Amended and Restated 2007 Equity and Incentive Plan

In connection with the VMware Merger, we assumed the VMware, Inc. Amended and Restated 2007 Equity and Incentive Plan (the "2007 Plan") and outstanding unvested RSU awards and PSU awards originally granted by VMware under the 2007 Plan that were held by continuing employees. These assumed awards were converted into approximately 5 million Broadcom RSU awards and will vest in accordance with their original terms, generally over 4 years. Under the 2007 Plan, we may grant stock options and stock appreciation rights with an exercise price that is no less than the fair market value on the date of grant, restricted stock, RSUs, and other stock-based or cash-based awards to employees. Equity awards granted under the 2007 Plan following the VMware Merger are expected to be on similar terms and consistent with similar grants made pursuant to our Amended and Restated Broadcom Inc. 2012 Stock Incentive Plan. Awards cancelled or forfeited and shares withheld to satisfy tax withholding obligations become available for future issuance. As of May 5, 2024, 5 million shares remained available for issuance under the 2007 Plan.

Stock-Based Compensation Expense

| | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
|---|----------------------|----------------|---------------------------|----------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| (In millions) | | | | |
| Cost of products sold | \$ 28 | \$ 22 | \$ 56 | \$ 38 |
| Cost of subscriptions and services | 142 | 28 | 275 | 49 |
| Research and development | 881 | 354 | 1,744 | 621 |
| Selling, general and administrative | 352 | 109 | 900 | 196 |
| Total stock-based compensation expense ^(a) | <u>\$ 1,403</u> | <u>\$ 513</u> | <u>\$ 2,975</u> | <u>\$ 904</u> |

(a) Does not include \$66 million and \$136 million of stock-based compensation during the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, which was included in income from discontinued operations, net of income taxes in our condensed consolidated statements of operations.

For the fiscal quarter and two fiscal quarters ended May 5, 2024, stock-based compensation expense included \$387 million and \$1,097 million, respectively, related to equity awards assumed in connection with the VMware Merger. For the two fiscal quarters ended May 5, 2024, stock-based compensation expense related to equity awards assumed included a one-time impact from aligning the vesting dates of equity awards assumed with our RSU vesting dates, as well as expenses related to accelerated vesting of certain equity awards held by employees terminated in connection with the VMware Merger.

As of May 5, 2024, the total unrecognized compensation cost related to unvested stock-based awards was \$13,811 million, which is expected to be recognized over the remaining weighted-average service period of 3.3 years.

Equity Incentive Award Plans

A summary of time- and market-based RSU activity is as follows:

| | Number of RSUs Outstanding | Weighted-Average Grant Date Fair Value Per Share |
|--------------------------------|--------------------------------------|--|
| | (In millions, except per share data) | |
| Balance as of October 29, 2023 | 22 | \$ 389.21 |
| Assumed in VMware Merger | 5 | \$ 968.52 |
| Granted | 7 | \$ 1,121.01 |
| Vested | (6) | \$ 473.17 |
| Forfeited | (1) | \$ 801.25 |
| Balance as of May 5, 2024 | 27 | \$ 654.06 |

The aggregate fair value of time- and market-based RSUs that vested during the two fiscal quarters ended May 5, 2024 was \$7,127 million, which represented the market value of our common stock on the date that the RSUs vested. The number of RSUs vested included shares of common stock that we withheld for settlement of employees' tax obligations due upon the vesting of RSUs.

9. Income Taxes

The benefit from income taxes was \$116 million and \$48 million for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively. The benefit from income taxes was primarily due to excess tax benefits from stock-based awards and a shift in the jurisdictional mix of income and expense, partially offset by income tax expense on operations.

The provision for income taxes was \$235 million and \$301 million for the fiscal quarter and two fiscal quarters ended April 30, 2023, respectively. The provision for income taxes was primarily driven by income before income taxes, partially offset by excess tax benefits from stock-based awards and the recognition of uncertain tax benefits as a result of lapses of statutes of limitations.

As of May 5, 2024, we had \$6,178 million of gross unrecognized tax benefits and accrued interest and penalties. It is possible that our existing unrecognized tax benefits may change up to \$702 million within the next 12 months as a result of lapses of statutes of limitations for certain audit periods, anticipated closures of audit examinations, and changes in balances related to tax positions to be taken during the current fiscal year.

Subsequent to the close of the fiscal quarter ended May 5, 2024, we completed an intra-group transfer of certain IP rights to the United States through a supply chain realignment. We estimate that we will recognize a discrete tax expense of up to \$4.9 billion during the fiscal quarter ending August 4, 2024 from the establishment of a deferred tax liability as a result of the book and tax basis difference on these IP rights. We are continuing to evaluate the impact of the intra-group transfer on our estimated annual effective tax rate and income tax provision.

10. Segment Information

Reportable Segments

We have two reportable segments: semiconductor solutions and infrastructure software. Each segment has separate financial information that is utilized on a regular basis by the CODM in determining how to allocate resources and evaluate performance. The reportable segments are determined based on several factors including, but not limited to, customer base, homogeneity of products, technology, delivery channels and similar economic characteristics.

Semiconductor solutions. We provide semiconductor solutions for managing the movement of data in data center, service provider, and enterprise networking applications. We provide a broad variety of radio frequency semiconductor devices, wireless connectivity solutions, custom touch controllers, and inductive charging solutions for mobile applications. We also provide semiconductor solutions for enabling the set-top box and broadband access markets and for enabling secure movement of digital data to and from host machines, such as servers, personal computers and storage systems, to the underlying storage devices, such as hard disk drives and solid state drives. We also provide a broad variety of products for the general industrial and automotive markets. Our semiconductor solutions segment also includes our IP licensing.

Infrastructure software. We provide a portfolio of software solutions that enables customers to plan, develop, deliver, automate, manage and secure applications across mainframe, distributed, edge, mobile, and private and hybrid cloud platforms. Our portfolio of infrastructure and security software is designed to modernize, optimize, and secure the most complex private and hybrid cloud environments, enabling scalability, agility, automation, insights, resiliency and security. We also offer mission critical FC SAN products and related software.

Our CODM assesses the performance of each segment and allocates resources to each segment based on net revenue and operating results and does not evaluate each segment using discrete asset information. Operating results by segment include items that are directly attributable to each segment and also include shared expenses such as marketing, general and administrative activities, facilities and information technology expenses. Shared expenses are primarily allocated based on revenue and headcount.

Unallocated Expenses

Unallocated expenses include amortization of acquisition-related intangible assets, stock-based compensation expense, restructuring and other charges, acquisition-related costs, and other costs, which are not used in evaluating the results of, or in allocating resources to, our segments. Acquisition-related costs include transaction costs and any costs directly related to the acquisition and integration of acquired businesses.

Depreciation expense directly attributable to each reportable segment is included in the operating results of each segment. However, the CODM does not evaluate depreciation expense by operating segment and, therefore, it is not separately presented. There was no inter-segment revenue for any of the periods presented. The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies" included in the Annual Report on Form 10-K for fiscal year 2023.

| | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
|--------------------------|----------------------|-------------------|---------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| | (In millions) | | | |
| Net revenue: | | | | |
| Semiconductor solutions | \$ 7,202 | \$ 6,808 | \$ 14,592 | \$ 13,915 |
| Infrastructure software | 5,285 | 1,925 | 9,856 | 3,733 |
| Total net revenue | <u>\$ 12,487</u> | <u>\$ 8,733</u> | <u>\$ 24,448</u> | <u>\$ 17,648</u> |
| Operating income: | | | | |
| Semiconductor solutions | \$ 3,978 | \$ 4,000 | \$ 8,094 | \$ 8,123 |
| Infrastructure software | 3,168 | 1,412 | 5,883 | 2,719 |
| Unallocated expenses | (4,181) | (1,404) | (8,929) | (2,731) |
| Total operating income | <u>\$ 2,965</u> | <u>\$ 4,008</u> | <u>\$ 5,048</u> | <u>\$ 8,111</u> |

11. Commitments and Contingencies

Commitments

The following table summarizes contractual obligations and commitments as of May 5, 2024:

| Fiscal Year: | Purchase Commitments | Other Contractual Commitments |
|------------------|-------------------------|----------------------------------|
| | (In millions) | |
| 2024 (remainder) | \$ 209 | \$ 268 |
| 2025 | 186 | 405 |
| 2026 | 248 | 407 |
| 2027 | 7 | 338 |
| 2028 | 7 | 296 |
| Thereafter | — | 1,146 |
| Total | \$ 657 | \$ 2,860 |

Purchase Commitments. Represent unconditional purchase obligations to purchase goods or services, primarily inventory, that are enforceable and legally binding on us and specify all significant terms, including fixed or minimum quantities to be purchased, price provisions, and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty and unconditional purchase obligations with a remaining term of one year or less.

Other Contractual Commitments. Represent amounts payable pursuant to agreements related to information technology and other service agreements.

Due to the inherent uncertainty with respect to the timing of future cash outflows associated with our unrecognized tax benefits as of May 5, 2024, we are unable to reliably estimate the timing of cash settlement with the respective taxing authorities. Therefore, \$3,209 million of unrecognized tax benefits and accrued interest and penalties as of May 5, 2024 have been excluded from the table above.

Contingencies

From time to time, we are involved in litigation that we believe is of the type common to companies engaged in our lines of business, including commercial disputes, employment issues, tax disputes and disputes involving claims by third parties that our activities infringe their patent, copyright, trademark or other IP rights, as well as regulatory investigations or inquiries. Legal proceedings and regulatory investigations or inquiries are often complex, may require the expenditure of significant funds and other resources, and the outcomes of such proceedings are inherently uncertain, with material adverse outcomes possible. IP property claims generally involve the demand by a third-party that we cease the manufacture, use or sale of the allegedly infringing products, processes or technologies and/or pay substantial damages or royalties for past, present and future use of the allegedly infringing IP. Claims that our products or processes infringe or misappropriate any third-party IP rights (including claims arising through our contractual indemnification of our customers) often involve highly complex, technical issues, the outcome of which is inherently uncertain. Moreover, from time to time, we pursue litigation to assert our IP rights. Regardless of the merit or resolution of any such litigation, complex IP litigation is generally costly and diverts the efforts and attention of our management and technical personnel.

Lawuits Relating to VMware Backlog

On March 31, 2020, a securities class action lawsuit was filed against VMware and certain former officers of VMware in the United States District Court for the Northern District of California (the "California Court"). On September 18, 2020, the plaintiffs filed a consolidated amended complaint alleging that VMware's statements about backlog and the related internal controls during the period from August 2018 through February 2020 were materially misleading. The defendants filed a motion to dismiss, which was granted with leave to amend on September 10, 2021. On October 8, 2021, the plaintiffs filed their Second Amended Consolidated Complaint based on the same alleged disclosure deficiencies. The defendants' motion to dismiss the Second Amended Consolidated Complaint was filed on November 5, 2021. On April 2, 2023, the California Court denied the defendants' motion to dismiss finding that the plaintiffs had adequately stated claims under Sections 10 and 20A of the Securities Exchange Act of 1934. We cannot reasonably estimate the ultimate outcome and believe a potential loss is not probable and the range of loss is not reasonably estimable. We intend to vigorously defend against this matter.

Other Matters

We are currently engaged in a number of legal actions in the ordinary course of our business.

Contingency Assessment

We do not believe, based on currently available facts and circumstances, that the final outcome of any pending legal proceedings or ongoing regulatory investigations, taken individually or as a whole, will have a material adverse effect on our condensed consolidated financial statements. However, lawsuits may involve complex questions of fact and law and may require the expenditure of significant funds and other resources to defend. The results of litigation or regulatory investigations are inherently uncertain, and material adverse outcomes are possible. From time to time, we may enter into confidential discussions regarding the potential settlement of such lawsuits. Any settlement of pending litigation could require us to incur substantial costs and other ongoing expenses, such as future royalty payments in the case of an IP dispute.

During the periods presented, no material amounts have been accrued or disclosed in the accompanying condensed consolidated financial statements with respect to loss contingencies associated with any other legal proceedings or regulatory investigations, as potential losses for such matters are not considered probable and ranges of losses are not reasonably estimable. These matters are subject to many uncertainties and the ultimate outcomes are not predictable. There can be no assurances that the actual amounts required to satisfy any liabilities arising from the matters described above will not have a material adverse effect on our condensed consolidated financial statements.

Other Indemnifications

As is customary in our industry and as provided for in local law in the U.S. and other jurisdictions, many of our standard contracts provide remedies to our customers and others with whom we enter into contracts, such as defense, settlement, or payment of judgment for IP claims related to the use of our products. From time to time, we indemnify customers, as well as our suppliers, contractors, lessors, lessees, companies that purchase our businesses or assets and others with whom we enter into contracts, against combinations of loss, expense, or liability arising from various triggering events related to the sale and the use of our products, the use of their goods and services, the use of facilities and state of our owned facilities, the state of the assets and businesses that we sell and other matters covered by such contracts, usually up to a specified maximum amount. In addition, from time to time we also provide protection to these parties against claims related to undiscovered liabilities, additional product liabilities or environmental obligations. In our experience, claims made under such indemnifications are rare and the associated estimated fair value of the liability is not material.

12. Restructuring and Other Charges

In connection with the VMware Merger, we initiated restructuring activities to integrate the acquired business, align our workforce and improve efficiencies in our operations. We recognized \$345 million and \$1,057 million of restructuring charges primarily related to employee termination costs during the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively. We expect these restructuring activities to be substantially completed by the end of fiscal year 2025. These charges were recognized primarily in operating expenses in continuing operations.

The following table summarizes the significant activities within, and components of, the restructuring liabilities during the two fiscal quarters ended May 5, 2024:

| | Employee Termination Costs | Lease and Impairment Costs | Total |
|---|-------------------------------|-------------------------------|--------|
| | (In millions) | | |
| Balance as of October 29, 2023 | \$ 2 | \$ — | \$ 2 |
| Restructuring charges ^{(a)(b)} | 976 | 81 | 1,057 |
| Utilization | (773) | (81) | (854) |
| Balance as of May 5, 2024 | \$ 205 | \$ — | \$ 205 |

(a) Lease and impairment costs included the write-down of \$51 million lease-related assets and \$30 million of asset impairments and other costs.

(b) Does not include \$27 million of restructuring charges related to discontinued operations, which was included in income from discontinued operations, net of income taxes in our condensed consolidated statements of operations.

13. Subsequent Events

Cash Dividends Declared

On June 11, 2024, our Board of Directors declared a quarterly cash dividend of \$5.25 per share on our common stock, payable on June 28, 2024 to stockholders of record on June 24, 2024.

Common Stock Split

On June 12, 2024, we announced a ten-for-one forward stock split of our common stock. The stock split will be effected through the filing of an amendment to our Amended and Restated Certificate of Incorporation. Our stockholders of record after the close of market on July 11, 2024 will receive an additional nine shares of common stock for each share held after the close of market on July 12, 2024. At market open on July 15, 2024, trading is expected to commence on a split-adjusted basis.

