Q1 2022 Earnings Call

Company Participants

- Hock Tan, President and Chief Executive Officer
- Ji Yoo, Director of Investor Relations
- Kirsten Spears, Chief Financial Officer and Chief Accounting Officer

Other Participants

- Edward Snyder, Analyst
- Harlan Sur, Analyst
- John Pitzer, Analyst
- Pierre Ferragu, Analyst
- Ross Seymore, Analyst
- Stacy Rasgon, Analyst
- Tim Arcuri, Analyst
- Toshiya Hari, Analyst
- Vijay Rakesh, Analyst
- Vivek Arya, Analyst

Presentation

Operator

Welcome to Broadcom, Inc. First Quarter Fiscal Year 2022 Financial Results Conference Call. At this time for opening remarks and introductions, I would like to turn the call over to Ji Yoo, Director of Investor Relations of Broadcom, Inc.

Ji Yoo {BIO 21112206 <GO>}

Thank you, Sheri and everyone. Joining me on today's call are Hock Tan, President and CEO; Kirsten Spears, Chief Financial Officer; Tom Krause, President, Broadcom Software Group and Charlie Kawwas, Chief Operating Officer. Broadcom also distributed a press release and financial tables after the market closed describing our financial performance for the first quarter, fiscal year 2022. If you did not receive a copy, you may obtain the information from the Investors section of Broadcom's website at broadcom.com. This conference call is being webcast live and a recording will be available via telephone playback for one week. It will also be archived in the Investors section of our website at broadcom.com.

During the prepared comments, Hock and Kirsten will be providing details of our first quarter fiscal year 2020 results, guidance for our second quarter as well as commentary regarding the business environment. We'll take questions after the end of our prepared comments. Please refer to our press release today and our recent filings with the SEC for information on the specific risk factors that could cause our actual results to differ materially from the forward-looking statements made on this call. In addition to US GAAP reporting, Broadcom reports certain financial measures on a non-GAAP basis. A reconciliation between GAAP and non-GAAP measures is included in the tables attached to today's press release. Comments made during today's call will primarily refer to our non-GAAP financial results.

I'll now turn the call over to Hock.

Hock Tan {BIO 1460567 <GO>}

All right, thank you, Ji. Thank you everyone for joining us today. So in our fiscal Q1 '22, consolidated net revenue was a record $7.7 billion, up 16% year-on-year. Semiconductor solutions revenue grew 20% year-on-year to $5.9 billion and infrastructure software revenue grew 5% year-on-year to $1.8 billion. Now enterprise demand grew very robustly from the trough we saw in Q1 last year, as the recovery in enterprise IT spending continue to accelerate. Meanwhile Hyperclouds are upgrading their datacenters and service providers, telcos continue to deploying next-generation fiber to the home.

As expected, against the peak of a year ago, wireless grew single digits and our core software business remains very stable and steady. On the supply front, lead times remain extended and unchanged as inventory of our products in the channel and in our customers remains lean. Our semiconductor backlog at the close of Q1 continue to grow double-digits from that of the prior quarter.

Let me now provide more color by end-markets. Starting with networking, networking revenue of $1.9 billion was up 33% year-on-year and represented 32% of our semiconductor revenue. This strong growth was driven by deployment at scale of Tomahawk 4 and compute offload across several hyperscale customers, as they upgrade and scale out their data centers. In enterprises, campus switching upgrades continue to accelerate. Let me talk about routing in this space. Investments in 5G backhaul by telco operators worldwide continue to drive strong growth in our Qumran family of products. More than this, the opportunity in our routing silicon has expanded into hyperscale in a very significant way moving Ethernet into the backend networks of large-scale AI ML clusters.

In particular, I'm referring to the Arista 7800 AI platform which scales Ethernet to connect many tens of thousands of CPUs and GPUs in Hyperscale. This platform is built on our Jericho router. Our devices provide the most cost efficient -- cost effective fabric for AI ML scale-up with an end to end congestion managed lossless network and highest efficiency load balancing across the links.

Now in contrast to proprietary protocols such as InfiniBand used typically in high-performance computing, we see low latency ethernet as the way forward for large-scale AI ML networks as a widely adopted open architecture. Our unique ability to network this complex AI workloads in the Hyperscale is extending our customized training and

Inference SOC footprint at several cloud guys. In Q2 we expect networking to continue to be strong across the board and revenue growth to be in excess of 30% year-over-year.

