

Broadcom Inc

Beat goes on, estimates go up, ignore expectations noise

Reiterate Rating: BUY | PO: 500.00 USD | Price: 406.37 USD

Raise FY26/27E EPS by 8%, PO to \$500

Reiterate Buy on our top pick, raise FY26/27E pf-EPS by 8% each (despite higher tax rate and mix-driven GM pressure) to \$10.33/\$14.40, raise PO to \$500 from \$460 on unchanged 33x CY27E P/E. Stock sold-off post-market, perhaps due to some undue concerns around: 1) Backlog vs. bull-case expectations: \$73bn (and growing) AI backlog vs. consensus at \$69bn (next 6 qtrs) and vs. some bull-case expectations that could have been over \$80bn. AVGO's backlog/order visibility continues to build, and management commentary suggests \$50bn/\$100bn in AI sales is possible in FY26/27, inline with bull-case pre call; 2) OpenAI project start date: we still assume more FY27 than FY26, good in a way as it derisks FY26 AI outlook. The fifth customer AVGO added could potentially be Apple, in our view, given it's a traditional customer with long-term agreement for large-scale deployment; 3) GM pressure due to mix: fair concern and we lower our FY26/27E GM to 73%/71% vs. 75.4%/73.6% prior, but we believe opex can be maintained, keeping EBIT margins relatively steady; and 4) Premium valuation (vs. NVDA): 33x CY26 PE vs. NVDA 24x, the widest gap ever, which tends to seasonally converge in CQ1.

Likes: broadening customer mix, strengthening B/S

1) AVGO confirmed Anthropic as the 4th customer, with an additional \$11bn of orders (\$21bn total) for late-CY26 delivery. AVGO also announced its 5th customer designing its own custom ASIC over a "multi-year journey", with \$1bn of initial delivery order in CY26. OpenAI partnership to deploy 10 GW of custom compute capacity between 2H26-2029 also remains in-tact. 2) AVGO continues to generate \$7bn+/qtr of FCF which could help fuel additional M&A in the future, likely in the software space.

Risks: TPU content/competition, rack-scale GM headwinds

1) Google potentially pulling in design content internally over time, as well as MediaTek competition for TPUV8e (likely 10-20% of total v8 units) may reduce AVGO's addressable opportunity at Google/others. 2) Anthropic's \$21bn order involves AVGO's first rack-scale solution which likely has significantly lower GM (~50%?) than selling just the XPU's (low-60%) given the addition of many components that AVGO cannot upsell, though with flattish opex outlook, OpM could be maintained relatively steady.

Estimates (Oct) (US\$)	2024A	2025A	2026E	2027E	2028E
EPS	4.86	6.82	10.33	14.40	16.80
GAAP EPS	1.23	4.77	6.75	10.51	12.74
EPS Change (YoY)	15.2%	40.3%	51.5%	39.4%	16.7%
Consensus EPS (Bloomberg)			9.41	12.54	NA
Consensus EPS (Visible Alpha)			6.86	10.83	13.61
DPS	2.11	2.36	2.60	2.86	3.14
Valuation (Oct)					
P/E	83.6x	59.6x	39.3x	28.2x	24.2x
GAAP P/E	330.4x	85.2x	60.2x	38.7x	31.9x
Dividend Yield	0.5%	0.6%	0.6%	0.7%	0.8%
EV / EBITDA*	63.8x	47.7x	29.8x	21.9x	18.8x
Free Cash Flow Yield*	1.0%	1.4%	1.9%	3.2%	3.7%

* For full definitions of *IQmethod*SM measures, see page 12.

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Timestamp: 12 December 2025 02:13AM EST

12 December 2025

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	460.00	500.00
2026E Rev (m)	88,325.7	98,946.2
2027E Rev (m)	120,200.7	135,541.3
2028E Rev (m)	146,115.7	154,309.8
2026E EPS	9.54	10.33
2027E EPS	13.30	14.40
2028E EPS	16.43	16.80

Vivek Arya
Research Analyst
BofAS
vivek.arya@bofa.com

Duksan Jang
Research Analyst
BofAS
duksan.jang@bofa.com

Michael Mani
Research Analyst
BofAS
michael.mani@bofa.com

Liam Pharr
Research Analyst
BofAS
liam.pharr@bofa.com

Stock Data

Price	406.37 USD
Price Objective	500.00 USD
Date Established	12-Dec-2025
Investment Opinion	C-1-7
52-Week Range	138.10 USD - 414.61 USD
Mrkt Val (mn) / Shares Out (mn)	1,942,449 USD / 4,780.0
Free Float	98.1%
Average Daily Value (mn)	9365.87 USD
BofA Ticker / Exchange	AVGO / NAS
Bloomberg / Reuters	AVGO US / AVGO.OQ
ROE (2026E)	54.1%
Net Dbt to Eqty (Oct-2025A)	60.2%