The following table reflects basic and diluted weighted average shares and net income per share on an unaudited pro forma basis giving effect to the ten-for-one stock split as if it had been effective for all periods presented:

| | Pro Forma (Unaudited) | | | |
|--|-----------------------|-------------------|---------------------------|-------------------|
| | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| (In millions, except per share data) | | | | |
| Numerator: | | | | |
| Income from continuing operations | \$ 2,121 | \$ 3,481 | \$ 3,395 | \$ 7,255 |
| Income from discontinued operations, net of income taxes | — | — | 51 | — |
| Net income | <u>\$ 2,121</u> | <u>\$ 3,481</u> | <u>\$ 3,446</u> | <u>\$ 7,255</u> |
| Denominator: | | | | |
| Weighted-average shares outstanding - basic | 4,650 | 4,150 | 4,580 | 4,170 |
| Dilutive effect of equity awards | 150 | 120 | 150 | 110 |
| Weighted-average shares outstanding - diluted | <u>4,800</u> | <u>4,270</u> | <u>4,730</u> | <u>4,280</u> |
| Basic income per share: | | | | |
| Income per share from continuing operations | \$ 0.46 | \$ 0.84 | \$ 0.74 | \$ 1.74 |
| Income per share from discontinued operations | — | — | 0.01 | — |
| Net income per share | <u>\$ 0.46</u> | <u>\$ 0.84</u> | <u>\$ 0.75</u> | <u>\$ 1.74</u> |
| Diluted income per share: | | | | |
| Income per share from continuing operations | \$ 0.44 | \$ 0.82 | \$ 0.72 | \$ 1.70 |
| Income per share from discontinued operations | — | — | 0.01 | — |
| Net income per share | <u>\$ 0.44</u> | <u>\$ 0.82</u> | <u>\$ 0.73</u> | <u>\$ 1.70</u> |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q") and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended October 29, 2023 ("fiscal year 2023") included in our Annual Report on Form 10-K for fiscal year 2023 ("2023 Annual Report on Form 10-K"). References to "Broadcom," "we," "our," and "us" are to Broadcom Inc. and its consolidated subsidiaries, unless otherwise specified or the context otherwise requires. This Form 10-Q may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, which are made under the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements may include projections of financial information; statements about historical results that may suggest trends for our business; statements of the plans, strategies and objectives of management for future operations; and statements of expectation or belief regarding future events (including any acquisitions we may make), technology developments, our products, product sales, expenses, liquidity, cash flow and growth rates, customer concentration and relationships, or enforceability of our intellectual property ("IP") rights. Such statements are based on current expectations, estimates, forecasts and projections of our industry performance and macroeconomic conditions, based on management's judgment, beliefs, current trends and market conditions, and involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Accordingly, undue reliance should not be placed on these statements. Important factors that could cause actual results to differ materially from our expectations are disclosed under "Risk Factors" in Part II, Item 1A of this Form 10-Q, and in other documents we file from time to time with the Securities and Exchange Commission (the "SEC"). All of the forward-looking statements in this Form 10-Q are qualified in their entirety by reference to the factors listed above and those discussed under the heading "Risk Factors" below. We undertake no intent or obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law.

Overview

We are a global technology leader that designs, develops and supplies a broad range of semiconductor and infrastructure software solutions. We develop semiconductor devices with a focus on complex digital and mixed signal complementary metal oxide semiconductor based devices and analog III-V based products. We have a history of innovation in the semiconductor industry and offer thousands of products that are used in end products such as enterprise and data center networking, home connectivity, set-top boxes, broadband access, telecommunication equipment, smartphones and base stations, data center servers and storage systems, factory automation, power generation and alternative energy systems, and electronic displays. Our infrastructure software solutions enable customers to plan, develop, deliver, automate, manage and secure applications across mainframe, distributed, edge, mobile, and private and hybrid cloud platforms. Our portfolio of industry-leading infrastructure and security software is designed to modernize, optimize, and secure the most complex private and hybrid cloud environments, enabling scalability, agility, automation, insights, resiliency and security. We also offer mission critical fibre channel storage area networking ("FC SAN") products and related software in the form of modules, switches and subsystems incorporating multiple semiconductor products.

We have two reportable segments: semiconductor solutions and infrastructure software. Our semiconductor solutions segment includes all of our product lines and IP licensing. Our infrastructure software segment includes our application development and delivery, application networking and security, mainframe, distributed, software-defined edge, private and hybrid cloud and cyber security solutions, and our FC SAN business.

Our fiscal year ending November 3, 2024 ("fiscal year 2024"), is a 53-week fiscal year, with our first fiscal quarter ended February 4, 2024 containing 14 weeks compared to 13 weeks in the prior year fiscal period. The additional week resulted in higher net revenue, gross margin dollars, research and development expense, and selling general and administrative expense in the first fiscal quarter and first two fiscal quarters of fiscal year 2024, compared to the corresponding prior year fiscal periods.

Quarterly Highlights

Highlights during the fiscal quarter ended May 5, 2024 include the following:

- We generated \$4,580 million of cash from operations.
- We paid \$2,443 million in cash dividends.
- We repaid \$2.0 billion on our unsecured term A-2 facility.

Acquisitions

Acquisition of VMware

On November 22, 2023, we acquired VMware, Inc. ("VMware") in a cash-and-stock transaction (the "VMware Merger"). The VMware stockholders received approximately \$30,788 million in cash and 54.4 million shares of Broadcom common stock with a fair value of \$53,398 million. In addition, we assumed all outstanding VMware restricted stock unit ("RSU") awards and performance stock unit awards held by continuing employees. The assumed awards were converted into RSU awards for shares of Broadcom common stock. All outstanding RSU awards held by non-employee directors and in-the-money VMware stock options were accelerated and converted into the right to receive cash and shares of Broadcom common stock, in equal parts.

Acquisition of Seagate's SoC Operations

On April 23, 2024, we acquired certain assets related to the design, development, and manufacture of System-on-Chip ("SoC") operations of Seagate Technology Holdings plc for \$600 million. We acquired these assets to strengthen our portfolio of SoC products.

Critical Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. Our actual financial results may differ materially and adversely from our estimates. Our critical accounting estimates are those that affect our historical financial statements materially and involve difficult, subjective or complex judgments by management. Those estimates include revenue recognition, valuation of goodwill and long-lived assets, and income taxes.

There were no significant changes in our critical accounting estimates during the two fiscal quarters ended May 5, 2024 compared to those previously disclosed in "Critical Accounting Estimates" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the 2023 Annual Report on Form 10-K.

Results of Operations

Fiscal Quarter and Two Fiscal Quarters Ended May 5, 2024 Compared to Fiscal Quarter and Two Fiscal Quarters Ended April 30, 2023

The following table sets forth our results of operations for the periods presented:

| | Fiscal Quarter Ended | | | |
|---|----------------------|-------------------|----------------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| | (In millions) | | (As a percentage of net revenue) | |
| Statements of Operations Data: | | | | |
| Net revenue: | | | | |
| Products | \$ 7,192 | \$ 6,741 | 58 % | 77 % |
| Subscriptions and services | 5,295 | 1,992 | 42 | 23 |
| Total net revenue | 12,487 | 8,733 | 100 | 100 |
| Cost of revenue: | | | | |
| Cost of products sold | 2,429 | 2,019 | 19 | 23 |
| Cost of subscriptions and services | 713 | 158 | 6 | 2 |
| Amortization of acquisition-related intangible assets | 1,516 | 441 | 13 | 5 |
| Restructuring charges | 53 | — | — | — |
| Total cost of revenue | 4,711 | 2,618 | 38 | 30 |
| Gross margin | 7,776 | 6,115 | 62 | 70 |
| Research and development | 2,415 | 1,312 | 19 | 15 |
| Selling, general and administrative | 1,277 | 438 | 10 | 5 |
| Amortization of acquisition-related intangible assets | 827 | 348 | 7 | 4 |
| Restructuring and other charges | 292 | 9 | 2 | — |
| Total operating expenses | 4,811 | 2,107 | 38 | 24 |
| Operating income | \$ 2,965 | \$ 4,008 | 24 % | 46 % |

| | Two Fiscal Quarters Ended | | | |
|---|---------------------------|-------------------|----------------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| | (In millions) | | (As a percentage of net revenue) | |
| Statements of Operations Data: | | | | |
| Net revenue: | | | | |
| Products | \$ 14,604 | \$ 13,823 | 60 % | 78 % |
| Subscriptions and services | 9,844 | 3,825 | 40 | 22 |
| Total net revenue | 24,448 | 17,648 | 100 | 100 |
| Cost of revenue: | | | | |
| Cost of products sold | 4,589 | 4,244 | 19 | 24 |
| Cost of subscriptions and services | 1,667 | 307 | 7 | 2 |
| Amortization of acquisition-related intangible assets | 2,896 | 976 | 11 | 5 |
| Restructuring charges | 145 | 2 | 1 | — |
| Total cost of revenue | 9,297 | 5,529 | 38 | 31 |
| Gross margin | 15,151 | 12,119 | 62 | 69 |
| Research and development | 4,723 | 2,507 | 19 | 14 |
| Selling, general and administrative | 2,849 | 786 | 11 | 5 |
| Amortization of acquisition-related intangible assets | 1,619 | 696 | 7 | 4 |
| Restructuring and other charges | 912 | 19 | 4 | — |
| Total operating expenses | 10,103 | 4,008 | 41 | 23 |
| Operating income | \$ 5,048 | \$ 8,111 | 21 % | 46 % |

Net Revenue

A relatively small number of customers account for a significant portion of our net revenue. Direct sales to one customer, which is a distributor, accounted for 29% and 28% of our net revenue for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, and 17% and 19% of our net revenue for the fiscal quarter and two fiscal quarters ended April 30, 2023, respectively.

We believe aggregate sales to our top five end customers, through all channels, accounted for approximately 40% of our net revenue for each of the fiscal quarter and two fiscal quarters ended May 5, 2024, and approximately 35% of our net revenue for each of the fiscal quarter and two fiscal quarters ended April 30, 2023. We expect to continue to experience significant customer concentration in future periods. The loss of, or significant decrease in demand from, any of our top five end customers could have a material adverse effect on our business, results of operations and financial condition.

From time to time, some of our key semiconductor customers place large orders or delay orders, causing our quarterly net revenue to fluctuate significantly. This is particularly true of our wireless products as fluctuations may be magnified by the timing of launches, and seasonal variations in sales, of mobile devices. In addition, the macroeconomic environment remains uncertain and may cause our net revenue to fluctuate significantly and impact our results of operations.

The following tables set forth net revenue by segment for the periods presented:

| Net Revenue by Segment | Fiscal Quarter Ended | | \$ Change | % Change | Two Fiscal Quarters Ended | | \$ Change | % Change |
|-------------------------|----------------------|----------------|-----------|----------|---------------------------|----------------|-----------|----------|
| | May 5, 2024 | April 30, 2023 | | | May 5, 2024 | April 30, 2023 | | |
| (Dollars in millions) | | | | | | | | |
| Semiconductor solutions | \$ 7,202 | \$ 6,808 | \$ 394 | 6 % | \$ 14,592 | \$ 13,915 | \$ 677 | 5 % |
| Infrastructure software | 5,285 | 1,925 | 3,360 | 175 % | 9,856 | 3,733 | 6,123 | 164 % |
| Total net revenue | \$ 12,487 | \$ 8,733 | \$ 3,754 | 43 % | \$ 24,448 | \$ 17,648 | \$ 6,800 | 39 % |

| Net Revenue by Segment | Fiscal Quarter Ended | | Two Fiscal Quarters Ended | |
|----------------------------------|----------------------|----------------|---------------------------|----------------|
| | May 5, 2024 | April 30, 2023 | May 5, 2024 | April 30, 2023 |
| (As a percentage of net revenue) | | | | |
| Semiconductor solutions | 58 % | 78 % | 60 % | 79 % |
| Infrastructure software | 42 | 22 | 40 | 21 |
| Total net revenue | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> |

Net revenue from our semiconductor solutions segment increased in the fiscal quarter and two fiscal quarters ended May 5, 2024 compared to the prior year fiscal periods due to strong product demand for our networking products, including products in AI networking, partially offset by lower demand for our broadband and server storage products. Net revenue from our infrastructure software segment increased in the fiscal quarter and two fiscal quarters ended May 5, 2024 compared to the prior year fiscal periods primarily due to contributions from VMware.

Gross Margin

Gross margin was \$7,776 million for the fiscal quarter ended May 5, 2024 compared to \$6,115 million for the fiscal quarter ended April 30, 2023, and \$15,151 million for the two fiscal quarters ended May 5, 2024 compared to \$12,119 million for the two fiscal quarters ended April 30, 2023. The increases were primarily due to contributions from VMware, partially offset by higher amortization of acquisition-related intangible assets from the VMware Merger.

As a percentage of net revenue, gross margin was 62% of net revenue for each of the fiscal quarter and two fiscal quarters ended May 5, 2024, and 70% and 69% for the fiscal quarter and two fiscal quarters ended April 30, 2023, respectively. The decreases were primarily due to higher amortization of acquisition-related intangible assets from the VMware Merger. In addition, gross margin contributions from our infrastructure software segment were partially offset by less favorable margin within the semiconductor solutions segment driven by product mix.

Research and Development Expense

Research and development expense increased \$1,103 million, or 84%, and \$2,216 million, or 88%, for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, compared to the prior year fiscal periods. The increases were primarily due to higher compensation, including higher stock-based compensation, as a result of an increase in headcount from the VMware Merger. The increases in stock-based compensation expense were also due to annual employee equity awards granted at higher grant-date fair values.

Selling, General and Administrative Expense

Selling, general and administrative expense increased \$839 million, or 192%, and \$2,063 million, or 262%, for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, compared to the prior year fiscal periods. The increases were primarily due to higher compensation, including higher stock-based compensation, as a result of an increase in headcount from the VMware Merger. The increases in stock-based compensation expense were also due to annual employee equity awards granted at higher grant-date fair values.

Amortization of Acquisition-Related Intangible Assets

Amortization of acquisition-related intangible assets recognized in operating expenses increased \$479 million, or 138%, and \$923 million, or 133%, for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, compared to the prior year fiscal periods primarily due to higher amortization of customer-related intangible assets from the VMware Merger.

Restructuring and Other Charges

Restructuring and other charges recognized in operating expenses were \$292 million and \$912 million for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, primarily due to employee termination costs associated with the VMware Merger. We expect to incur additional restructuring and other charges in future periods as a result of the VMware Merger.

Stock-Based Compensation Expense

Total stock-based compensation expense was \$1,403 million and \$2,975 million for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, and \$513 million and \$904 million for the fiscal quarter and two fiscal quarters ended April 30, 2023, respectively. The increases were primarily due to equity awards assumed and granted in connection with the VMware Merger and annual employee equity awards granted at higher grant-date fair values. Stock-based compensation expense for the two fiscal quarters ended May 5, 2024 also included a one-time impact from aligning the vesting dates of certain assumed awards with our RSU vesting dates, as well as accelerated vesting of certain assumed awards held by employees terminated in connection with the VMware Merger.

The following table sets forth the total unrecognized compensation cost related to unvested stock-based awards outstanding and expected to vest as of May 5, 2024. The remaining weighted-average service period was 3.3 years.

| Fiscal Year: | Unrecognized Compensation Cost, Net of Expected Forfeitures | |
|------------------|---|--------|
| | (In millions) | |
| 2024 (remainder) | \$ | 2,658 |
| 2025 | | 4,476 |
| 2026 | | 3,598 |
| 2027 | | 2,604 |
| 2028 | | 475 |
| Total | \$ | 13,811 |

Segment Operating Results

| Operating Income by Segment | Fiscal Quarter Ended | | \$ Change | % Change | Two Fiscal Quarters Ended | | \$ Change | % Change |
|-----------------------------|----------------------|----------------|------------|----------|---------------------------|----------------|------------|----------|
| | May 5, 2024 | April 30, 2023 | | | May 5, 2024 | April 30, 2023 | | |
| (Dollars in millions) | | | | | | | | |
| Semiconductor solutions | \$ 3,978 | \$ 4,000 | \$ (22) | (1)% | \$ 8,094 | \$ 8,123 | \$ (29) | — % |
| Infrastructure software | 3,168 | 1,412 | 1,756 | 124 % | 5,883 | 2,719 | 3,164 | 116 % |
| Unallocated expenses | (4,181) | (1,404) | (2,777) | 198 % | (8,929) | (2,731) | (6,198) | 227 % |
| Total operating income | \$ 2,965 | \$ 4,008 | \$ (1,043) | (26)% | \$ 5,048 | \$ 8,111 | \$ (3,063) | (38)% |

Operating income from our semiconductor solutions segment was relatively flat for the fiscal quarter ended May 5, 2024 compared to the prior year fiscal period. Higher engineering project costs and lower gross margins driven by product mix were partially offset by higher revenue from networking products. Operating income from our semiconductor solutions segment was also relatively flat for the two fiscal quarters ended May 5, 2024 compared to the prior year fiscal period. Higher compensation expense as a result of an additional week in the current year fiscal quarter and lower gross margins driven by product mix were offset by higher revenue from networking products. Higher operating income from our infrastructure software segment in the fiscal quarter and two fiscal quarters ended May 5, 2024 compared to the prior year fiscal periods was primarily due to contributions from VMware.