Next our server storage connectivity revenue was $801 million and growth accelerated to 32% year-on-year representing 14% of semiconductor revenue. This was driven in large part by the continuing recovery of enterprise IT spending much of which was deployed towards upgrading compute servers and most of these compute servers use either our mega rate or SAN for server storage connectivity. We are also benefiting from increased content as enterprises upgrade to next generation storage connectivity solutions to support deployment of leading-edge servers. Beyond enterprise, with proliferation of video content in social media, we see our cloud customers increasingly adopting nearline hard disk drives as the primary storage of choice and to manage this large arrays of hard disk drives, they deploy storage servers and expenders which utilize very much our next generation storage connectivity silicon and software, creating another driver for revenue growth.

Interestingly, we are also a critical supply of pre-amplifiers and re-channels in nearline hard disk drives with our revenue growing at over 20% CAGR over the last five years. Our nearline revenue represented over two thirds of our hard drive business this quarter. With the adoption of next generation technology here, we are selling more boards than just silicon resulting in much higher dollar content. This dynamic coupled with continuing strong demand from both enterprise and hyperscale is expected to accelerate Q2 server storage connectivity revenue to over 55% year-on-year.

Now moving on to broadband, revenue of $911 million grew 23% year-on-year and represented 16% of semiconductor revenue. This was driven largely by increased deployment of next-generation PON and DOCSIS, our cable modem with high attach rates of Wi-Fi 6 and 6E in home gateways. Examples of this above, last quarter Charter announced trials of DOCSIS 4.0 running at speeds of 8.5 Gigabit downstream and 6 gigabit upstream both in CPE and remote node. Comcast started deployments of their WiFi 6E DOCSIS 3.1 gateways and AT&T announced a multi-gig PON service on their gateways. All of these are using Broadcom SoCs. We remain the market leader in delivering Wi-Fi 6 and 6E chips to leading phones, as well as routers, enterprise access point and carrier gateways. Through the first quarter of 2022, we have cumulatively shipped over 1 billion Wi-Fi 6 and 6E radios in just around three years since our launch. Our OEM customers and carrier partners are now ramping Wi-Fi 6E, the current generation of Wi-Fi -- for Wi-Fi making use of the 6 gigahertz band, which is increasingly being made available for unlicensed access across the globe. And as we look ahead, we are the industry leader heavily investing in Wi-Fi 7 as the strategic complement to 10G PON and cable modem. We see that both broadband -- we see this as the next step in broadband development and deployment globally in the US alone. The pending Infrastructure Act set aside $65 billion over the next five years to connect more homes to high-speed broadband.

Across the world, the same is happening as next-generation wide broadband is seen as the better alternative to 5G for home connectivity. As far as Q2 is concerned, we expect our broadband business to continue to grow 20% year-on-year.

Moving on to wireless, Q1 revenue of $2 billion represented 34% of semiconductor revenue. Demand from our North American customer for our products continue to be strong during the quarter, driving wireless revenue up 10% sequentially and up 4% year-on-year from the peak quarter in fiscal '21. As expected in Q2, wireless revenue will be seasonally down about [ph] mid-teens quarter-on-quarter, but will still be up mid-single digits from a year ago.

Finally, industrial revenue of $243 million represented approximately 4% of Q1 semiconductor revenue. Q1 resales of $239 million grew 37% year-over-year, driven by robust demand from electric vehicles, renewable energy, factory automation and healthcare reflecting. Such strong resales our inventory in the channel remain around one month and we expect resales to continue to be strong in Q2.

Accordingly, in summary, Q1 semiconductor solution revenue was up 20% year-on-year. Q2, we expect semiconductor revenue to accelerate to 25% year-on-year. Turning to software. In Q1 infrastructure software revenue of $1.8 billion grew 5% year-on-year and represented 24% of total revenue. Core software revenue grew 6% year-on-year. In dollar terms, consolidated renewal rates averaged a 121% over expiring contract while in our strategic accounts, we average 136%. Within the strategic accounts $656 million represented renewals on expiring contracts of which $164 million represented cross selling including PLAs of our portfolio products to these same customers.

Over 90% of the renewal value represented recurring subscription and maintenance. Okay. ARR, Annual Recurring Revenue at the end of Q1 was $5.3 billion, which was up 5% from a year ago. In Q2, we expect our infrastructure software revenue to sustain around mid single-digit percentage growth year upon year. In summary in Q1, semiconductor revenue grew a strong 20%. In fact, excluding wireless, it grew -- actually grew over 30% combined with our stable software business, consolidated revenue grew 16% year-on-year to $7.7 billion.