Glossary

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iQprofileSM Broadcom Inc

iQmethodSM – Bus Performance*

(US\$ Millions)	2024A	2025A	2026E	2027E	2028E
Return on Capital Employed	17.6%	24.7%	29.7%	36.3%	35.6%
Return on Equity	51.8%	45.3%	54.1%	54.8%	46.6%
Operating Margin	59.6%	65.7%	64.5%	64.5%	65.5%
Free Cash Flow	19,414	26,914	37,831	62,034	71,613

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2024A	2025A	2026E	2027E	2028E
Cash Realization Ratio	0.8x	0.8x	0.8x	0.9x	0.9x
Asset Replacement Ratio	0.1x	0.1x	0.1x	0.2x	0.2x
Tax Rate	37.8%	NM	25.0%	25.0%	25.0%
Net Debt-to-Equity Ratio	86.0%	60.2%	27.1%	-8.4%	-30.6%
Interest Cover	7.8x	13.1x	23.3x	45.6x	NM

Income Statement Data (Oct)

(US\$ Millions)	2024A	2025A	2026E	2027E	2028E
Sales	51,574	63,887	98,946	135,541	154,310
% Change	44.0%	23.9%	54.9%	37.0%	13.8%
Gross Profit	39,459	50,245	72,343	96,182	110,037
% Change	47.5%	27.3%	44.0%	33.0%	14.4%
EBITDA	30,687	41,111	65,759	89,549	104,143
% Change	35.6%	34.0%	60.0%	36.2%	16.3%
Net Interest & Other Income	(3,535)	(2,916)	(2,277)	(1,452)	(627)
Net Income (Adjusted)	23,733	33,728	51,377	71,774	83,853
% Change	29.1%	42.1%	52.3%	39.7%	16.8%

Free Cash Flow Data (Oct)

(US\$ Millions)	2024A	2025A	2026E	2027E	2028E
Net Income from Cont Operations (GAAP)	6,168	23,126	33,040	51,541	62,570
Depreciation & Amortization	10,010	8,775	8,761	8,802	8,696
Change in Working Capital	(4,637)	(8,500)	(11,469)	(5,345)	(6,463)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	8,421	4,136	8,800	8,820	8,840
Capital Expenditure	(548)	(623)	(1,302)	(1,783)	(2,030)
Free Cash Flow	19,414	26,914	37,831	62,034	71,613
% Change	10.1%	38.6%	40.6%	64.0%	15.4%
Share / Issue Repurchase	(11,088)	(2,332)	(6,000)	(6,000)	(6,000)
Cost of Dividends Paid	(9,814)	(11,142)	(12,360)	(13,736)	(15,264)
Change in Debt	20,346	(2,812)	(16,504)	(16,504)	(16,504)

Balance Sheet Data (Oct)

(US\$ Millions)	2024A	2025A	2026E	2027E	2028E
Cash & Equivalents	9,348	16,178	19,144	44,938	78,783
Trade Receivables	4,416	7,145	13,779	15,213	17,592
Other Current Assets	5,831	8,250	11,017	11,184	11,860
Property, Plant & Equipment	2,521	2,530	3,019	3,688	4,451
Other Non-Current Assets	143,529	136,989	136,989	136,989	136,989
Total Assets	165,645	171,092	183,948	212,012	249,675
Short-Term Debt	1,271	3,152	3,152	3,152	3,152
Other Current Liabilities	15,426	15,362	17,294	17,550	18,143
Long-Term Debt	66,295	61,984	45,480	28,976	12,472
Other Non-Current Liabilities	14,975	9,302	9,302	9,302	9,302
Total Liabilities	97,967	89,800	75,228	58,980	43,069
Total Equity	67,678	81,292	108,720	153,032	206,606
Total Equity & Liabilities	165,645	171,092	183,948	212,012	249,675

* For full definitions of iQmethodSM measures, see page 12.