Unallocated expenses include amortization of acquisition-related intangible assets; stock-based compensation expense; restructuring and other charges; acquisition-related costs; and other costs that are not used in evaluating the results of, or in allocating resources to, our segments. Unallocated expenses increased 198% and 227% for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, compared to the prior year fiscal periods primarily due to higher amortization of acquisition-related intangible assets, stock-based compensation expense and restructuring and other charges. These increases were primarily due to the VMware Merger. The increase in stock-based compensation expense was also due to annual employee equity awards granted at higher grant-date fair values.

Non-Operating Income and Expenses

Interest expense. Interest expense was \$1,047 million and \$1,973 million for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively, and \$405 million and \$811 million for the fiscal quarter and two fiscal quarters ended April 30, 2023, respectively. The increases were primarily due to interest on debt incurred for the VMware Merger.

Other income, net. Other income, net includes interest income, gains or losses on investments, foreign currency remeasurement and other miscellaneous items. Other income, net, was \$87 million and \$113 million for the fiscal quarters ended May 5, 2024 and April 30, 2023, respectively. The decrease was primarily due to lower interest income as a result of a lower invested balance, partially offset by higher interest rates. Other income, net, was \$272 million and \$256 million for the two fiscal quarters ended May 5, 2024 and April 30, 2023, respectively. The increase was primarily due to higher interest income as a result of higher interest rates, partially offset by a lower invested balance.

Provision for (benefit from) income taxes. The benefit from income taxes was \$116 million and \$48 million for the fiscal quarter and two fiscal quarters ended May 5, 2024, respectively. The benefit from income taxes was primarily due to excess tax benefits from stock-based awards and a shift in the jurisdictional mix of income and expense, partially offset by income tax expense on operations. The provision for income taxes was \$235 million and \$301 million for the fiscal quarter and two fiscal quarters ended April 30, 2023, respectively. The provision for income taxes was primarily driven by income before income taxes, partially offset by excess tax benefits from stock-based awards and the recognition of uncertain tax benefits as a result of lapses of statutes of limitations.

Liquidity and Capital Resources

The following section discusses our principal liquidity and capital resources as well as our principal liquidity requirements and uses of cash. Our cash and cash equivalents are maintained in highly liquid investments with remaining maturities of 90 days or less at the time of purchase. We believe our cash equivalents are liquid and accessible.

Our primary sources of liquidity as of May 5, 2024 consisted of: (i) \$9,809 million in cash and cash equivalents, (ii) cash we expect to generate from operations and (iii) available capacity under our \$7.5 billion unsecured revolving credit facility. In addition, we may also generate cash from the sale of assets and debt or equity financings from time to time. In February 2024, we signed a definitive agreement to sell VMware's end-user computing business for approximately \$3.8 billion, before working capital adjustments and estimated selling costs. The sale is expected to close in calendar year 2024, subject to customary closing conditions.

Our short-term and long-term liquidity requirements primarily arise from: (i) business acquisitions and investments we may make from time to time, (ii) working capital requirements, (iii) research and development and capital expenditure needs, (iv) cash dividend payments (if and when declared by our Board of Directors), (v) interest and principal payments related to our \$76,521 million of outstanding indebtedness and (vi) payment of income taxes. Our ability to fund these requirements will depend, in part, on our future cash flows, which are determined by our future operating performance and, therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control. Our debt and liquidity needs increased in fiscal year 2024 as a result of completing the VMware Merger. We funded the cash portion of the consideration with net proceeds from the issuance of \$30,390 million in term loans (the "2023 Term Loans"), as well as cash on hand. We also assumed \$8,250 million of VMware's outstanding senior unsecured notes. During the fiscal quarter ended May 5, 2024, we made a partial repayment of \$2.0 billion on our 2023 Term Loans. We also expect capital expenditures to be higher in fiscal year 2024 as compared to fiscal year 2023.

We believe that our cash and cash equivalents on hand, cash flows from operations and our revolving credit facility will provide sufficient liquidity to operate our business and fund our current and assumed obligations for at least the next 12 months. For additional information regarding our cash requirement from contractual obligations and indebtedness, see Note 11. "Commitments and Contingencies" and Note 7. "Borrowings" in Part I, Item 1 of this Form 10-Q.

From time to time, we engage in discussions with third parties regarding potential acquisitions of, or investments in, businesses, technologies and product lines. Any such transaction, or evaluation of potential transactions, could require significant use of our cash and cash equivalents, or require us to increase our borrowings to fund such transactions. If we do not have sufficient cash to fund our operations or finance growth opportunities, including acquisitions, or unanticipated capital expenditures, our business and financial condition could suffer. In such circumstances, we may seek to obtain new debt or equity financing. However, we cannot assure you that such additional financing will be available on terms acceptable to us or at all. Our ability to service our senior unsecured notes, the 2023 Term Loans and any other indebtedness we may incur will depend on our ability to generate cash in the future. We may also elect to sell additional debt or equity securities for reasons other than those specified above.

In addition, we may, at any time and from time to time, seek to retire or purchase our outstanding debt through cash tenders and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such

tenders, exchanges or purchases, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. We may also make additional prepayments of the 2023 Term Loans. The amounts involved may be material.

Working Capital

On November 22, 2023, we completed the VMware Merger. The following table presents the changes in selected balance sheet captions other than assets acquired and liabilities assumed from the VMware Merger during the two fiscal quarters ended May 5, 2024.

| | Balances at October 29, 2023 | Balances Acquired and Assumed from VMware | Balances at May 5, 2024 | Non-VMware Acquisition Increase (Decrease) |
|------------------------------------|------------------------------------|---|-------------------------------|---|
| (In millions) | | | | |
| Cash and cash equivalents | \$ 14,189 | \$ 6,642 | \$ 9,809 | \$ (11,022) |
| Trade accounts receivable, net | \$ 3,154 | \$ 3,571 | \$ 5,500 | \$ (1,225) |
| Assets held-for-sale | \$ — | \$ 5,206 | \$ 5,221 | \$ 15 |
| Other current assets | \$ 1,606 | \$ 757 | \$ 2,930 | \$ 567 |
| Employee compensation and benefits | \$ 935 | \$ 848 | \$ 1,385 | \$ (398) |
| Current portion of long-term debt | \$ 1,608 | \$ 1,264 | \$ 2,426 | \$ (446) |
| Liabilities held-for-sale | \$ — | \$ 1,901 | \$ 1,757 | \$ (144) |
| Other current liabilities | \$ 3,652 | \$ 11,041 | \$ 13,162 | \$ (1,531) |

- Cash and cash equivalents decreased primarily due to \$32,058 million paid for the VMware Merger, \$7,176 million of common stock repurchases, \$4,878 million of dividend payments and \$2,662 million of employee withholding tax payments related to net settled equity awards, offset in part by \$27,076 million in net proceeds from borrowings and \$9,395 million in net cash provided by operating activities.
- Trade accounts receivable, net decreased primarily due to strong collections.
- Other current assets increased primarily due to higher prepaid income taxes.
- Employee compensation and benefits decreased primarily due to the timing of annual employee bonus plan payments.
- Current portion of long-term debt decreased due to \$934 million of repayments, offset in part by \$495 million becoming due within the next twelve months.
- Liabilities held-for-sale decreased due to software revenue recognized in discontinued operations.
- Other current liabilities decreased as software revenue recognized resulted in lower contract liabilities, offset in part by an increase in liabilities related to restructuring activities associated with the VMware Merger.

Capital Returns

| Cash Dividends Declared and Paid | Two Fiscal Quarters Ended | |
|--|---------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 |
| (In millions, except per share data) | | |
| Dividends per share to common stockholders | \$ 10.50 | \$ 9.20 |
| Dividends to common stockholders | \$ 4,878 | \$ 3,840 |

During each of the two fiscal quarters ended May 5, 2024 and April 30, 2023, we repurchased and retired approximately 7 million shares of our common stock for \$7,176 million and \$3,994 million, respectively. All \$20 billion under our previously authorized stock repurchase programs was utilized prior to expiration on December 31, 2023.

During the two fiscal quarters ended May 5, 2024 and April 30, 2023, we paid approximately \$2,662 million and \$947 million, respectively, in employee withholding taxes due upon the vesting of net settled equity awards. We withheld approximately 2 million shares of common stock from employees in connection with such net share settlements during each of the two fiscal quarters ended May 5, 2024 and April 30, 2023.

Cash Flows

| | Two Fiscal Quarters Ended | |
|---|---------------------------|-------------------|
| | May 5, 2024 | April 30, 2023 |
| | (In millions) | |
| Net cash provided by operating activities | \$ 9,395 | \$ 8,538 |
| Net cash used in investing activities | (26,183) | (421) |
| Net cash provided by (used in) financing activities | 12,408 | (8,980) |
| Net change in cash and cash equivalents | \$ (4,380) | \$ (863) |

Operating Activities

Cash flows from operating activities consisted of net income adjusted for certain non-cash and other items and changes in assets and liabilities. The \$857 million increase in cash provided by operations during the two fiscal quarters ended May 5, 2024 compared to the prior year fiscal period was primarily due to contributions from VMware. The \$3,809 million decrease in net income was largely driven by \$5,427 million of higher non-cash adjustments including amortization of intangible assets and stock-based compensation.

Investing Activities

Cash flows from investing activities primarily consisted of cash used for acquisitions, capital expenditures and proceeds and payments related to investments. The \$25,762 million increase in cash used in investing activities during the two fiscal quarters ended May 5, 2024 compared to the prior year fiscal period was primarily due to \$25,976 million cash paid in connection with the VMware Merger and the acquisition of Seagate's SoC operations, net of cash acquired.

Financing Activities

Cash flows from financing activities primarily consisted of proceeds and payments related to our long-term borrowings, stock repurchases, dividend payments and employee withholding tax payments related to net settled equity awards. The \$21,388 million increase in cash flows from financing activities during the two fiscal quarters ended May 5, 2024 compared to the prior year fiscal period was primarily due to \$30,010 million of net proceeds from the 2023 Term Loans, partially offset by a \$3,182 million increase in stock repurchases, a \$2,674 million increase in payments of debt obligations, a \$1,715 million increase in employee withholding tax payments related to net settled equity awards and a \$1,038 million increase in dividend payments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risks from the information presented in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk," in the 2023 Annual Report on Form 10-K, except as disclosed below.

Interest Rate Risk

Changes in interest rates affect the fair value of our outstanding fixed rate senior notes. As of May 5, 2024 and October 29, 2023, we had \$48.1 billion and \$40.8 billion in principal amount of fixed rate senior notes outstanding, and the estimated aggregate fair value of these senior notes was \$42.4 billion and \$33.2 billion, respectively. As of May 5, 2024 and October 29, 2023, a hypothetical 50 basis point increase or decrease in market interest rates would change the fair value of our fixed rate senior notes, by a decrease or increase of approximately \$1.5 billion and \$1.4 billion, respectively. However, this hypothetical change in interest rates would not impact the interest expense on our fixed rate senior notes outstanding.

As of May 5, 2024, we had \$28.4 billion of outstanding 2023 Term Loans, which are subject to floating interest rates. A hypothetical 1% change in the interest rate would increase or decrease the interest expense on the 2023 Term Loans for the next 12 months by approximately \$287 million. The carrying value of the 2023 Term Loans approximates their fair value as the underlying interest rates are tied to the Secured Overnight Financing Rate. We had no floating rate debt outstanding as of October 29, 2023.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as of May 5, 2024. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act filings is properly and timely recorded, processed, summarized and reported. These disclosure controls and procedures are also intended to ensure that information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures. Based on this evaluation, our CEO and CFO concluded that, as of May 5, 2024, our disclosure controls and procedures were effective at the reasonable assurance level.

In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(b) *Changes in Internal Control over Financial Reporting.* There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We are currently in the process of integrating the VMware operations, control processes and information systems into our systems and control environment. We believe that we have taken the necessary steps to monitor and maintain appropriate internal controls over financial reporting during this integration.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under Note 11. “Commitments and Contingencies” included in Part I, Item 1 of this Form 10-Q, is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, see “Risk Factors” immediately below.

Item 1A. Risk Factors

Our business, operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. The following material factors, among others, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements.

Risk Factors Summary

The following is a summary of the material risks that could adversely affect our business, operations and financial results.

Risks Related to Our Business

- Adverse global economic conditions could have a negative effect on us.
- Our business is subject to various governmental regulations and trade restrictions. Compliance with these regulations may cause us to incur significant expense and failure to maintain compliance could adversely affect our business.
- Global political and economic conditions and other factors related to our international operations could adversely affect us.
- The failure to realize the expected benefits from the VMware Merger may adversely affect our business and the value of our common stock.
- We have pursued, and may in the future pursue, acquisitions, investments, joint ventures and dispositions, which could adversely affect our results of operations.
- We are subject to risks associated with our distributors and other channel partners, including product inventory levels and product sell-through.
- We are dependent on senior management and if we are unable to attract and retain qualified personnel, we may not be able to execute our business strategy effectively.

- Cyber security threats or other security breaches, or any other impairment of the confidentiality, integrity or availability of our information technology ("IT") systems, or those of one or more of our corporate infrastructure vendors, could have a material adverse effect on our business.
- We operate in the highly cyclical semiconductor industry.
- The majority of our sales come from a small number of customers and a reduction in demand or loss of one or more of our significant customers may adversely affect our business.
- Dependence on contract manufacturing and suppliers of critical components within our supply chain may adversely affect our ability to bring products to market.
- We purchase a significant amount of the materials used in our products from a limited number of suppliers.
- Failure to adjust our manufacturing and supply chain to accurately meet customer demand could adversely affect our results of operations.
- Winning business in the semiconductor solutions industry is subject to a lengthy process that often requires us to incur significant expense, from which we may ultimately generate no revenue.
- A prolonged disruption of our or our suppliers' manufacturing facilities, research and development facilities, warehouses or other significant operations could have a material adverse effect on us.
- We may be unable to maintain appropriate manufacturing capacity or product yields at our own manufacturing facilities.
- We may be involved in legal proceedings, including IP, securities litigation, and employee-related claims that could adversely affect our business.
- If demand for our data center virtualization products is less than anticipated, our business could be adversely affected.
- Failure of our software products to manage and secure IT infrastructures and environments could have a material adverse effect on our business.
- The growth of our software business depends on customer acceptance of our newer products and services.
- Incompatibility of our software products with operating environments, platforms, or third-party products may adversely affect demand for our products and services.
- Failure to enter into software license agreements on a satisfactory basis could adversely affect us.
- Licensed third party software used in our products may not be available to us in the future, which may delay product development and production or cause us to incur additional expense.
- Our use of open source software in certain products and services could materially adversely affect our business, financial condition and results of operations.
- Our sales to government customers subject us to uncertainties and governmental regulations, which could have a material adverse effect on our business.
- Failure to effectively manage our products and services lifecycles could harm our business.
- Our operating results are subject to substantial quarterly and annual fluctuations.
- Competition in our industries could prevent us from growing our revenue.
- Our ability to maintain or improve gross margin.
- If we are unable to protect the significant amount of IP we utilize in our business, our business could be adversely affected.
- We are subject to warranty claims, product recalls and product liability.
- The complexity of our products could result in unforeseen delays or expense or undetected defects or bugs.
- We make substantial investments in research and development and unsuccessful investments could materially adversely affect our business, financial condition and results of operations.
- We collect, use, store, or otherwise process personal information, which subjects us to privacy and data security laws and contractual commitments, and our actual or perceived failure to comply with such laws and commitments could harm our business.
- We are subject to environmental, health and safety laws, which could increase our costs, restrict our operations and require expenditures.
- Environmental, social and governance matters may adversely affect our relationships with customers and investors.
- The average selling prices of semiconductor products in our markets have often decreased rapidly and may do so in the future.