Now turning to Q2 guidance, we expect semiconductor revenue growth will accelerate to 25% year upon year and excluding wireless, it will be 35% year-on-year layering on our stable software business, we expect Q2 consolidated revenue growth of 20% year-on-year to $7.9 billion.

And before I turn this call over to Kirsten, I just want to add, Broadcom recently published its second annual ESG report available on the Company's corporate citizenship site which discusses the Company's ESG initiatives. As a global technology leader, we recognized the Company's responsibility to have a positive impact on our communities through our product and technology innovation and operational excellence, we remain very committed to this mission. With that let me turn the call over to Kirsten.

Kirsten Spears {BIO 19712531 <GO>}

Thank you, Hock. Let me now provide additional detail on our financial performance. Revenue was $7.7 billion for the quarter, up 16% from a year ago. Gross margins were 76% of revenue in the quarter and up 227 basis points year-on-year. Operating expenses were $1.2 billion, up 6% year-on-year driven by investment in research and development.

Operating income for the quarter was $4.7 billion and was up 23% from a year ago. Operating margin was 60% of revenue, up approximately 362 basis points year-on-year.

Adjusted EBITDA was $4.8 billion or 62.5% of revenue. Note that this figure excludes $136 million of depreciation. Now, a review of the P&L for our two segments. Revenue for our semiconductor solutions segment was $5.9 billion and represented 76% of total revenue in the quarter. This was up 20% year-on-year.

Gross margins for our semiconductor solutions segment were approximately 71%, up 347 basis points year-on-year, driven by favorable product mix and content growth in next generation products across our extensive product portfolio. Operating expenses were $817 million in Q1, up 9% year-on-year. R&D was $725 million in the quarter, up 10% year-on-year. Q1 semiconductor operating margins increased to 57%. So while semiconductor revenue was up 20%, operating profit grew 31%. Moving to the P&L for our infrastructure software segment. Revenue for infrastructure software was $1.8 billion and represented 24% of revenue. This was up 5% year-on-year. Gross margins for infrastructure software were 90% in the quarter, up 71 basis points year-over-year. Operating expenses were $348 million in the quarter, up 1% year-over-year. Infrastructure software operating margin was 71% in Q1 and operating profit grew 7%.

Moving to cash flow. Free cash flow in the quarter was $3.4 billion representing 44% of revenue. We spent a $101 million on capital expenditures. Days sales outstanding were 30 days in the first quarter compared to 35 days a year ago. We ended the first quarter with inventory of $1.5 billion, up 17% from the end of the prior quarter in large part due to higher material costs. Our hardware backlog at the end of the quarter was over $25 billion compared to $22 billion the preceding quarter and our lead times remain steady at 50 weeks.

Our software backlog continue to grow as well, and ended the quarter at over $15 billion. As a point of reference, software backlog was $13 billion a year ago. We ended the quarter with $10.2 billion of cash, and $39.5 billion of gross debt, of which $300 million is short-term. Turning to capital allocation. In the quarter, we paid stockholders $1.8 billion of cash dividends consistent with our commitment to return excess cash to shareholders, we repurchased $2.7 billion in common stock and eliminated $375 million of common stock for taxes due on vesting of employee equity, resulting in the elimination of approximately 5 million AVGO shares. The non-GAAP diluted share count in Q1 was $446 million. Based on current business trends and conditions, our guidance for the second quarter of fiscal 2022 is for consolidated revenues of $7.9 billion and adjusted EBITDA of approximately 62.5% of projected revenue.

Note that we expect Q2 non-GAAP diluted share count to be 442 million. This excludes the potential impact of any share repurchases completed in the second quarter.

That concludes my prepared remarks. Operator, please open up the call for questions.

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question will come from Harlan Sur with JP Morgan. Please go ahead.

Q - Harlan Sur {BIO 6539622 <GO>}

Good afternoon and congratulations on the strong results and execution. Hock, given your backlog and extended lead times, is that pretty good visibility into this year, your end markets are strong right, cloud and hyperscale CapEx spending is looking to grow about 30%. You're driving the 200 and 400 gig networking upgrade cycle, enterprise spending is still expanding. As you mentioned, Broadcom continued strong whether it's DOCSIS, Wi-Fi, fiber upgrades.