Company Sector

Semiconductors

Company Description

Broadcom has an extensive semiconductor product portfolio, which addresses applications within the wired infrastructure, wireless communications, enterprise storage, and industrial end markets. Applications for Broadcom's products in these end markets include data center networking, home connectivity, broadband access, telecommunications equipment, smartphones, base stations, servers, storage, factory automation, power generation, alternative energy systems, and displays.

Investment Rationale

We rate Broadcom Buy due to its high-quality diversified exposure to secular product cycles in the smartphone, cloud data center, telecom and enterprise storage markets. Additionally, with 45%+ EBITDA/FCF margins, Broadcom is among the most profitable semiconductor companies, which is likely to continue to drive strong cash returns.

Stock Data

Average Daily Volume 23,047,644

Quarterly Earnings Estimates

	2025	2026
Q1	1.60A	2.00E
Q2	1.58A	2.14E
Q3	1.69A	2.71E
Q4	1.95A	3.48E



Customer #5

AVGO has been mentioning there are only about potential 8-10 companies who can try to develop custom ASICs given the large-scale nature of the business. Google, Meta, ByteDance, Anthropic, OpenAI have already made the list, customer #5 is potentially the sixth customer (despite the misnomer) and could be Apple, in our view, given they are one of few remaining traditional companies with a deep enough balance sheet to fund long-term agreements.

Summary of model changes

Exhibit 1: Summary of sales and EPS changes

We increase FY26/27E sales by +12%/+13%, EPS by +8%/+8%

	Sales (\$mn, Non GAAP)			EPS (Non-GAAP)		
	Old	NEW	delta	Old	NEW	delta
1Q26E	\$18,361	\$19,106	\$745	\$1.95	\$2.00	\$0.05
2Q26E	\$19,813	\$20,005	\$192	\$2.13	\$2.14	\$0.01
3Q26E	\$24,138	\$26,121	\$1,983	\$2.62	\$2.71	\$0.09
4Q26E	\$26,014	\$33,715	\$7,701	\$2.85	\$3.48	\$0.63
FY26E	\$88,326	\$98,946	\$10,621	\$9.54	\$10.33	\$0.79
YoY%	39.5%	54.9%	12.0%	42.4%	51.4%	8.2%
1Q27E	\$27,197	\$31,279	\$4,082	\$2.99	\$3.26	\$0.27
2Q27E	\$29,114	\$33,416	\$4,302	\$3.21	\$3.54	\$0.33
3Q27E	\$30,996	\$34,598	\$3,602	\$3.43	\$3.70	\$0.27
4Q27E	\$32,894	\$36,248	\$3,355	\$3.66	\$3.90	\$0.24
FY27E	\$120,201	\$135,541	\$15,341	\$13.30	\$14.40	\$1.11
YoY%	36.1%	37.0%	12.8%	39.3%	39.4%	8.3%
CY25E	\$66,762	\$68,077	\$1,315	\$7.05	\$7.23	\$0.18
YoY	22.4%	24.8%	2.0%	31.6%	34.9%	2.5%
CY26E	\$97,162	\$111,119	\$13,957	\$10.58	\$11.59	\$1.01
YoY	45.5%	63.2%	14.4%	50.1%	60.4%	9.5%
CY27E	\$127,294	\$142,566	\$15,272	\$14.14	\$15.27	\$1.13
YoY	31.0%	28.3%	12.0%	33.6%	31.8%	8.0%

Source: BofA Global Research estimates, Bloomberg

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FQ4 reported vs expectations