- Fluctuations in foreign exchange rates could result in losses.

Risks Relating to Taxes

- Changes in tax legislation or policies could materially impact our financial position and results of operations.
- Our corporate income taxes could significantly increase if we are unable to maintain our tax concessions or if our assumptions and interpretations regarding tax laws and concessions prove to be incorrect.
- Our income taxes and overall cash tax costs are affected by a number of factors that could have a material, adverse effect on our financial results.
- We have potential tax liabilities as a result of VMware's former controlling ownership by Dell, which could have an adverse effect on our financial condition and operating results.

Risks Relating to Our Indebtedness

- Our substantial indebtedness could adversely affect our financial health and our ability to execute our business strategy.
- The instruments governing our indebtedness impose certain restrictions on our business.
- Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flows from our business to pay our substantial debt.

Risks Relating to Owning Our Common Stock

- Our stock price may be volatile and your investment could lose value.
- The amount and frequency of our stock repurchases may fluctuate.
- A substantial amount of our stock is held by a small number of large investors.
- There can be no assurance that we will continue to declare cash dividends.

Risks Related to Our Business

Adverse global economic conditions could have a negative effect on our business, results of operations and financial condition and liquidity.

A general slowdown in the global economy or in a particular region or industry, other unfavorable changes in economic conditions, such as inflation, higher interest rates, tightening of the credit markets, recession or slowing growth, or an increase in trade tensions with U.S. trading partners could negatively impact our business, financial condition and liquidity. Adverse global economic conditions have from time to time caused or exacerbated significant slowdowns in the industries and markets in which we operate, which have adversely affected our business and results of operations. Macroeconomic weakness and uncertainty also make it more difficult for us to accurately forecast operating results, and may make it more difficult to raise or refinance debt. An escalation of trade tensions between the U.S. and China has resulted in trade restrictions, increased protectionism and increased tariffs that harm our ability to participate in Chinese markets or compete effectively with Chinese companies. Sustained uncertainty about, or worsening of, current global economic conditions and further escalation of trade tensions between the U.S. and its trading partners, especially China, and possible decoupling of the U.S. and China economies, could result in a global economic slowdown and long-term changes to global trade. Such events may also (i) cause our customers and consumers to reduce, delay or forgo technology spending, (ii) result in customers sourcing products from other suppliers not subject to such restrictions or tariffs, (iii) lead to the insolvency or consolidation of key suppliers and customers, and (iv) intensify pricing pressures. Any or all of these factors could negatively affect demand for our products and our business, financial condition and results of operations.

Our business is subject to various governmental regulations. Compliance with these regulations may cause us to incur significant expense and failure to maintain compliance with applicable regulations could adversely affect our business.

Our business is subject to various domestic and international laws and other legal requirements, including anti-competition and import/export regulations, such as the U.S. Export Administration Regulations, and applicable executive orders. These laws, regulations and orders are complex, may change frequently and with limited notice, and have generally and may continue to become more stringent over time. We may be required to incur significant expense to comply with, or to remedy violations of, these regulations. In addition, if our customers fail to comply with these regulations, we may be required to suspend sales to these customers, which could damage our reputation and negatively impact our results of operations. The U.S. government may also add companies to its restricted entity list and/or technologies to its list of prohibited exports to specific countries, which have had and may continue to have an adverse effect on our ability to sell our products and our revenue. For example, Huawei Technologies Co., Ltd., one of our customers, is subject to certain U.S. export restrictions, which has required us to suspend sales to Huawei until we obtain licenses from the U.S. Department of Commerce. We may be unable to obtain or maintain the necessary licenses to allow us to export products to them. These

restrictive governmental actions and any similar measures that may be imposed on U.S. companies by other governments, especially in light of ongoing trade tensions with China, will likely limit or prevent us from doing business with certain of our customers or suppliers and harm our ability to compete effectively or otherwise negatively affect our ability to sell our products, and adversely affect our business and results of operations. Furthermore, government authorities may take retaliatory actions, impose conditions for the supply of products or require the license or other transfer of IP, which could have a material adverse effect on our business.

Our products and operations are also subject to regulation by U.S. and non-U.S. regulatory agencies, such as the U.S. Federal Trade Commission. From time to time, we may also be involved or required to participate in regulatory investigations or inquiries, such as the ongoing investigation by the Korean Fair Trade Commission into certain of our contracting and business practices, which may evolve into legal or other administrative proceedings. Growing public concern over concentration of economic power in corporations is likely to result in increased anti-competition legislation, regulation, administrative rule making and enforcement activity. Involvement in regulatory investigations or inquiries can be costly, lengthy, complex and time consuming, diverting the attention and energies of our management and technical personnel.

If any pending or future governmental investigations result in an unfavorable resolution, we could be required to cease the manufacture and sale of the subject products or technology, pay fines or disgorge profits or other payments, and/or cease certain conduct and/or modify our contracting or business practices, which could have a material adverse effect on our business, financial condition and results of operations. We may be obligated to indemnify our current or former directors or employees, or former directors or employees of companies that we have acquired, in connection with regulatory investigations. These liabilities could be substantial and may include, among other things, the cost of government, law enforcement or regulatory investigations and civil or criminal fines and penalties.

In addition, the manufacture and distribution of our semiconductors must comply with various laws and adapt to changes in regulatory requirements as they occur. For example, if a country in which our products are manufactured or sold sets technical standards that are not widely shared, it may require us to stop distributing our products commercially until they comply with such new standards, lead certain of our customers to suspend imports of their products into that country, require manufacturers in that country to manufacture products with different technical standards and disrupt cross-border manufacturing relationships, any of which could have a material adverse effect on our business, financial condition and results of operations. If we fail to comply with these requirements, we could also be required to pay civil penalties or face criminal prosecution.

Global political and economic conditions and other factors related to our international operations could adversely affect our business, financial condition and results of operations.

A majority of our products are produced, sourced and sold internationally and our international revenue represents a significant percentage of our overall revenue. Multiple factors relating to our international operations and to particular countries in which we operate could have a material adverse effect on our business, financial condition and results of operations. These factors include:

- changes in political, regulatory, legal or economic conditions or geopolitical turmoil (including China-Taiwan relations), including terrorism, war or political or military coups, state-sponsored or politically motivated cyber-attacks, or civil disturbances or political instability (foreign and domestic);
- restrictive governmental actions, such as restrictions on the transfer or repatriation of funds and foreign investments, data privacy regulations, imposition of climate change regulations and trade protection measures, including increasing protectionism, import/export restrictions (including with regards to advanced technologies), import/export duties and quotas, trade sanctions and customs duties and tariffs, all of which have increased in recent years;
- difficulty in obtaining product distribution and support, and transportation delays;
- potential inability to localize software products;
- difficulty in enforcing contracts, collecting accounts receivables and maintaining appropriate financial controls;
- difficulty in conducting due diligence with respect to business partners;
- public health or safety concerns, medical epidemics or pandemics, and other natural- or man-made disasters;
- nationalization of businesses and expropriation of assets; and
- changes in U.S. and foreign tax laws.

A significant legal risk associated with conducting business internationally is compliance with the various and differing laws and regulations of the many countries in which we do business. In addition, the laws in various countries are constantly

evolving and may, in some cases, conflict with each other or with agreements we have made in one or more jurisdictions. Although our policies prohibit us, our employees and our agents from engaging in unethical business practices, there can be no assurance that all of our employees, distributors or other agents will refrain from acting in violation of our related anti-corruption or other policies and procedures. Any such violation could have a material adverse effect on our business.

Failure to realize the benefits expected from the VMware Merger could adversely affect our business and the value of our common stock.

As part of our integration of the VMware business, we are focusing on VMware's core business of creating private and hybrid cloud environments among large enterprises globally and divesting non-core assets. If VMware customers do not accept our business strategy, the investments we have made or may make to implement our strategy may be of no or limited value, we may lose customers, our financial results may be adversely affected and our stock price may suffer.

Although we expect significant benefits to result from the VMware Merger, there can be no assurance that we will actually realize these benefits. Achieving these benefits will depend, in part, on our ability to integrate VMware's business successfully and efficiently. The challenges involved in this integration, which are complex and time consuming, include the following:

- preserving customer and other important relationships of VMware and attracting new business and operational relationships;
- integrating financial forecasting and controls, procedures and reporting cycles;
- consolidating and integrating corporate, information technology, finance and administrative infrastructures;
- coordinating sales and marketing efforts to effectively position our capabilities;
- coordinating and integrating operations in countries in which we have not previously operated;
- reorienting the VMware sales and marketing force to align with the change in strategy and effectively position the business; and
- integrating the VMware workforce, including managing employee transitions and attrition, maintaining employee morale and retaining key employees.

If we do not successfully manage these issues and the other challenges inherent in integrating an acquired business, then we may not achieve the anticipated benefits of the VMware Merger within our anticipated timeframe or at all and our revenue, expenses, operating results, financial condition and stock price could be materially adversely affected. The successful integration of the VMware business will require significant management attention and may divert the attention of management from other business and operational issues.

We have pursued, and may in the future pursue, acquisitions, investments, joint ventures and dispositions, which could adversely affect our results of operations.

Our growth strategy includes acquiring or investing in businesses that offer complementary products, services and technologies, or enhancing our market coverage or technological capabilities.

Any acquisitions we may undertake, including the VMware Merger, and their integration involve risks and uncertainties, such as:

- unexpected delays, challenges and related expenses, and disruption of our business;
- diversion of management's attention from daily operations and the pursuit of other opportunities;
- incurring significant restructuring charges and amortization expense, assuming liabilities (some of which may be unexpected) and ongoing or new lawsuits, potential impairment of acquired goodwill and other intangible assets, and increasing our expenses and working capital requirements;
- the potential for deficiencies in internal controls of the acquired business, as well as implementing our own management information systems, operating systems and internal controls for the acquired operations;
- our due diligence process may fail to identify significant issues with the acquired business' products, financial disclosures, accounting practices, legal, tax and other contingencies, compliance with local laws and regulations (and interpretations thereof) in the U.S. and multiple international jurisdictions;
- additional acquisition-related debt, which could increase our leverage and potentially negatively affect our credit ratings resulting in more restrictive borrowing terms or increased borrowing costs, thereby limiting our ability to borrow;

- dilution of stock ownership of existing stockholders;
- difficulties integrating the acquired business or company and in managing and retaining acquired employees, vendors and customers; and
- inaccuracies in our original estimates and assumptions used to assess a transaction, which may result in us not realizing the expected financial or strategic benefits of any such transaction.

In addition, current and future changes to the U.S. and foreign regulatory approval process and requirements related to acquisitions may cause approvals to take longer than anticipated, not be forthcoming or contain burdensome conditions, any of which may prevent the transaction or jeopardize, delay or reduce the anticipated benefits of the transaction, and impede the execution of our business strategy.

From time to time, we have divested or wound down, and may in the future seek to divest or wind down portions of our business, either acquired or otherwise, or we may exit minority investments, any of which could materially affect our cash flows and results of operations. Such dispositions involve risks and uncertainties, including our ability to sell such businesses on terms acceptable to us, or at all, disruption to other parts of our business, potential loss of employees or customers, or exposure to unanticipated liabilities or ongoing obligations to us following any such dispositions. In addition, dispositions may include the transfer of technology and/or the licensing of certain IP rights to third-party purchasers, which could limit our ability to utilize such IP rights or assert these rights against such third-party purchasers or other third parties.

We are subject to risks associated with our distributors and other channel partners, including product inventory levels and product sell-through.

We sell our products through a direct sales force and a select network of distributors and other channel partners globally. Sales to distributors accounted for 50% of our net revenue in the two fiscal quarters ended May 5, 2024 and are subject to a number of risks, including:

- fluctuations in demand based on our distributors' product inventory levels and end customer demand;
- our distributors and other channel partners are generally not subject to minimum sales requirements or any obligation to market our products to their customers;
- our distributors' and other channel partners' agreements are generally nonexclusive and may be terminated at any time without cause;
- our lack of control over the timing of delivery of our products to end customers; and
- our distributors and other channel partners may market and distribute competing products and may place greater emphasis on the sale of these products.

Our dependence on channel partners has increased following the VMware Merger. Failure to maintain good relationships with our distributors and channel partners could adversely impact our business. In addition, we sell our semiconductor products through an increasingly limited number of distributors, which exposes us to additional customer concentration and related credit risks.

We do not always have a direct relationship with the end customers of our products. As a result, our semiconductor products may be used in applications for which they were not necessarily designed or tested and they may not perform as anticipated in such applications. In such event, failure of even a small number of parts could result in significant liabilities to us, damage our reputation and harm our business and results of operations.

Our business would be adversely affected by the departure of existing members of our senior management team.

Our success depends, in large part, on the continued contributions of our senior management team, in particular the services of Hock E. Tan, our President and Chief Executive Officer. Effective succession planning is also important for our long-term success. Failure to ensure effective transfers of knowledge and smooth transitions involving senior management could hinder our strategic planning and execution. None of our senior management is bound by written employment contracts. In addition, we do not currently maintain key person life insurance covering our senior management. The loss of any of our senior management could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate.

If we are unable to attract and retain qualified personnel, especially our engineering and technical personnel, we may not be able to execute our business strategy effectively.

Our future success depends on our ability to attract, retain and motivate qualified personnel. As the source of our technological and product innovations, our engineering and technical personnel (including cyber security experts) are a significant asset. Competition for these employees is significant in many areas of the world in which we operate, particularly

in Silicon Valley and Southeast Asia where qualified engineers are in high demand. In addition, current or future immigration laws may make it more difficult to hire or retain qualified engineers, further limiting the pool of available talent. We believe equity awards provide a powerful long-term retention incentive and have historically granted these awards to the substantial majority of our employees. If we are unable to continue our current equity granting philosophy, this could impair our efforts to attract and retain necessary personnel. Any inability to retain, attract or motivate such personnel and provide competitive employment benefits could have a material adverse effect on our business, financial condition and results of operations.

Cyber security threats or other security breaches, or any other impairment of the confidentiality, integrity or availability of our IT systems, or those of one or more of our corporate infrastructure vendors, could have a material adverse effect on our business.

Our business depends on a wide variety of complex IT systems and services, including cloud-based and other critical corporate services relating to, among other things, product research and development, financial reporting, product orders and fulfillment, HR, benefit plan administration, IT network management, and electronic communication and collaboration services. These systems and services are both internally managed and outsourced, and in many cases we rely upon third-party data centers. Any failure of these internal or third-party systems and services to operate effectively could disrupt our operations and could have a material adverse effect on our business, financial condition and results of operations. Our operations are dependent upon our ability to protect our IT infrastructure against damage from business continuity events that could have a significant disruptive effect. Although these systems are designed to protect and secure our customers', suppliers' and employees' confidential information, as well as our own proprietary information, we are, out of necessity, dependent on our vendors to adequately address cyber security threats to their own systems. In addition, software products we use and technologies produced by us have occasionally had in the past and may have in the future, vulnerabilities that, if left unmitigated, could reduce the overall level of security of the systems on which the software is installed.

Cyber-attacks are increasing in number and sophistication, are well-financed, in some cases supported by state actors, and are designed to not only attack, but also to evade detection. Since the techniques used to obtain unauthorized access to systems, or to otherwise sabotage them, change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. The emergence and maturation of AI capabilities may also lead to new and/or more sophisticated methods of attack, including fraud that relies upon "deep fake" impersonation technology or other forms of generative automation that may scale up the efficiency or effectiveness of cyber threat activity.

As a critical vendor in the digital supply chain for both governmental entities and critical infrastructure operators, we and our products may be targeted by those seeking to threaten the confidentiality, integrity and availability of systems supporting essential public services. Geopolitical instability may increase the likelihood that we will experience direct or collateral consequences from cyber conflicts between nation-states or other politically motivated actors targeting critical technology infrastructure.