And then on your compute acceleration ASIC pipeline, you've got Google, Facebook, Microsoft, all of these guys ramping. So it seems like the demand, your product leadership, seasonality can sustain a sort of low to mid 20% plus type year-over-year revenue growth profile through this year. So I guess the question for you is, do you have line of sight and confidence on sustaining this type of growth through the year and then more importantly, do you have the supply commitments to support this type of growth?

A - Hock Tan {BIO 1460567 <GO>}

I'm not providing annual guidance, Harlan, if that's what you're angling for. But what do you say makes a lot of sense. And to answer your questions directly, yes, we have line of sight through end of 2022 and both we believe in demand and in supply.

Q - Harlan Sur {BIO 6539622 <GO>}

Thanks, Hock.

A - Hock Tan {BIO 1460567 <GO>}

Sure.

Operator

Thank you. Our next question will come from Vivek Arya with Bank of America. Please go ahead.

Q - Vivek Arya {BIO 6781604 <GO>}

Thank you for taking my question. Hock, I was hoping if you could just revisit what's driving the acceleration in growth and then the more important question is that there is a perception that semiconductor companies are benefiting abnormally because of a pricing lever because of the tight supply conditions and as the foundry capacity eases that your cost will go down and the pricing advantage will disappear, and I was hoping you could give us some more color, how much of a role is pricing playing in the expected sales growth this year on a like-to-like basis versus what you saw last year?

A - Hock Tan {BIO 1460567 <GO>}

That's a very good question and I mean in truth, the real demand that we're seeing underlying, you [ph] talked about -- underlying trend that is sustainable, at least in this up cycle, you're right, it's. While we're showing 30% in networking, 30% [ph] in server storage. A part of it is driven by ASP increases simply because we are passing on our material cost increases, wafer substrates assembly to our customers inevitably, but it's much less than you probably think it is. What is really sustainable is the -- what Harlan said in the previous question.

We think under the trend, demand increase is more like closer to 20% year-on-year than what perhaps in dollar terms you are represented. And how long would it lasts? Who knows. It's hard to -- for me to figure out, because I've been wrong so many times and this is now going on into the almost '22 is done and is strong. We're now booking given our lead times I indicated in '23. And '23, I think will be at least the first half of '23 will still be pretty close to the same.

And is the latter part of '23 and '24 that we have to figure out whether there is enough supply that will start coming in to basically address what is today and what we think an extremely strong demand environment whether is from enterprise, telcos and service providers and hyperscale. All three are strong.

Q - Vivek Arya {BIO 6781604 <GO>}

Got it. So price stickiness perhaps can continue into '23. I just wanted to clarify that.

A - Hock Tan {BIO 1460567 <GO>}

At least the first part of '23. Yes.

Q - Vivek Arya {BIO 6781604 <GO>}

Okay. Thank you, Hock.

Operator

Thank you. Our next question will come from Stacy Rasgon with Bernstein Research. Please go ahead.

Q - Stacy Rasgon {BIO 16423886 <GO>}

Hi guys, thanks for taking my questions. Hock I wanted to ask about gross margin. So you did like 75.5% in the quarter. 71% for semis and if I sort of like squint at your guidance, it implies gross margins in Q2 at least at that level, if not even probably higher. And this is it -- mid-cost increases, everything else. So I mean, how do we think about like the limit of this?

I know you always talk about margins kind of going up a 100 basis points a year. They seem be doing even better than that. Do we just keep modeling and going up from here or do you think they take a pause or are there any other drivers like into the back of this --

your mix or anything else that would sit on it. Just how do we think about that -- just given the levels that they're sitting at right now?

A - Hock Tan {BIO 1460567 <GO>}

Well and I could trod down [ph] my usual statement because it happens to be true, which is year upon year under normal situations, we see this 100 around a 100 basis points expansion of gross margin on our semiconductor front. You get that. Now Kirsten, just indicated, we did better than that in semiconductors and I guess the -- and the reason why we did better than that this season, so to speak. If you hop back to my remarks, there's a lot of deployment, launch and deployment of new generation products that I mentioned, but talking about in networking, Tomahawk 4 and much more, Trident 4 which is more towards some data centers that used in enterprises, Tomahawk 4 used in Hypercloud. That new generation.

Then we talk about Jericho been deployed -- the latest Jericho being deployed in the backend net -- in the back side networks of machine learning, AI, GPU interconnectivity. That's a whole new application. Then we talk [ph] in server storage, I did talk about a whole slew of new generation solutions, which we put in place towards basically for new generation leading edge servers out there from the guys who do those service. And with those new generation, we get that better margin. So it all, I guess the additional input I put in is lot more new generation products coming out now, happen to be in '22. We are seeing happen and of course, we are in this environment, thankfully, able to pass on our cost increases to supply -- to customers, and that all adds up to a fairly decent gross margin set of results, but do not let that be an indicator please. That it is something that will be a 200-300 basis points expansion year-on-year. We still believe normal situation is still be just on average a 100 basis point expansion.

Q - Stacy Rasgon {BIO 16423886 <GO>}

Got it. But as long as can keep the new products coming, we should still be able to see that 100 basis points even from here.

A - Hock Tan {BIO 1460567 <GO>}

Yeah. And by the way, it's not just me having to come out new products -- is a, there is a pool, the customers, the applications of our markets requires and that's the beautiful thing about the semiconductors and technology is always -- there always is a need for a next generation better products whether it's performance, power whatever is always is a pool and that product life cycle is what enables us to drop -- develop this new products and our margins will keep expanding.

Q - Stacy Rasgon {BIO 16423886 <GO>}

Got it. Helpful. Thank you so much.

A - Hock Tan {BIO 1460567 <GO>}

Sure.

Operator

Thank you. Our next question will come from Ross Seymore with Deutsche Bank. Please go ahead.

Q - Ross Seymore {BIO 20902787 <GO>}

Hi, thanks for letting me ask a question. Hock, thanks for the information on the backlog for the semi business. It's good to see that rising as much as it did sequentially, especially considering the lead times stayed flat. While the magnitude is impressive, I really want to ask about the profile of that and how it may or may not be changing? So as that additional backlog comes in given all the moving parts between enterprise and cloud and broadband and wireless et cetera, any sort of changes in the profile of that backlog that you find to be interesting either in a positive or negative sense that will give us a clue about the future growth drivers for your Company?

A - Hock Tan {BIO 1460567 <GO>}

That's a good question and I implied in some of my points, in some of my remarks but let me take it directly. Yeah. Enterprise. Enterprise demand spending is the strongest driver that we're seeing today. And it should be no surprise. That is something we've said since last quarter and the quarter before, enterprise has recovered -- more than recovered is going -- is on fire, is the best way to describe it. Enterprise spending on IT is as we perceive it on fire and we are seeing a big part of that and that's not to say that Hypercloud and telcos are not adding to it, but not as strong as enterprise recovery.

Q - Ross Seymore {BIO 20902787 <GO>}

Any negative surprises in that, you talked about the positive side, is there anything that's been surprising on the negative side?

A - Hock Tan {BIO 1460567 <GO>}

No, not really, it's just, there is pent-up. I think there's a lot of pent-up spending. There is a lot of need for a lot of enterprises to upgrade and that's also what's driving, as I indicated in my remarks, a lot of on-prem campus switching investment going in. I mean, look at even Broadcom, we've been using Wi-Fi in our hotspots, in our access gateways in through the campus. A key part of it is wireless connectivity, Wi-Fi so to speak. I mean we've been running Wi-Fi 5 for many years.

Now is the time to move to Wi-Fi 6 6E and we are not the only one. We're seeing across the board, very strong demand from lots of enterprises wanting to upgrade connectivity as offices start to slowly open up.

Q - Ross Seymore {BIO 20902787 <GO>}

Thank you.

A - Hock Tan {BIO 1460567 <GO>}

Sure.

Operator

Thank you. Our next question will come from John Pitzer with Credit Suisse. Please go ahead.

Q - John Pitzer {BIO 1541792 <GO>}

Yeah, hi guys thanks for let me ask the question. Hock, usually at this point in the cycle with lead times extended, as much as they are and you guys getting pricing power, that the big concern on Wall Street is to what extent is the demand you're seeing -- real demand versus perhaps your customers building inventory and I know, you're less consumer focused than most. And so maybe inventory builds are less relevant in some of these infrastructure markets.

But I'm wondering if you could give us your perspective on or at least what do you guys trying to do to scrub the backlog to make sure, it's good demand. And if you think, it's good demand, I'm curious, you've always had a very realistic view of what the long-term growth rate for your semi should be -- semi business should be. Is that beginning to change and like many of your peers who have put up a higher kind of new CAGR, are you willing to go there right now?

A - Hock Tan {BIO 1460567 <GO>}

Let's answer the first question first and let me go to the last one and the best at the end, but on the first part, yeah as I've stated in pre month - in previous earnings calls and I am more than happy to reiterate it here, which is we are very, very concerned obviously that we could easily build up inventory in various parts of our demand environment just because we ship according what customer sending in orders as their customer requested.