Accidental or willful security breaches or other unauthorized access to our information systems or the systems of our service providers and business partners, or the existence of computer viruses or malware (such as ransomware) in our or their data or software have in the past exposed, and could in the future expose, us to a risk of information loss, business disruption, and misappropriation of proprietary and confidential information, including information relating to our products or customers and the personal information of our employees or third parties. Such an event could disrupt our business and result in, among other things, unfavorable publicity, damage to our reputation, loss of our trade secrets and other competitive information, litigation by affected parties and possible financial obligations for liabilities and damages related to the theft or misuse of such information, significant remediation costs, disruption of key business operations and significant diversion of our resources, as well as fines and other sanctions resulting from any related breaches of data privacy regulations (such as the General Data Protection Regulation), any of which could have a material adverse effect on our business, profitability and financial condition. While we may be entitled to damages if our vendors fail to perform under their agreements with us, any award may be insufficient to cover the actual costs incurred by us and, as a result of a vendor's failure to perform, we may be unable to collect any damages.

Despite our internal controls and investment in security measures, we have, from time to time, been subject to disruptive cyber-attacks and unauthorized network intrusions and malware on our own IT networks or those of our service providers or business partners. Although no such cyber security incidents have been material to Broadcom, we continue to devote resources to protect our systems and data from unauthorized access or misuse, and we may be required to expend greater resources in the future. Businesses we acquire have previously increased, and may continue to increase, the scope and complexity of our IT networks, and this has, from time to time, increased our risk exposure to cyber-attacks when there are difficulties integrating diverse legacy systems that support operations for the acquired businesses.

In addition, certain aspects of effective cybersecurity are dependent upon our employees, contractors and other trusted partners reliably safeguarding secrets (e.g., application credentials) and adhering to our security policies and access control

mechanisms. We have in the past experienced, and expect in the future to experience, security incidents arising from a failure to properly handle such secrets or adhere to such policies and, although no such events have had a material adverse effect on our business, there can be no assurance that an insider threat will not result in an incident that is material to Broadcom. Our logging, alerting and cyber incident detection mechanisms may not cover every system potentially targeted by threat actors, may not have the capability to detect certain types of unauthorized activities, and may not capture and surface information sufficient to enable us to timely detect and take responsive action to insider or external threats.

U.S. and foreign regulators, as well as customers and service providers, have also increased their focus on cyber security vulnerabilities and risks. Compliance with laws, regulations, and contractual provisions concerning privacy, cyber security, secure technology development, data governance, data protection, confidentiality and IP could result in significant expense, and any failure to comply could result in proceedings against us by regulatory authorities or other third parties and may also increase our overall compliance burden. See also *“Failure of our software products to manage and security IT infrastructures and environments could have a material adverse effect on our business.”*

We operate in the highly cyclical semiconductor industry.

The semiconductor industry is highly cyclical and is characterized by price erosion, wide fluctuations in product supply and demand, constant and rapid technological change, evolving technical standards, frequent new product introductions, and short product life cycles (for semiconductors and for many of the end products in which they are used). From time to time, these factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry in general, and in our business in particular. The industry previously experienced a significant upturn due to a supply imbalance that resulted in record profitability and increases in average selling prices, which was followed by a down-cycle resulting in diminished demand for end-user products, high inventory levels and periods of inventory adjustment, and elimination of expedite fees. Historically, such down-cycles have also been characterized by under-utilization of manufacturing capacity, changes in revenue mix and accelerated erosion of average selling prices, which can lead to reduced profitability and a decline in our stock price. The Creating Helpful Incentives to Produce Semiconductors for America Act could also result in an increase in supply leading to excess inventory and a decrease in average selling prices. We expect our business to continue to be subject to cyclical downturns even when overall economic conditions are relatively stable. If we cannot offset industry or market downturns, our net revenue may decline and our financial condition and results of operations may suffer.

The majority of our sales have historically come from a small number of customers and a reduction in demand or loss of one or more of our significant customers may adversely affect our business.

We have historically depended on a small number of end customers, original equipment manufacturers (“OEMs”), their respective contract manufacturers (“CMs”) and certain distributors for a majority of our business and revenue. For the two fiscal quarters ended May 5, 2024, sales to distributors accounted for 50% of our net revenue. We believe aggregate sales, through all channels, to our top five end customers, accounted for approximately 40% of our net revenue for the two fiscal quarters ended May 5, 2024. This customer concentration increases the risk of quarterly fluctuations in our operating results and our sensitivity to any material adverse developments experienced by our significant customers.

Our semiconductor customers are not generally required to purchase specific quantities of products. Even when customers agree to source an agreed portion of their product needs from us, such arrangements often include pricing schedules or methodologies that apply regardless of the volume of products purchased, and those customers may not purchase the amount of product we expect. As a result, we may not generate the amount of revenue or achieve the level of profitability we expect under such arrangements. Moreover, our top customers’ purchasing power has, in some cases, given them the ability to make greater demands on us with regard to pricing and contractual terms in general. We expect this trend to continue, which may adversely affect our gross margin on certain products and, should we fail to perform under these arrangements, we could also be liable for significant monetary damages.

The loss of, or any substantial reduction in sales to, any of our top customers could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Dependence on contract manufacturing and suppliers of critical components within our supply chain may adversely affect our ability to bring products to market, damage our reputation and adversely affect our results of operations.

We operate a primarily outsourced manufacturing business model that principally utilizes CMs, such as third-party wafer foundries and module assembly and test capabilities. Our semiconductor products require wafer manufacturers with state-of-the-art fabrication equipment and techniques, and most of our products are designed to be manufactured in a specific process, typically at one particular fab or foundry, either our own or with a particular CM.

We depend on our CMs to allocate sufficient manufacturing capacity to meet our needs, to produce products of acceptable quality at acceptable yields and to deliver those products to us on a timely basis. We do not generally have long-

term capacity commitments with our CMs and substantially all of our manufacturing services are on a purchase order basis with no minimum quantities. Further, our CMs may fail to timely develop or successfully implement new, advanced manufacturing processes, including transitions to smaller geometry process technologies or, from time to time, will cease to, or will become unable to, manufacture a component for us. As lead times to identify, qualify and establish reliable production at acceptable yields with a new CM is typically lengthy, there is often no readily available alternative source and there may be other constraints on our ability to change CMs. In addition, qualifying new CMs is often expensive, and they may not produce products as cost-effectively as our current suppliers.

Taiwan Semiconductor Manufacturing Company Limited ("TSMC"), one of our CMs, manufactured approximately 95% of the wafers manufactured by our CMs during the two fiscal quarters ended May 5, 2024. We believe our wafer requirements represent a meaningful portion of TSMC's total production capacity. However, TSMC also fabricates wafers for other companies, including some of our competitors, and could choose or be required to prioritize capacity for other customers or reduce or eliminate deliveries to us on short notice. In addition, TSMC has, and may in the future, raise their prices to us.

If any of the foregoing circumstances occur, we may be unable to meet our customer demand, or to the same extent as our competitors, fail to meet our contractual obligations or forgo revenue opportunities. This could damage our relationships with our customers, result in litigation for alleged failure to meet our obligations, or result in payment of significant damages, and our net revenue could decline, adversely affecting our business, financial condition, results of operations and gross margin.

Further, any substantial disruption in the contract manufacturing services that we utilize, including TSMC's supply of wafers to us, as a result of a natural disaster, climate change, water shortages, political unrest, military conflicts, geopolitical turmoil, trade tensions, government orders, labor shortages, medical epidemics, economic instability, equipment failure or other cause, could materially harm our business, customer relationships and results of operations.

We purchase a significant amount of the materials used in our products from a limited number of suppliers.

Our manufacturing processes and those of our CMs rely on many materials, including silicon, gallium arsenide and indium phosphide wafers, copper lead frames, precious and rare earth metals, mold compound, ceramic packages and various chemicals and gases. During the two fiscal quarters ended May 5, 2024, we purchased approximately two-thirds of our manufacturing materials from five materials providers, some of which are single source suppliers. As certain materials are highly specialized, the lead time needed to identify and qualify a new supplier is typically lengthy and there is often no readily available alternative source. We do not generally have long-term contracts with our materials providers and substantially all of our purchases are on a purchase order basis. Suppliers may extend lead times, limit supplies, place products on allocation or increase prices due to commodity price increases, capacity constraints, inflation, new regulations or other factors, any of which could lead to interruption of supply or increased demand in the industry. Additionally, the supply of these materials may be negatively impacted by increased trade tensions between the U.S. and its trading partners, particularly China. Any such supply constraints could result in loss of revenue opportunities and adversely impact our business, financial condition and results of operations.

Failure to adjust our manufacturing and supply chain to accurately meet customer demand could adversely affect our results of operations.

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, levels of reliance on contract manufacturing and outsourcing, internal fabrication utilization and other resource requirements, based on customer requirements or estimates thereof, which may not be accurate. Many factors could impact our estimates of customers' demands, including changes in product development cycles, competing technologies and product releases, new or unexpected end-user products, such as demand for AI-related products, and changes in business and economic conditions.

We largely build to order and have extended customer lead times substantially, which has limited and may continue to limit our ability to fulfill orders and satisfy all of the demand for our products. Customers may require rapid increases in production on short notice. If we are unable to meet such increases in demand, this could damage our customer relationships, reduce revenue growth and margins, subject us to additional liabilities, harm our reputation, and prevent us from taking advantage of opportunities.

Conversely, if actual sales of our products are lower than expected, we may also experience higher inventory carrying and operating costs and product obsolescence. Because certain of our sales, research and development, and internal manufacturing overhead expenses are relatively fixed, a reduction in customer demand may also decrease our gross margin and operating income.

Winning business in the semiconductor solutions industry is subject to a lengthy process that often requires us to incur significant expense, from which we may ultimately generate no revenue.

Our semiconductor business is dependent on us winning competitive bid selection processes, known as “design wins.” These selection processes are typically lengthy and can require us to dedicate significant development expenditures and scarce engineering resources in pursuit of a single customer opportunity. Failure to obtain a particular design win may prevent us from obtaining design wins in subsequent generations of a particular product. This can result in lost revenue and can weaken our position in future selection processes.

Winning a product design does not guarantee sales to a customer. A delay or cancellation of a customer's plans could materially and adversely affect our financial results, as we incur significant expense in the design process and may generate little or no revenue from it. In addition, the timing of design wins is unpredictable and implementing production for a major design win, or multiple design wins at the same time, may strain our resources and those of our CMs. In such event, we may be forced to dedicate significant additional resources and incur additional costs and expenses. Further, often customers will only purchase limited numbers of evaluation units until they qualify the products and/or the manufacturing line for those products. The qualification process can take significant time and resources. Delays in qualification or failure to qualify our products may cause a customer to discontinue use of our products and result in a significant loss of revenue. Finally, customers could choose at any time to stop using our products or could fail to successfully market and sell their products, which could reduce demand for our products and cause us to hold excess inventory, materially adversely affecting our business, financial condition and results of operations. These risks are exacerbated by the fact that many of our products, and the end products into which our products are incorporated, often have very short life cycles.

A prolonged disruption of our or our suppliers' manufacturing facilities, research and development facilities, warehouses or other significant operations could have a material adverse effect on our business, financial condition and results of operations.

Although we operate a primarily outsourced manufacturing business model, we also rely on our own manufacturing facilities, in particular in Fort Collins, Colorado, Singapore, and Breinigsville, Pennsylvania. We use these internal fabrication facilities for products utilizing our innovative and proprietary processes. Our Fort Collins and Breinigsville facilities are the sole sources for the FBAR components used in many of our wireless devices and for the indium phosphide-based wafers used in our fibre optics products, respectively. Many of our facilities, and those of our CMs and suppliers, are located in California and the Pacific Rim region, which have above average seismic activity and severe weather activity. For example, in April 2024, Taiwan experienced an earthquake, which is where TSMC is located. In addition, a significant majority of our research and development personnel are located in the Czech Republic, India, Israel, and the U.S., with the expertise of the personnel at each such location tending to be focused on one or two specific areas, and our primary warehouse is in Malaysia.

A prolonged disruption at or shut-down of one or more of our manufacturing facilities or warehouses, especially our Colorado, Singapore, Malaysia and Pennsylvania facilities, or those of our CMs or suppliers, due to natural- or man-made disasters or other events outside of our control, such as equipment malfunction or widespread outbreaks of acute illness, or for any other reason, would limit our capacity to meet customer demands and delay new product development until a replacement facility and equipment, if necessary, were found. To date, such events have not had a material adverse effect on our business. However such an event could disrupt our operations, delay production, shipments and revenue, result in us being unable to timely satisfy customer demand, expose us to claims by our customers, result in significant expense to repair or replace our affected facilities, and, in some instances, could significantly curtail our research and development efforts in a particular product area or target market. As a result, we could forgo revenue opportunities, potentially lose market share, damage our customer relationships and be subject to litigation and additional liabilities, all of which could materially and adversely affect our business. Although we purchase insurance to mitigate certain losses, such insurance often carries a high deductible amount and any uninsured losses could negatively affect our operating results. In addition, even if we were able to promptly resume production of our affected products, if our customers cannot timely resume their own manufacturing following such an event, they may cancel or scale back their orders from us and this may in turn adversely affect our results of operations. Such events could also result in increased fixed costs relative to the revenue we generate and adversely affect our results of operations.

We may be unable to maintain appropriate manufacturing capacity or product yields at our own manufacturing facilities, which could adversely affect our relationships with our customers, and our business, financial condition and results of operations.

We must maintain appropriate capacity and product yields at our own manufacturing facilities to meet anticipated customer demand. From time to time, this requires us to invest in expansion or improvements of those facilities, which often involves substantial cost and other risks. Such expanded manufacturing capacity may still be insufficient, or may not come online soon enough, to meet customer demand and we may have to put customers on product allocation, forgo sales or lose customers as a result. Conversely, if we overestimate customer demand, we would experience excess capacity and fixed costs

at these facilities will not be fully absorbed, all of which could adversely affect our results of operations. Similarly, reduced product yields, due to design or manufacturing issues or otherwise, may involve significant time and cost to remedy and cause delays in our ability to supply product to our customers, all of which could cause us to forgo sales, incur liabilities or lose customers, and harm our results of operations.

We may be involved in legal proceedings, including IP, securities litigation, and employee-related claims, which could, among other things, divert efforts of management and result in significant expense and loss of our IP rights.

We are often involved in legal proceedings, including cases involving our IP rights and those of others, commercial matters, acquisition-related lawsuits, securities class action lawsuits, employee-related claims and other actions. Litigation or settlement of such actions, regardless of their merit, can be costly, lengthy, complex and time consuming, diverting the attention and energies of our management and technical personnel.

The industries in which we operate are characterized by companies holding large numbers of patents, copyrights, trademarks and trade secrets and vigorously pursuing, protecting and enforcing IP rights, including actions by patent-holding companies that do not make or sell products. From time to time, third parties assert against us and our customers and distributors their IP rights to technologies that are important to our business.

Many of our customer agreements, and in some cases our asset sale agreements, and/or the laws of certain jurisdictions may require us to indemnify our customers or purchasers for third-party IP infringement claims, including costs to defend those claims, and payment of damages in the case of adverse rulings. However, our CMs and suppliers may or may not be required to indemnify us should we or our customers be subject to such third-party claims. Claims of this sort could also harm our relationships with our customers and might deter future customers from doing business with us. If any pending or future proceedings result in an adverse outcome, we could be required to:

- cease the manufacture, use or sale of the infringing products, processes or technology and/or make changes to our processes or products;
- pay substantial damages for past, present and future use of the infringing technology, including up to treble damages if willful infringement is found;
- expend significant resources to develop non-infringing technology;
- license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms, or at all;
- enter into cross-licenses with our competitors, which could weaken our overall IP portfolio and our ability to compete in particular product categories;
- pay substantial damages to our direct or end customers to discontinue use or replace infringing technology with non-infringing technology; or
- relinquish IP rights associated with one or more of our patent claims.