So we don't, we actually spend huge amount of bandwidth of our operations and sales people in this environment to make sure we get products to any particular customer just when they needed. Not any earlier and I'd hopefully not too late either because we like to address customer in a real need in that regard. But what's very, very important to us is not to ship excessively and build up inventory whether it's in the customer inventory, in distribution. The nice thing about our business in semiconductor is this, 75% of our revenue comes from just about 100 customers and they are direct. The last 25% go through distribution. 75% direct to 100 customers. We have enough salespeople. We have enough visibility on this customers to know exactly pretty closely [ph] you would like to think, what they need and ship to what they -- and to what exactly they need. And when we do all that, I said it before in last earnings call, true end demand growth -- true growth as we have been seeing in '21 was about 20% year-on-year improvement.

Now, we now take on the fact that material costs have gone up in '22. So there is an addition beyond 20%. But I still believe it's about 20% into -- in response to earlier answer, in this high -- in this environment, because the last up cycle we saw in 2017, it was 20% year-on-year improvement. It wasn't stronger than that. And by the way, we sell mostly those big call system on a chip into any platform that our customer builds and then sales up. We do it -- and generally, we get very good visibility. If we were to sell more of the peripheral chips, the secondary chips that adds up to the total platform and that cost a fraction of what our system on a chip costs and perhaps you will not have that visibility, and we believe there are lot of pockets of those inventory in the wrong places because of unbalance chipsets sitting out there.

But if you, for example, if you're building a datacenter and you need a 1,000 Tomahawk 4s, believe me, you will not buy more than a 1,050 Tomahawk 4s and but if you are buying a voltage regulator, you'll probably buy 2000, 3000 of those voltage regulators just in case. And that's the difference of all these things. So we think, we get a good sense of what's out there and the kicker here is the price increase that must pass on because of wafer cost and substrate cost increases, which makes it go over perhaps what we think is a sustainable level.

Now, to answer your longer-term question. No, I don't think on a long-term, say next 10 years would the CAGR change? I think people will say that CAGR change frankly are probably dreaming because there is no evidence on our side to show why this industry, which is relatively mature, semiconductor industry should suddenly spiral into a different trend growth -- growth rate. We have seen in the last 10 years compounded roughly 5% annual growth rate. And there's nothing to indicate, frankly, why you would not be that way for the next long-term 10 years. Now, it won't be 5% every year, obviously we're not at 5% this year, but on a long term, I still think that trend has not changed.

Q - John Pitzer {BIO 1541792 <GO>}

Perfect, thank you very much.

A - Hock Tan {BIO 1460567 <GO>}

Sure.

Operator

Thank you. Our next question will come from Toshiya Hari with Goldman Sachs. Please go ahead.

Q - Toshiya Hari {BIO 6770302 <GO>}

Great, thank you so much for taking the question. Hock, I wanted to ask for your thoughts on capital allocation. It's been a while since your last meaningful acquisition, a lot of things are going on from a macro perspective, rates are going up and obviously the economy is a little bit squishy. You just spent $2.7 billion on buybacks, just curious how you're thinking about allocation of capital, any changes to how you think about M&A and your appetite for M&A going forward? Thank you so much.

A - Hock Tan {BIO 1460567 <GO>}

Thank you. Well, and really in last quarter, we were very clear about capital allocation plan at least for 2022 and which is frankly, it's -- we're still looking for acquisitions, which has been very, very, as we usually do being very thoughtful and selective about the assets we would acquire. But very much so we're still in a market to look for it, where good -- great assets for to acquire and we have the capacity to handle it. And in the meantime given two years, '20 and '22, where we haven't done anything on acquisitions and have been earning and generating lots of cash, we have taken on other than paying dividends and maintaining the policy on dividends that we have outlined for the long term, we have decided for fiscal '22 for actually calendar '22 to put out that buyback program of $10 billion. We've spend $2.7 billion of it so far. And we have probably most of the year to go and we'll probably use all. We will likely use all of it up evenly over the next nine months of the remaining year.

And that nothing has changed but, and we believe we still have the capacity to do a good size acquisition.

Q - Toshiya Hari {BIO 6770302 <GO>}

Thank you so much.

Operator

Thank you. Our next question will come from Pierre Ferragu with New Street Research. Please go ahead.

Q - Pierre Ferragu {BIO 15753665 <GO>}

Hi, thank you for taking my question. I'd love to hear whatever that you can give us Hock on your ASIC business in semiconductors. And what I'm wondering is, how is business trending compared to your other segments in semiconductor, and do you see your ASIC is taking share overall with you hyperscale clients or is that just growing in line with the rest of the market or actually below the rest of the markets.

A - Hock Tan {BIO 1460567 <GO>}

Okay, I -- let me paraphrase my -- your question the way I would probably be able to answer it and see if it's the right thing. What you're saying is see have a product division that does ASIC custom chips essentially for very large -- usually large customers and that's a good sized business for us and a big part of that business to address what you're saying here is address [ph] has been use is now currently, though not in the past but more recently in the last few years, it was the hyperscale players who are starting to develop -- wanting to develop their customized and dedicated, accelerators for specific functions and workloads mostly related to, for instance, machine learning, AI and also to do with video transcoding and also gradually increasing virtualization and orchestration of data centers.

All those that are customized silicon accelerators to enable these Hypercloud guys to run their workloads better and more effectively. I believe that was your question. And the best way to answer your question is year-on-year this quarter Q1, we grew revenue in this offload computing sector which all ASICs north of 50% revenue year upon year. All right. I hope that answers your question.

Q - Pierre Ferragu {BIO 15753665 <GO>}

Yes, thank you. That's perfect. Thank you so much.

Operator

Thank you. Our next question will come from Tim Arcuri with UBS. Please go ahead.

Q - Tim Arcuri {BIO 3824613 <GO>}

Hi, thanks a lot. Hock, I had a question on your wireless business, it's been very strong but you've been recently talking about some trade-offs that one of your customers making -- is making on the FR side and maybe making it a little even more concentrated on a single customer. And I know that you considered selling this business sometime back. But does it even further -- the further revenue concentration, does it make you rethink maybe how committed you want to be to that segment and maybe whether you could redeploy this capital into another market especially as things might be changing on the on the modem side. Thank you.

A - Hock Tan {BIO 1460567 <GO>}

Okay. Good question. And my answer would be very simple and direct. We have always indicated our wireless business is to one customer largely. Our North American OEM. And you know what, they're very good customer, they are very strategic and we are not only selling one product, we're selling multiple products which are very strategic to us and I believe also very important and strategic to them, which will -- is -- which is what makes a partnership very sustaining.

I see this as a very long-term sustaining partnership in the sense of the products we do develop, we collectively call wireless and because it goes into mobile, a lot of mobile devices, though not entirely but most of it, it goes into phones, it goes into wearables, it goes into pads or tablets and it goes into not so mobile, but many of them are into even notebooks. But it goes into all the stuff and we sell -- we develop and provide something like one [ph] -- about five different critical engine -- technology products to this same customer.

So it is -- it has over 10 years now develop into an extremely sustainable and strategic relationship, clearly from our side, yes. I'd like to believe from their side the same thing.

Q - Tim Arcuri {BIO 3824613 <GO>}

Thanks, Hock.

Operator

Thank you. Our next question will come from Edward Snyder with Charter Equity Research. Please go ahead.

Q - Edward Snyder {BIO 2498283 <GO>}

Thank you. Well, since we are talking about wireless, I want to follow up with that. Thanks for that answer, Hock but I want to step back and maybe look at the longer term on this. You -- when you bought Brocade, you kind of shifted the narrative from you only [ph] really need revenue growth from what was -- were mostly looking for cash flow and high margins which worked out very well. In wireless, you get a little bit different animal with Samsung on the way out, they shifted their phone strategy to more a cost-centric and less performance while you made sense for Broadcom not to participate there and your largest customer is doing fine. Looks like they will be for years.

But as we've already seen on the high-end 5G, the growth in revenue, growth in content is slowing and by all measures, it will likely stagnate in the next 3 to 4 years. In that kind of environment and especially if you're not doing custom designs anymore and given -- it's just given the revenue may not grow, if margins are affected, what do you do with it? I mean you've not ever embraced a business where both revenues flat to down and margins are in decline. I think the question a lot of folks have is what could you possibly do, it's so large and there is so few skewers [ph] for it. It's kind of puzzling in three years or four years, what the strategy be with wireless, maybe you could help shed a light on that. Thanks.

A - Hock Tan {BIO 1460567 <GO>}

That's interesting thing, Ed. Here is all our businesses, I Just want to remind you, in our view, as I said, in the view of all semiconductor segments itself, is a -- it's not a high growth business. Even if [ph] I had to think because probably there are few companies out there who are trying to grow in a business that doesn't grow 5% is what it is. And I -- so it's a business that does grow but in dollar terms overall, mid single digits, I call it a slow growth industry. Within it however, it still evolves new generation of products constantly. That's the unusual, unique thing about semiconductors.