Any of the foregoing results could have a material adverse effect on our business, financial condition and results of operations.

In addition, we may be obligated to indemnify our current or former directors or employees, or former directors or employees of companies that we have acquired, in connection with such litigation. These liabilities could be substantial and may include, among other things, the cost of defending lawsuits against these individuals, as well as stockholder derivative suits; civil or criminal fines and penalties; legal and other expenses; and expenses associated with the remedial measure, if any, which may be imposed.

If demand for our data center virtualization products is less than anticipated, our business could be adversely affected.

We expect to generate a significant portion of our software revenue from our data center virtualization products. However, if businesses build new or shift existing compute workloads off-premises to public cloud providers, this could limit the market for on-premises deployments of our data center virtualization products. Although we have developed, and will continue to develop, products to extend our product offerings to the public cloud, if demand for our server virtualization products is significantly less than anticipated, our business, financial condition, results of operations and cash flows may be adversely affected.

Failure of our software products to manage and secure IT infrastructures and environments could have a material adverse effect on our business.

Certain aspects of our software products are intended to manage and secure IT infrastructures and environments, and as a result, we expect these products to be ongoing targets of cyber-attacks. Open source code or other third-party software

used in these products could also be targeted and may make our products vulnerable to additional security risks not posed by purely proprietary products. Our products are complex and, when deployed, may contain errors, defects or security vulnerabilities, some of which may not be discovered before the product has been released, installed and used by customers. The complexity and breadth of our technical and production environments, which involve globally dispersed development and engineering teams, increases the risk that errors, defects or vulnerabilities will be introduced and may delay our ability to detect, mitigate or remediate such incidents.

In the past, elements of our proprietary source code have been exposed in an unauthorized manner. It is possible that such exposure of source code could reveal unknown security vulnerabilities in our products that could be exploited by malicious actors. Our products are also subject to known and unknown security vulnerabilities resulting from integration with third-party products or services.

Although we continually seek to improve our countermeasures to prevent such incidents, we may be unable to anticipate every scenario and it is possible that certain cyber threats or vulnerabilities will be undetected or unmitigated in time to prevent an attack or an accidental incident on us and our customers. Additionally, efforts by malicious cyber actors or others could cause interruptions, delays or cessation of our product licensing, or modification of our software, which could cause us to lose existing or potential customers.

A successful cyber-attack involving our products could cause customers and potential customers to believe our services are ineffective or unreliable and result in, among other things, the loss of customers, unfavorable publicity, damage to our reputation, difficulty in marketing our products, and allegations by our customers that we have not performed our contractual obligations, and give rise to significant costs, including costs related to developing solutions or indemnification obligations under our agreements. Any such event could adversely impact our revenue and results of operations. See also *"Cyber security threats or other security breaches, or any other impairment of the confidentiality, integrity or availability of our IT systems, or those of one or more of our corporate infrastructure vendors, could have a material adverse effect on our business."*

The growth of our software business depends on customer acceptance of our newer products and services.

Many of our software products and services are based on data center virtualization, application modernization and related hybrid-cloud technologies used to manage distributed computing architectures, which form the foundation for hybrid-cloud computing. We expect to increase product development and marketing and sales efforts toward products and services that enable businesses to modernize applications and efficiently implement their hybrid-cloud services. These cloud and software as a service initiatives present new and difficult technological, operational and compliance challenges. We expect significant investments will be required to develop or acquire solutions to address those challenges. Current and future customers may not perceive benefits and cost savings associated with adopting our hybrid-cloud and application platform solutions or we may fail to realize returns on our investments in new initiatives, which could harm our results of operations.

If our software products do not remain compatible with ever-changing operating environments, platforms, or third-party products, demand for our products and services could decrease, which could materially adversely affect our business.

We may be required to make substantial modification of our products to maintain compatibility with operating systems, systems software and computer hardware used by our customers or to provide our customers with desired features or capabilities. We must also continually address the challenges of dynamic and accelerating market trends and competitive developments, such as the emergence of advanced persistent threats in the security space to compete effectively. There can be no assurance that we will be able to adapt our products in response to these developments.

Further, our software solutions interact with a variety of software and hardware developed by third parties, as well as cloud providers. If we lose access to third-party code and specifications for the development of code or cloud providers fail to support our products or otherwise limit the functionality, compatibility or certification of our products, this could negatively impact our ability to develop compatible software. In addition, if software providers and hardware manufacturers, including some of our largest vendors, adopt new policies restricting the use or availability of their code or technical documentation for their operating systems, applications, or hardware, or otherwise impose unfavorable terms and conditions for such access, this could result in higher research and development costs for the enhancement and modification of our existing products or development of new products. Any additional restrictions could materially adversely affect our business, financial condition and operating results and cash flow.

Failure to enter into software license agreements on a satisfactory basis could materially adversely affect our business.

Many of our existing customers have multi-year enterprise software license agreements, some of which involve substantial aggregate fee amounts. These customers often do not have a contractual obligation to purchase additional solutions. Customer renewal rates may decline or fluctuate as a result of a number of factors, including the level of customer satisfaction with our solutions or customer support, customer budgets and the pricing of our solutions as compared with the solutions offered by our competitors, any of which may cause our revenue to grow more slowly than expected, if at all. The

failure to renew customer agreements of similar scope, on terms that are commercially attractive to us, could materially adversely affect our business, financial condition and operating results and cash flow.

Certain software that we use in our products is licensed from third parties and may not be available to us in the future, which may delay product development and production or cause us to incur additional expense.

Some of our solutions contain software licensed from third parties, some of which may not be available to us in the future on terms that are acceptable to us or allow our products to remain competitive. The loss of these licenses or the inability to maintain any of them on commercially acceptable terms could delay development of future products or the enhancement of existing products.

Our use of open source software in certain products and services could materially adversely affect our business, financial condition, operating results and cash flow.

Many of our products and services incorporate open source software, the use of which may subject us to certain conditions, including the obligation to offer such products for no cost or to make the proprietary source code of those products publicly available. Open source licenses are generally “as-is” and do not provide warranties, support or assurance of title or controls on origin of the software, which may expose us to potential liability if the software fails to work or has security vulnerabilities, or IP infringement claims.

Although we monitor our use of open source software to avoid subjecting our products to unintended conditions and security vulnerabilities, and exposing us to unacceptable financial risk, such use, under certain circumstances, could materially adversely affect our business, financial condition and operating results and cash flow, including if we are required to take remedial action that may divert resources away from our development efforts. In addition, we may receive inquiries or claims from authors, licensors, distributors or recipients of open source software included in our products regarding our compliance with the conditions of such open source licenses and we may be required to take steps to avoid or remedy an alleged infringement or noncompliance, including modifying or releasing our product code, stopping the distribution of some of our products or paying damages. Open source software may contain undiscovered security vulnerabilities that can cause the loss or publication of proprietary data, which may subject us to additional liability. Further, although we believe that we have complied with our obligations under the licenses for such open source software, there is little legal precedent governing the interpretation of some terms in some of these licenses, which increases the risk that a court could interpret the licenses differently than we do.

Our sales to government customers subject us to uncertainties and governmental regulations, which could have a material adverse effect on our business.

Our contracts signed with the U.S. federal, state and local government and non-U.S. government agencies are generally subject to annual fiscal funding approval and may be renegotiated or terminated at the discretion of the government. Termination, renegotiation or the lack of funding approval for a contract could adversely affect our sales, revenue and reputation. Additionally, our government contracts and our arrangements with channel partners who may sell directly to government customers are generally subject to requirements that may generally not present in commercial contracts and/or may be complex, as well as audits and investigations. Failure to meet contractual requirements could result in various civil and criminal actions and penalties, and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the government, which could materially adversely affect our business, financial condition, operating results and cash flow.

Failure to effectively manage our products and services lifecycles could harm our business.

As part of the natural lifecycle of our products and services, customers are informed when products or services will be reaching their end of life or end of availability and will no longer be supported or receive updates and security patches. If these products or services remain subject to a service contract, the customer may transition to alternative products or services. Failure to effectively manage our products and services lifecycles could lead to customer dissatisfaction and contractual liabilities, which could adversely affect our business and operating results.

Our operating results are subject to substantial quarterly and annual fluctuations.

Our operating results have fluctuated in the past and are likely to fluctuate in the future. These fluctuations may occur on a quarterly and annual basis and are due to a number of factors, many of which are beyond our control. In addition to many of the risks described elsewhere in this “Risk Factors” section, these factors include, among others:

- the timing of launches by our customers of new product in which our products are included and changes in end-user demand for our customers' products;
- fluctuations in the levels of component or product inventories held by our customers, which may lead to increased requests to delay shipment of our products;

- the shift to cloud-based IT solutions and services, such as hyperscale computing, which may adversely affect the timing and volume of sales of our products for use in traditional enterprise data centers;
- the timing of new software contracts and renewals, as well as the timing of any terminations of software contracts that require us to refund to customers any pre-paid amounts under the contract;
- our ability to timely develop, introduce and market new products and technologies;
- the timing and extent of our software license and subscription revenue, and other non-product revenue;
- new product announcements and introductions by us or our competitors;
- seasonality or other fluctuations in demand in our markets;
- timing and amount of research and development and related new product expenditures, and the timing of receipt of any research and development grant monies; and
- timing of any regulatory changes, particularly with respect to trade sanctions and customs duties and tariffs, and tax reform.

The foregoing factors are often difficult to predict, and these, as well as other factors, could materially adversely affect our quarterly or annual operating results. In addition, a significant amount of our operating expenses are relatively fixed in nature. Any failure to adjust spending quickly enough to compensate for a revenue shortfall could magnify the adverse impact of such revenue shortfall on our results of operations. As a result, we believe that quarter-to-quarter comparisons of our revenue and operating results may not be meaningful or reliable indicators of our future performance. If our operating results in one or more future quarters fail to meet the expectations of securities analysts or investors, a significant decline in the trading price of our common stock may occur, which may happen immediately or over time.

Competition in our industries could prevent us from growing our revenue.

The industries in which we operate are highly competitive and characterized by rapid technological changes, evolving industry standards, changes in customer requirements, often aggressive pricing practices and, in some cases, new delivery methods. We expect competition in these industries to continue to increase as existing competitors improve or expand their product offerings or as new competitors enter our markets.

Some of our competitors have longer operating histories, greater name recognition, a larger installed customer base, larger technical staff, more established relationships with vendors or suppliers, or greater manufacturing, distribution, financial, research and development, technical and marketing resources than us. We also face competition from public cloud providers, numerous smaller companies that specialize in specific aspects of the highly fragmented software industry, open source authors who provide software and IP for free, competitors who offer their products through try-and-buy or freemium models, and customers who develop competing products.

In addition, the trend toward consolidation is changing the competitive landscape. We expect this trend to continue, which may result in combined competitors having greater resources than us. Some of our competitors may also receive financial and other support from their home country government or may have a greater presence in key markets, a larger customer base, a more comprehensive IP portfolio or better patent protection than us.

The actions of our competitors, in the areas of pricing and product bundling in particular, could have a substantial adverse impact on us. Further, competitors may leverage their superior market position, as well as IP or other proprietary information, including interface, interoperability or technical information, in new and emerging technologies and platforms that may inhibit our ability to compete effectively. If we are unable to compete successfully, we may lose market share for our products or incur significant reduction in our gross margins, either of which could have a material adverse effect on our business and results of operations.

Our gross margin is dependent on a number of factors, including our product mix, price erosion, acquisitions we may make, level of capacity utilization and commodity prices.

Our gross margin is highly dependent on product mix, which is susceptible to seasonal and other fluctuations in our markets. A shift in sales mix away from our higher margin products, as well as the timing and amount of our software licensing and non-product revenue, could adversely affect our future gross margin percentages. In addition, increased competition and the existence of product alternatives, more complex engineering requirements, lower demand, industry oversupply or reductions in our technological lead compared to our competitors, and other factors have in the past and may in the future lead to further price erosion, lower revenue and lower margin. Conversely, periods of robust demand that create a supply imbalance can lead to higher gross margins that may not be sustainable over the longer term.

In addition, semiconductor manufacturing requires significant capital investment, leading to high fixed costs, including depreciation expense. If we are unable to utilize our owned manufacturing facilities at a high level, the fixed costs associated with these facilities will not be fully absorbed, resulting in higher average unit costs and a lower gross margin. Furthermore, we do not hedge our exposure to commodity prices, some of which are very volatile, and sudden or prolonged increases in commodity prices may adversely affect our gross margin.

Our gross margin may also be adversely affected if businesses or companies that we acquire have different gross margin profiles and by expenses related to such acquisitions.

We utilize a significant amount of IP in our business. If we are unable or fail to protect our IP, our business could be adversely affected.

Our success depends in part upon protecting our IP. To accomplish this, we rely on a combination of IP rights, including patents, copyrights, trademarks and trade secrets, as well as customary contractual protections with our customers, suppliers, employees and consultants. We spend significant resources to monitor and protect our IP rights, including the unauthorized use of our products and usage rates of the software seat licenses and subscriptions that we sell, and even with significant expenditures, we may not be able to protect the IP rights that are valuable to our business. We are unable to predict or assure that:

- our IP rights will not lapse or be invalidated, circumvented, challenged, or, in the case of third-party IP rights licensed to us, be licensed to others;
- our IP rights will provide competitive advantages to us;
- rights previously granted by third parties to IP licensed or assigned to us, including portfolio cross-licenses, will not hamper our ability to assert our IP rights or hinder the settlement of currently pending or future disputes;
- any of our pending or future patent, trademark or copyright applications will be issued or have the coverage originally sought;
- our IP rights will be enforced in certain jurisdictions where competition is intense or where legal protection may be weak; or
- we have sufficient IP rights to protect our products or our business.

Effective IP protection may be unavailable or more limited in other jurisdictions relative to those protections available in the U.S., and may not be applied for or may be abandoned in one or more relevant jurisdictions. In addition, when patents expire, we lose the protection and competitive advantages they provided to us.

We also generate revenue from licensing royalty payments and from technology claim settlements relating to certain of our IP. Licensing of our IP rights, particularly exclusive licenses, may limit our ability to assert those IP rights against third parties, including the licensee of those rights. In addition, we may acquire companies with IP that is subject to licensing obligations to other third parties. These licensing obligations may extend to our own IP following any such acquisition and may limit our ability to assert our IP rights. From time to time, we pursue litigation to assert our IP rights, including, in some cases, against our customers and suppliers. Claims of this sort could also harm our relationships with our customers and might deter future customers from doing business with us. Conversely, third parties have and may in the future pursue IP litigation against us, including as a result of our IP licensing business. An adverse decision in such types of legal action could limit our ability to assert our IP rights and limit the value of our technology, including the loss of opportunities to sell or license our technology to others or to collect royalty payments, which could otherwise negatively impact our business, financial condition and results of operations.

From time to time, we may need to obtain additional IP licenses or renew existing license agreements. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms or at all.

We are subject to warranty claims, product recalls and product liability.

From time to time, we may be subject to warranty or product liability claims that may lead to significant expense. Our customer contracts typically contain warranty and indemnification provisions, and in certain cases may also contain liquidated damages provisions, relating to product quality issues. The potential liabilities associated with such provisions are significant, and in some cases, including in agreements with some of our largest customers, are potentially unlimited. Any such liabilities may greatly exceed any revenue we receive from the relevant products. Costs, payments or damages incurred or paid by us in connection with warranty and product liability claims and product recalls could materially adversely affect our financial condition and results of operations. We may also be exposed to such claims as a result of any acquisition we may undertake in the future.

Product liability insurance is subject to significant deductibles and there is no guarantee that such insurance will be available or adequate to protect against all such claims, or we may elect to self-insure with respect to certain matters. For example, it is possible for one of our customers to recall a product containing one of our semiconductor devices. In such an event, we may incur significant costs and expenses, including among others, replacement costs, contract damage claims from our customers and reputational harm. Although we maintain reserves for reasonably estimable liabilities and purchase product liability insurance, our reserves may be inadequate to cover the uninsured portion of such claims. Conversely, in some cases, amounts we reserve may ultimately exceed our actual liability for particular claims and may need to be reversed.