It keeps evolving not disruption -- not disruptive much as people like to say they are disruptive. My view is evolutionary and but that evolutionary creates new opportunities for basically selling a better product, a more valuable product to the same customer for the similar application and you go -- and the -- which the customer can then monetize back on their own. And that's really all it is and what we are doing here in wireless is no different and that is something also very interesting, every product we sell in wireless is in effect a non-standard product, it is customized, it is customized for the needs -- for the unique needs and particular requirements of that particular customer. That's what makes us so successful and that's what makes the partnership so sustainable. We develop technology in the form of the products that we do whether it's an RF, with F bar front-end module or whether it's pure silicon with some SDK -- a lot of SDK software, where some unique, high performance mixed-signal analog product, all of which we do to this customer. We do it -- to me they are particular requirements, which allow their products to be at a level that's very differentiated from their own space -- in the competitive space they are in.

And that's what makes it very unique and that's what makes us think they are growing, but we're not looking for in any end market we are in, in any product line we are in for high growth. High growth in semiconductors comes in spurts and do not last. If anybody tells you otherwise, please don't believe it because it has never happened.

Q - Edward Snyder {BIO 2498283 <GO>}

Thank you.

Operator

Thank you. And we do have time for one final question from Vijay Rakesh with Mizuho. Please go ahead

Q - Vijay Rakesh {BIO 5884146 <GO>}

Yeah hi, Hock. Just a question on the networking side, obviously very strong growth, up 33% with the Tomahawk and DPU, I guess. What do you see the long-term growth there, meaning in the -- if you look at the next 12 to 24 months on the networking side, I had a follow-up. Thanks.

A - Hock Tan {BIO 1460567 <GO>}

Okay, the next 12 months, it's pretty good. We have visibility and we kind of indicated in our answer. 24 months, harder for me to tell you. If you ask me, what do you think over the next 10 years, I'll tell you what it is, mid to high single digits. And because that's -- it's consistent, sorry. There is no segment, don't believe anybody telling otherwise, they will have a sustainable growth rate in this space, if share changes, maybe.

So but next 12 months, very good growth rate is what I indicated.

Q - Vijay Rakesh {BIO 5884146 <GO>}

Thanks. And one last question on the software side, obviously since December rate, when you announced the big buyback obviously software valuations have become much more attractive in the last, might be down 30% 40% there. But do you have a target in mind as to what you think that software business should be like 24%, 25% of revenues now. Are you looking to build it up to half of your business or is that a long-term target that you are putting out there? Thanks

A - Hock Tan {BIO 1460567 <GO>}

I hate to tell you, I don't have a strategic plan here. My plan or a numbers plan is it's -- we know our strategy in acquisitions and growing this entire Broadcom platform, it's more about locating, identifying very, very strong assets out there, and which are actionable, and then making a deal and buying them and integrating in our platform.

They got to meet our requirements of quality of the assets of the product -- of the business model, to some extent the product characteristics been -- is very mission-critical and then after that comes the price. For us after that is the price because you'll recall, the way we run those software businesses tends to be different usually from the way the party we buy from runs it.

And because of that we are able to create the financial returns consistent with a business model that we put in place fairly different from what the existing business model is in most software companies out there.

Q - Vijay Rakesh {BIO 5884146 <GO>}

All right, great, thanks, Hock.

Operator

Ladies and gentlemen, thank you for participating in today's question-and-answer session. I would now like to turn the call back over to Ji Yoo, Director of Investor Relations for any closing remarks.

A - Ji Yoo {BIO 21112206 <GO>}

Thank you, Sheri. In closing, similar to our networking, broadband and storage teach-ins in fiscal '21, Broadcom and Deutsche Bank will be hosting a teach-in of our custom silicon business on Tuesday, April 19 at 12:00 PM Eastern, 9:00 AM Pacific.

Hock will be joined by Frank Ostojic, General Manager of our ASIC Products Division, and Vijay Janapaty, General Manager of our Physical Layer Products Division. Broadcom currently plans to report its earnings for the second quarter of fiscal '22 after close of market on Thursday, June 2, 2022.

A public webcast of Broadcom's earnings conference call will follow at 2:00 PM Pacific. That will conclude our earnings call today. Thank you all for joining. Sheri, you may end the call.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, you may now disconnect.