The complexity of our products could result in unforeseen delays or expense or undetected defects or bugs, which could adversely affect the market acceptance of new products, damage our reputation with current or prospective customers, and materially and adversely affect our operating costs.

Highly complex products, such as those we offer, may contain defects and bugs when they are first introduced or as new versions, software documentation or enhancements are released, or their release may be delayed due to unforeseen difficulties during product development. If any of our products or third-party components used in our products, contain defects or bugs, or have reliability, quality or compatibility problems, we may not be able to successfully design workarounds. Furthermore, if any of these problems are not discovered until after we have commenced commercial production or deployment of a new product, we may be required to incur additional development costs and product recall, repair or replacement costs. Significant technical challenges also arise with our software products because our customers license and deploy our products across a variety of computer platforms and integrate them with a number of third-party software applications and databases. As a result, if there is system-wide failure or an actual or perceived breach of information integrity, security or availability occurs in one of our end-user customer's system, it can be difficult to determine which product is at fault and we could ultimately be harmed by the failure of another supplier's product. Consequently, our reputation may be damaged and customers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing customers and attract new customers. To resolve these problems, we may have to invest significant capital and other resources and we would likely lose, or experience a delay in, market acceptance of the affected product or products. These problems may also result in claims against us by our customers or others. For example, if a delay in the manufacture and delivery of our products causes the delay of a customer's end-product delivery, we may be required, under the terms of our agreement with that customer, to compensate the customer for the adverse effects of such delays. As a result, our financial results could be materially adversely affected.

We make substantial investments in research and development and unsuccessful investments could materially adversely affect our business, financial condition and results of operations.

The industries in which we compete are characterized by rapid technological change, changes in customer requirements, frequent new product introductions and enhancements, short product cycles and evolving industry standards, and new delivery methods. In addition, semiconductor products transition over time to increasingly smaller line width geometries and failure to successfully transition to smaller geometry process technologies could impair our competitive position. In order to remain competitive, we have made, and expect to continue to make, significant investments in research and development. If we fail to timely develop new and enhanced products and technologies, if we focus on technologies that do not become widely adopted, or if new competitive technologies that we do not support become widely accepted, demand for our products may be reduced. Increased investments in research and development or unsuccessful research and development efforts could cause our cost structure to fall out of alignment with demand for our products, which would have a negative impact on our financial results.

We collect, use, store, or otherwise process personal information, which subjects us to privacy and data security laws and contractual commitments, and our actual or perceived failure to comply with such laws and commitments could harm our business.

We collect, use and store (collectively referred to as "process" in this paragraph) a high volume, variety and velocity of certain personal information in connection with the operation of our business. This creates various levels of privacy risks across different parts of our business, depending on the type of personal information, the jurisdiction in question and the purpose of their processing. The personal information we process is subject to an increasing number of federal, state, local, and foreign laws and regulations regarding privacy and data security, as well as contractual commitments. Privacy legislation and other data protection regulations, enforcement and policy activity in this area are expanding rapidly in many jurisdictions and creating a complex regulatory compliance environment. Sectoral legislation, certification requirements and technical standards applying to certain categories of our customers, such as those in the financial services or public sector, have exacerbated this trend. The cost of complying with and implementing these privacy-related and data governance measures could be significant as they may create additional burdensome security, business processes, or business record or data localization requirements. Concerns about government interference, sovereignty and expanding privacy, cyber security and data governance legislation could adversely affect our customers and our products and services, particularly in cloud

computing, artificial intelligence and our own data management practices. The theft, loss or misuse of personal data collected, used, stored or transferred by us to run our business could result in significantly increased business and security costs or costs related to defending legal claims. Any inadvertent failure or perceived failure by us to comply with privacy, data governance or cyber security obligations may result in governmental enforcement actions, litigation, substantial fines and damages, and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

We are subject to environmental, health and safety laws, which could increase our costs, restrict our operations and require expenditures that could have a material adverse effect on our results of operations and financial condition.

We are subject to a variety of domestic and international laws and regulations relating to the use, disposal, clean-up of and human exposure to hazardous materials. Compliance with environmental, health and safety requirements could, among other things, require us to modify our manufacturing processes, restrict our ability to expand our facilities, or require us to acquire pollution control equipment, all of which can be very costly. Any failure by us to comply with such requirements could result in the limitation or suspension of the manufacture of our products and could result in litigation against us and the payment of significant fines and damages by us in the event of a significant adverse judgment. In addition, complying with any cleanup or remediation obligations for which we are or become responsible could be costly and have a material adverse effect on our business, financial condition and results of operations.

Changing requirements relating to the materials composition of our semiconductor products, including the restrictions on lead and certain other substances in electronic products sold in various countries, including the U.S., China and Japan, and in the European Union, increase the complexity and costs of our product design and procurement operations and may require us to re-engineer our products. Such re-engineering may result in excess inventory or other additional costs and could have a material adverse effect on our results of operations. We may also experience claims from employees from time to time with regard to exposure to hazardous materials or other workplace related environmental claims.

Environmental, social and governance (“ESG”) matters may adversely affect our relationships with customers and investors.

There is an increasing focus from lawmakers, regulators, investors, customers, employees and other stakeholders concerning ESG matters, including environment, climate, diversity and inclusion, human rights and governance transparency. A number of our customers have adopted, or may adopt, procurement policies that include ESG provisions or requirements that their suppliers should comply with, or they may seek to include such provisions or requirements in their procurement terms and conditions. An increasing number of investors are also requiring companies to disclose ESG-related policies, practices and metrics. In addition, various jurisdictions are developing climate-related laws or regulations that could cause us to incur additional direct costs for compliance, as well as indirect costs resulting from our customers, suppliers, or additional compliance costs that are passed on to us. These legal and regulatory requirements, as well as investor expectations on ESG practices and disclosures, are subject to change, can be unpredictable, and may be difficult and expensive for us to comply with, given the complexity of our supply chain and our outsourced manufacturing. Further, there is an increasing number of state-level anti-ESG initiatives in the United States that may conflict with other regulatory requirements or our various stakeholders' expectations. If we fail to comply with or meet the evolving legal and regulatory requirements or expectations of our various stakeholders, we may be subject to enforcement actions, required to pay fines, customers may stop purchasing products from us or investors may sell their shares, which could harm our reputation, revenue and results of operations. Our actual or perceived failure to achieve our ESG-related initiatives could negatively impact our reputation or harm our business.

In addition, as part of their ESG programs, an increasing number of OEMs are seeking to source products that do not contain minerals sourced from areas where proceeds from the sale of such minerals are likely to be used to fund armed conflicts, such as in the Democratic Republic of Congo. This could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of semiconductor devices, including our products. As a result, we may face difficulties in satisfying these customers' demands, which may harm our sales and operating results.

The average selling prices of semiconductor products in our markets have often decreased rapidly and may do so in the future, which could harm our revenue and gross profit.

The semiconductor products we develop and sell are used for high volume applications. As a result, the prices of those products have often decreased rapidly. Gross profit on our products may be negatively affected by, among other things, pricing pressures from our customers. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or our competitors and other factors. In addition, some of our customer agreements provide for volume-based pricing and product pricing roadmaps, which can also reduce the average selling prices of our products over time. Our margins and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing manufacturing costs, or developing new and higher value-added products on a timely basis.

Fluctuations in foreign exchange rates could result in losses.

We operate global businesses and our consolidated financial results are reported in U.S. dollars. However, some of the revenue and expenses of our foreign subsidiaries are denominated in local currencies. Fluctuations in foreign exchange rates against the U.S. dollar could result in substantial changes in reported revenues and operating results due to the foreign exchange impact of remeasuring these transactions into U.S. dollars.

In the normal course of business, we employ various hedging strategies to partially mitigate these risks, including the use of derivative instruments. These strategies may not be effective in protecting us against the effects of fluctuations in foreign exchange rates. As a result, fluctuations in foreign exchange rates could result in financial losses.

Risks Related to Our Taxes

Changes in tax legislation or policies could materially impact our financial position and results of operations.

Corporate tax reform, anti-base-erosion rules and tax transparency continue to be high priorities in many jurisdictions. As a result, policies regarding corporate income and other taxes in numerous jurisdictions are under heightened scrutiny and tax reform legislation has been, and will likely continue to be, proposed or enacted in a number of jurisdictions in which we operate.

After the enactment of the U.S. Tax Cuts and Jobs Act (the “2017 Tax Reform Act”), most of our income is taxable in the U.S. with a significant portion taxable under the Global Intangible Low-Taxed Income (“GILTI”) regime. Beginning in fiscal year 2027, the deduction allowable under the GILTI regime will decrease from 50% to 37.5%, which will increase the effective tax rate imposed on our income. The 2017 Tax Reform Act also limits our ability to deduct research and development expenses beginning in fiscal year 2023. These expenses are now capitalized and amortized over 5 years (15 years for foreign expenses), which have and may continue to materially increase our cash tax costs. The U.S. also enacted the Inflation Reduction Act of 2022 (“IRA”) in August 2022, which created a new book minimum tax of at least 15% of consolidated GAAP pre-tax income for corporations with average book income in excess of \$1 billion. This book minimum tax, which first applied to us in fiscal year 2024, has not impacted us thus far and any increase in our effective tax rate or cash tax depends on a number of factors, including any offsets for foreign tax credits or general business credits, or changes in book income following business combinations. The IRA also created an excise tax of 1% of the value of our stock repurchased after December 31, 2022. While the impact of this excise tax has not been material, it could increase materially depending on various factors, including the amount and frequency of our stock repurchases, applicability to business combination transactions, and any permitted reductions or exceptions to the amount subject to the tax. If (i) the U.S. tax rate increases, (ii) the deduction allowable under the GILTI regime is further reduced or eliminated, or (iii) additional limitations are put on our ability to deduct interest expense, our provision for income taxes, net income, and cash flows would be adversely impacted.

In addition, many countries are implementing legislation and other guidance to align their international tax rules with the Organisation for Economic Co-operation and Development’s (“OECD”) Base Erosion and Profit Shifting recommendations and action plan that aim to standardize and modernize global corporate tax policy, including changes to cross-border tax, transfer pricing documentation rules, and nexus-based tax incentive practices. The OECD is also continuing discussions surrounding fundamental changes in allocation of profits among tax jurisdictions in which companies do business, as well as the implementation of a global minimum tax (namely the “Pillar One” and “Pillar Two” proposals). Many countries have enacted or begun the process of enacting laws based on Pillar Two proposals, which may adversely impact our provision for income taxes, net income and cash flows. As a result of this heightened scrutiny, prior decisions by tax authorities regarding treatments and positions of corporate income taxes could be subject to enforcement activities, and legislative investigation and inquiry, which could also result in changes in tax policies or prior tax rulings.

Any substantial changes in domestic or international corporate tax policies, regulations or guidance, enforcement activities or legislative initiatives may materially adversely affect our business, the amount of taxes we are required to pay and our financial condition and results of operations generally.

If the tax incentives or tax holiday arrangements we have negotiated change or cease to be in effect or applicable for any reason, or if our assumptions and interpretations regarding tax laws and incentives or holiday arrangements prove to be incorrect, our corporate income taxes could significantly increase.

Our operations are currently structured to benefit from the various tax incentives extended to us in various jurisdictions to encourage investment or employment. For example, absent our principal tax incentives from the Singapore Economic Development Board, which is scheduled to expire in 2030, the corporate income tax rate that would apply to our Singapore taxable income would be 17%. We also have a tax holiday on our qualifying income in Malaysia, which is scheduled to expire in fiscal year 2028. Each tax incentive and tax holiday is subject to our compliance with various operating and other conditions and may, in some instances, be amended or terminated prior to their scheduled termination date by the relevant governmental authority. If we cannot, or elect not to, comply with the operating conditions included in any particular tax

incentive or tax holiday, we could, in some instances, be required to refund previously realized material tax benefits, or if such tax incentive or tax holiday is terminated prior to its expiration absent a new incentive applying, we will lose the related tax benefits earlier than scheduled. In addition, we may be required, or elect, to modify our operational structure and tax strategy in order to keep an incentive, which could result in a decrease in the benefits of the incentive. Our tax incentives could also be adversely impacted if the global minimum tax provisions (Pillar Two) are adopted in a country in which we have an existing tax incentive. Our tax incentives and tax holiday, before taking into consideration U.S. foreign tax credits, decreased the provision for income taxes by approximately \$2,104 million in the aggregate and increased diluted net income per share by \$4.93 for fiscal year 2023.

Our interpretations and conclusions regarding the tax incentives are not binding on any taxing authority, and if our assumptions about tax and other laws are incorrect or if these tax incentives are substantially modified or rescinded, we could suffer material adverse tax and other financial consequences, which would increase our expenses, reduce our profitability and adversely affect our cash flows.

Our income taxes and overall cash tax costs are affected by a number of factors that could have a material, adverse effect on our financial results.

Significant judgment is required in determining our worldwide income taxes. In the ordinary course of our business, there are many transactions where the ultimate tax determination is uncertain. Additionally, our calculations of income taxes payable currently and on a deferred basis are based on our interpretations of applicable tax laws in the jurisdictions in which we are required to file tax returns. Although we believe our tax estimates are reasonable, there is no assurance that the final determination of our income tax liability will not be materially different than what is reflected in our income tax provisions and accruals.

Our income taxes are subject to volatility and could be adversely affected by numerous factors including:

- reorganization or restructuring of our businesses, tangible and intangible assets, outstanding indebtedness and corporate structure, including business combinations;
- jurisdictional mix of our income and assets;
- changes in the allocation of income and expenses, including adjustments related to changes in our corporate structure, acquisitions or tax law;
- changes in U.S. and foreign tax laws and regulations, changes to the taxation of earnings of foreign subsidiaries, taxation of U.S. income generated from foreign sources, the deductibility of expenses attributable to income and foreign tax credit rules;
- tax effects of increases in non-deductible employee compensation; and
- changes in tax accounting rules or principles and in the valuation of deferred tax assets and liabilities.

We have adopted transfer pricing policies that call for the provision of services, the sale of products, the arrangement of financing and the grant of licenses from one affiliate to another at prices that we believe are negotiated on an arm's length basis. Our taxable income is dependent upon acceptance by local authorities that our operational practices and intercompany transfer pricing are on an arm's length basis. Due to inconsistencies in application of the arm's length standard among taxing authorities, as well as lack of comprehensive treaty-based protection, transfer pricing challenges by tax authorities could, if successful, result in adjustments for prior or future years. The effects of any such changes could subject us to higher taxes and our earnings, results of operations and cash flow would be adversely affected.

Further, we are subject to, and are under, tax audit in various jurisdictions, and such jurisdictions may assess additional income tax against us. Although we believe our tax positions are reasonable, the final determination of tax audits could be materially different from our income tax provisions and accruals. The ultimate result of an audit could have a material adverse effect on our results of operations and cash flows in the period or periods for which that determination is made.

As a result of the VMware Merger, we are subject to tax audits in various jurisdictions for the Dell consolidated group, of which VMware was a member beginning in Dell's fiscal year 2017 until November 2021. While VMware is no longer a member of the Dell consolidated group, it is still subject to audit for the periods in which it was member of the Dell consolidated group. While we believe VMware's positions are reasonable, the final determination of tax audits could be materially different from our income tax provisions and accruals. Further, pursuant to a tax agreement between VMware and Dell, in the event VMware becomes subject to audits as a member of Dell's consolidated group, Dell has authority to control the audit and represent Dell and our interests, which could limit our ability to affect the outcome of such audits.

We have potential tax liabilities as a result of VMware's former controlling ownership by Dell, which could have an adverse effect on our financial condition and operating results.

If the VMware spin-off from Dell in November 2021 is determined to not be tax-free for any reason, we could be liable for all or a portion of the tax liability, which could have a material adverse effect on our financial condition and operating results. Further, if the VMware Merger results in the spin-off failing to qualify as a tax-free transaction under Section 355 of the Internal Revenue Code, Dell, its affiliates and, potentially, its stockholders would incur significant tax liabilities and we may be required to indemnify Dell and its affiliates for any such tax liabilities, which could be material.

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our financial health and our ability to execute our business strategy.

As of May 5, 2024, the aggregate indebtedness under our senior notes was \$76,521 million. During the two fiscal quarters ended May 5, 2024, we borrowed \$30,390 million in 2023 Term Loans to finance the VMware Merger, and we assumed \$8,250 million of VMware's outstanding senior unsecured notes.

Our substantial indebtedness could have important consequences including:

- increasing our vulnerability to adverse general economic and industry conditions;
- exposing us to interest rate risk as our 2023 Term Loans bear floating interest rates;
- limiting our flexibility in planning for, or reacting to, changes in the economy and the semiconductor industry;
- placing us at a competitive disadvantage compared to our competitors with less indebtedness;
- making it more difficult to borrow additional funds in the future to fund growth, acquisitions, working capital, capital expenditures and other purposes; and
- potentially requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund our other business needs.

We receive debt ratings from the major credit rating agencies in the U.S. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near-term and long-term production growth opportunities. Liquidity, asset quality, cost structure, reserve mix and commodity pricing levels could also be considered by the rating agencies. While we are focused on maintaining investment grade ratings from these agencies, we may be unable to do so. Any downgrade in our credit rating or the ratings of our indebtedness, or adverse conditions in the debt capital markets, could:

- adversely affect the trading price of, or market for, our debt securities;
- increase interest expense under our term facilities;
- increase the cost of, and adversely affect our ability to refinance, our existing debt; and
- adversely affect our ability to raise additional debt.

The instruments governing our indebtedness impose certain restrictions on our business.

The instruments governing our indebtedness contain certain covenants imposing restrictions on our business. These restrictions may affect our ability to operate our business, to plan for, or react to, changes in the market conditions or our capital needs and may limit our ability to take advantage of potential business opportunities as they arise. The restrictions placed on us include maintenance of an interest coverage ratio and limitations on our ability to incur certain secured debt, enter into certain sale and lease-back transactions and consolidate, merge, sell or otherwise dispose of all or substantially all of our assets. In addition, the instruments contain customary events of default upon the occurrence of which, after any applicable grace period, the indebtedness could be declared immediately due and payable. In such event, we may not have sufficient available cash to repay such debt at the time it becomes due, or be able to refinance such debt on acceptable terms or at all. Any of the foregoing could materially adversely affect our business, financial condition and results of operations.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on, and to refinance our debt, depends on our future performance, which is subject to economic, financial, competitive and other factors. Our business may not continue to generate cash flow from operations in the future sufficient to satisfy our obligations under our current indebtedness and any future indebtedness we may incur and to make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying investments or capital expenditures, selling assets, refinancing or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our outstanding indebtedness or future indebtedness will depend on the capital markets and our financial condition.

at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms when needed, which could result in a default on our indebtedness.

Risks Related to Owning Our Common Stock

Our stock price has been, and may in the future be, volatile and your investment could lose value.

The trading price of our common stock has, at times, fluctuated significantly and could be subject to wide fluctuations in response to any of the risk factors listed in this “Risk Factors” section, and others, including:

- issuance of new or updated research or other reports by securities analysts;
- fluctuations in the valuation and results of operations of our significant customers as well as companies perceived by investors to be comparable to us;
- announcements of proposed acquisitions by us or our competitors;
- announcements of, or expectations of, additional debt or equity financing transactions;
- stock price and volume fluctuations attributable to inconsistent trading volume levels of our common stock;
- broad market and industry fluctuations;
- demand for AI-related products by our customers or perceived by investors;
- hedging or arbitrage trading activity involving our common stock; and
- unsubstantiated news reports or other inaccurate publicity regarding us or our business.

These fluctuations are often unrelated or disproportionate to our operating performance. Broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or currency fluctuations, may negatively impact the market price of our common stock. You may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. In addition, we have been, and in the future we may be, subject to lawsuits stemming from our acquisitions, including the VMware Merger. Securities litigation against us, including the lawsuits related to such acquisitions, could result in substantial costs and divert our management’s attention from other business concerns, which could seriously harm our business.

A substantial amount of our stock is held by a small number of large investors and significant sales of our common stock by one or more of these holders could cause our stock price to fall.

As of March 31, 2024, we believe 9 of our 20 largest holders of common stock were active institutional investors who held 19% of our outstanding shares of common stock in the aggregate. These investors may sell their shares at any time for a variety of reasons and such sales could depress the market price of our common stock. In addition, any such sales of our common stock by these entities could also impair our ability to raise capital through the sale of additional equity securities.

There can be no assurance that we will continue to declare cash dividends.

Our Board of Directors has adopted a dividend policy pursuant to which we currently pay a cash dividend on our common stock on a quarterly basis. The declaration and payment of any dividend is subject to the approval of our Board of Directors and our dividend may be discontinued or reduced at any time. Because we are a holding company, our ability to pay cash dividends is also limited by restrictions or limitations on our ability to obtain sufficient funds through dividends from subsidiaries. There can be no assurance that we will declare cash dividends in the future in any particular amounts, or at all. A reduction in our cash dividend payments could have a negative effect on our stock price.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

During the fiscal quarter ended May 5, 2024, we paid approximately \$1,548 million in employee withholding taxes due upon the vesting of net settled equity awards. We withheld approximately 1 million shares of common stock from employees in connection with such net share settlement at an average price of \$1,239.98 per share. These shares may be deemed to be “issuer purchases” of shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

| Exhibit Number | Description | Incorporated by Reference | | | | Filed Herewith |
|----------------|--|---|-----------|---------|-------------|----------------|
| | | Form | File No. | Exhibit | Filing Date | |
| 2.1 | Agreement and Plan of Merger, dated as of May 26, 2022, by and among Broadcom Inc., VMware, Inc., Verona Holdco, Inc., Verona Merger Sub, Inc., Barcelona Merger Sub 2, Inc. and Barcelona Merger Sub 3, LLC. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 2.1 | 05-26-2022 | |
| 3.1 | Amended and Restated Certificate of Incorporation. | Broadcom Inc. Current Report on Form 8-K12B | 001-38449 | 3.1 | 04-04-2018 | |
| 3.2 | Amended and Restated Bylaws. | Broadcom Inc. Current Report on Form 8-K12B | 001-38449 | 3.2 | 04-04-2018 | |
| 4.1 | Form of Common Stock Certificate. | Broadcom Inc. Quarterly Report on Form 10-Q | 001-38449 | 4.1 | 06-14-2018 | |
| 4.2 | Description of Common Stock. | Broadcom Inc. Annual Report on Form 10-K | 001-38449 | 4.3 | 12-20-2019 | |
| 4.3 | Indenture, dated as of January 19, 2017, by and among the Broadcom Corporation and Broadcom Cayman Finance Limited (the "Co-Issuers"), the guarantors and Wilmington Trust, National Association, as trustee. | Broadcom Limited Current Report on Form 8-K | 001-37690 | 4.1 | 01-20-2017 | |
| 4.4 | Supplement Indenture to the January 2017 Indenture, dated as of April 9, 2018. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-09-2018 | |
| 4.5 | Second Supplement Indenture to the January 2017 Indenture, dated as of January 25, 2019. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 01-25-2019 | |
| 4.6 | Form of 3.625% Senior Notes due 2024 (included in Exhibit 4.3). | Broadcom Limited Current Report on Form 8-K | 001-37690 | 4.1 | 01-20-2017 | |
| 4.7 | Form of 3.875% Senior Notes due 2027 (included in Exhibit 4.3). | Broadcom Limited Current Report on Form 8-K | 001-37690 | 4.1 | 01-20-2017 | |
| 4.8 | Indenture, dated as of October 17, 2017, by and among the Co-Issuers, the guarantors and Wilmington Trust, National Association, as trustee. | Broadcom Limited Current Report on Form 8-K | 001-37690 | 4.1 | 10-17-2017 | |
| 4.9 | Supplemental Indenture to October 2017 Indenture, dated as of April 9, 2018. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.2 | 04-09-2018 | |
| 4.10 | Second Supplemental Indenture to October 2017 Indenture, dated as of January 25, 2019. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.2 | 01-25-2019 | |
| 4.11 | Form of 3.125% Senior Notes due 2025 (included in Exhibit 4.8). | Broadcom Limited Current Report on Form 8-K | 001-37690 | 4.1 | 10-17-2017 | |
| 4.12 | Form of 3.500% Senior Notes due 2028 (included in Exhibit 4.8). | Broadcom Limited Current Report on Form 8-K | 001-37690 | 4.1 | 10-17-2017 | |
| 4.13 | Indenture, dated as of April 5, 2019, by and among the Company, as Issuer, Broadcom Technologies Inc., Broadcom Corporation and Broadcom Cayman Finance Limited, and Wilmington Trust, National Association, as trustee. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-05-2019 | |
| 4.14 | Form of 3.625% Senior Notes due 2024 (included in Exhibit 4.13). | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-05-2019 | |
| 4.15 | Form of 4.750% Senior Notes due 2029 (included in Exhibit 4.13). | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-05-2019 | |
| 4.16 | Indenture, dated as of April 9, 2020, by and among the Company, as Issuer, Broadcom Technologies Inc. and Broadcom Corporation (the "2020 Guarantors"), and Wilmington Trust, National Association, as trustee. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-09-2020 | |
| 4.17 | Form of 5.000% Senior Notes due 2030 (included in Exhibit 4.16). | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-09-2020 | |

| | | | | | |
|------|--|--|-----------|-----|------------|
| 4.18 | <u>Indenture, dated as of May 8, 2020, by and among the Company, as Issuer, the 2020 Guarantors, and Wilmington Trust, National Association, as trustee.</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 05-08-2020 |
| 4.19 | <u>Form of 2.250% Senior Notes due 2023 (included in Exhibit 4.18).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 05-08-2020 |
| 4.20 | <u>Form of 3.150% Senior Notes due 2025 (included in Exhibit 4.18).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 05-08-2020 |
| 4.21 | <u>Form of 4.150% Senior Notes due 2030 (included in Exhibit 4.18).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 05-08-2020 |
| 4.22 | <u>Form of 4.300% Senior Notes due 2032 (included in Exhibit 4.18).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 05-08-2020 |
| 4.23 | <u>Indenture, dated as of May 21, 2020, by and among the Company, the 2020 Guarantors and Wilmington Trust, National Association, as trustee.</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 05-21-2020 |
| 4.24 | <u>Form of 3.459% Senior Notes due 2026 (included in Exhibit 4.23).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 05-21-2020 |
| 4.25 | <u>Form of 4.110% Senior Notes due 2028 (included in Exhibit 4.23).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 05-21-2020 |
| 4.26 | <u>Indenture, dated as of January 19, 2021, by and among the Company, the 2020 Guarantors and Wilmington Trust, National Association, as Trustee.</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 01-19-2021 |
| 4.27 | <u>Form of 1.950% Senior Notes due 2028 (included in Exhibit 4.26).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 01-19-2021 |
| 4.28 | <u>Form of 2.450% Senior Notes due 2031 (included in Exhibit 4.26).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 01-19-2021 |
| 4.29 | <u>Form of 2.600% Senior Notes due 2033 (included in Exhibit 4.26).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 01-19-2021 |
| 4.30 | <u>Form of 3.500% Senior Notes due 2041 (included in Exhibit 4.26).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 01-19-2021 |
| 4.31 | <u>Form of 3.750% Senior Notes due 2051 (included in Exhibit 4.26).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 01-19-2021 |
| 4.32 | <u>Registration Rights Agreement, dated as of January 19, 2021, by and among the Company, the 2020 Guarantors and Morgan Stanley & Co. LLC, BNP Paribas Securities Corp., RBC Capital Markets, LLC, SMBC Nikko Securities America, Inc., and Truist Securities, Inc., as representatives of the several initial purchasers of the January 2021 senior notes.</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.7 | 01-19-2021 |
| 4.33 | <u>Indenture, dated as of March 31, 2021, by and between the Company and Wilmington Trust, National Association, as Trustee.</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 03-31-2021 |
| 4.34 | <u>Form of 3.419% Senior Notes due 2033 (included in Exhibit 4.33).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 03-31-2021 |
| 4.35 | <u>Form of 3.469% Senior Notes due 2034 (included in Exhibit 4.33).</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 03-31-2021 |
| 4.36 | <u>Registration Rights Agreement, dated as of March 31, 2021, by and among the Company and BofA Securities, Inc. and HSBC Securities (USA) Inc., as dealer-managers in connection with the March 2021 exchange offer.</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.4 | 03-31-2021 |
| 4.37 | <u>Indenture, dated as of September 30, 2021, by and between the Company and Wilmington Trust, National Association, as Trustee.</u> | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 09-30-2021 |
| 4.38 | <u>Form of 3.137% Senior Notes due 2035 (included in Exhibit 4.37)</u> | Broadcom Inc. Current Report on | 001-38449 | 4.1 | 09-30-2021 |

| | | | | | |
|---------|---|--|-----------|-----|------------|
| | (included in Exhibit 4.37). | Current Report on Form 8-K | | | |
| 4.39 | Form of 3.187% Senior Notes due 2036 (included in Exhibit 4.37). | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 09-30-2021 |
| 4.40 | Registration Rights Agreement, dated as of September 30, 2021, by and among the Company and BNP Paribas Securities Corp., J.P. Morgan Securities LLC and TD Securities (USA) LLC, as dealer-mangers in connection with the September 2021 exchange offer. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.4 | 09-30-2021 |
| 4.41 | Indenture, dated April 14, 2022, between the Company and Wilmington Trust, National Association, as trustee. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-15-2022 |
| 4.42 | Form of 4.00% Senior Notes due 2029 (included in Exhibit 4.41). | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-15-2022 |
| 4.43 | Form of 4.15% Senior Notes due 2032 (included in Exhibit 4.41). | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-15-2022 |
| 4.44 | Registration Rights Agreement, dated as of April 14, 2022, between the Company and BofA Securities, Inc., HSBC Securities (USA) Inc., and RBC Capital Markets, LLC, as representatives of the several initial purchasers of the April 2022 senior notes. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.4 | 04-15-2022 |
| 4.45 | Indenture, dated April 18, 2022, between the Company and Wilmington Trust, National Association, as trustee. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-18-2022 |
| 4.46 | Form of 4.926% Senior Notes due 2037 (included in Exhibit 4.45). | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.1 | 04-18-2022 |
| 4.47 | Registration Rights Agreement, dated April 18, 2022, between the Company and Barclays Capital Inc., BBVA Securities Inc., BNP Paribas Securities Corp. and J.P. Morgan Securities LLC, as dealer-managers in connection with the April 2022 exchange offer. | Broadcom Inc. Current Report on Form 8-K | 001-38449 | 4.3 | 04-18-2022 |
| 31.1 | Certification of Principal Executive Officer of Broadcom Inc. Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 31.2 | Certification of Principal Financial Officer of Broadcom Inc. Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32.1 | Certification of Principal Executive Officer of Broadcom Inc. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32.2 | Certification of Principal Financial Officer of Broadcom Inc. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | | X |
| 101.SCH | Inline XBRL Schema Document | | | | X |
| 101.CAL | Inline XBRL Calculation Linkbase Document | | | | X |
| 101.DEF | Inline XBRL Definition Linkbase Document | | | | X |
| 101.LAB | Inline XBRL Labels Linkbase Document | | | | X |
| 101.PRE | Inline XBRL Presentation Linkbase Document | | | | X |
| 104 | Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the | | | | X |

Inline XBRL document.

+ Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BROADCOM INC.

By: /s/ Kirsten M. Spears

Kirsten M. Spears

Chief Financial Officer

Date: June 12, 2024