Exhibit 2: Summary of FQ4 results

AVGO reported +3% better sales and +5% EPS better than consensus

FY (Oct)	Oct-24	Jul-25	Oct-25							
			Guidance	Street	BofA	BofA (new)	Delta vs. Street (%)	Delta vs. Street (\$)	QoQ	YoY
Sales (\$mn) Non GAAP	\$14,054	\$15,952	\$17,400	\$17,466	\$17,445	\$18,015	3.1%	\$549	12.9%	28.2%
QoQ%	7.5%	6.3%		9.5%	9.4%	12.9%				
Semiconductor Solutions	8,230	9,166	10,700	10,719	10,740	11,072	3.3%	\$353	20.8%	34.5%
AI	3,740	5,220	6,200	6,135	6,183	6,500	5.9%	\$365	24.5%	73.8%
AI Networking	1,440	1,866		1,986	1,878	1,900	-4.3%	(\$86)	1.8%	31.9%
AI Compute	2,300	3,354		4,149	4,305	4,600	10.9%	\$451	37.1%	100.0%
Non-AI	4,490	3,946		5,031	4,557	4,572	-9.1%	(\$459)	15.9%	1.8%
Infrastructure Software	5,824	6,786	6,700	6,733	6,705	6,943	3.1%	\$210	2.3%	19.2%
Gross Margin (Non GAAP) %	76.9%	78.4%		77.6%	77.2%	77.9%	30 bps		-42 bps	98 bps
Gross Profit (Non GAAP)	10,814	12,499			13,472	14,039			12.3%	29.8%
R&D (Non GAAP)	1,395	1,477			1,580	1,525			3.2%	9.3%
SG&A (Non GAAP)	608	567			601	593			4.6%	-2.5%
Opex Total (Non GAAP)	2,003	2,044			2,181	2,118			3.6%	5.7%
Operating Income (Non GAAP)	8,811	10,455		\$11,413	11,290	11,921	4.5%	\$508.5	14.0%	35.3%
Op Margin %	62.7%	65.5%		65.3%	64.7%	66.2%	83 bps		63 bps	348 bps
Adj. EBITDA	9,089	10,702		11,642	11,543	12,218			14.2%	34.4%
Adj. EBITDA margin %	64.7%	67.1%	67.0%	66.7%	66.2%	67.8%			73 bps	315 bps
		6.0%								
Net Income (Non GAAP)	6,965	8,404			9,102	9,714			15.6%	39.5%
Diluted EPS (Non GAAP)	\$1.42	\$1.69		\$1.87	\$1.83	\$1.95	4.7%	\$0.09	15.7%	37.7%
Diluted Shares (Non GAAP)	4,905	4,972			4,965	4,969			-0.1%	1.3%

Source: BofA Global Research estimates, Bloomberg, Visible Alpha, company reports

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FQ1 guidance vs. expectations

Exhibit 3: Summary of FQ1 Guidance

AVGO provided sales guide also generally above consensus

FY (Oct)	Oct-25	Jan-26E			
	Reported	BofA	Street	Guidance	BofA (new)
Sales (\$mn) Non GAAP	\$18,015	\$18,361	\$18,470	\$19,100	\$19,106
QoQ%	12.9%	5.3%	5.7%		6.1%
Semiconductor Solutions	11,072	11,523	11,140	12,300	12,302
AI	6,500	6,920	6,847	8,200	8,202
AI Networking	1,900	1,972	2,128		2,052
AI Compute	4,600	4,948	4,719		6,150
Non-AI	4,572	4,602	4,898	4,100	4,100
Infrastructure Software	6,943	6,839	7,035	800	6,804
Gross Margin (Non GAAP) %	77.9%	77.0%	77.2%	76.9%	76.9%
Gross Profit (Non GAAP)	14,039	14,132			14,688
R&D (Non GAAP)	1,525	1,596			1,533
SG&A (Non GAAP)	593	604			593
Opex Total (Non GAAP)	2,118	2,200			2,126
Operating Income (Non GAAP)	11,921	11,931	\$11,988		12,562
Op Margin %	66.2%	65.0%	64.9%		65.7%
Adj. EBITDA	12,218	12,192	12,187		12,868
Adj. EBITDA margin %	67.8%	66.4%	66.0%	67.0%	67.4%
Net Income (Non GAAP)	9,714	9,675			9,949
Diluted EPS (Non GAAP)	\$1.95	\$1.95	\$1.98		\$2.00
Diluted Shares (Non GAAP)	4,969	4,967		4,970	4,970

Source: BofA Global Research estimates, Bloomberg, Visible Alpha, company reports

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Balance sheet, cash flow snapshot

Exhibit 4: Summary of cash positioning and inventory balance

AVGO net cash position increased QoQ in F4Q25

	4Q24	1Q25	2Q25	3Q25	4Q25		
	Oct-24	Jan-25	Apr-25	Jul-25	Oct-25	QoQ	YoY
Total Cash	\$9,348	\$9,307	\$9,472	\$10,718	16,178	50.9%	73.1%
ST Debt	\$1,271	\$5,653	\$5,531	\$1,399	3,152		
LT Debt	\$66,295	\$60,926	\$61,751	\$62,830	61,984		
Total Debt	\$67,566	\$66,579	\$67,282	\$64,229	65,136		
Net Cash	(\$58,218)	(\$57,272)	(\$57,810)	(\$53,511)	(\$48,958)		
Net Cash/Share	(\$11.87)	(\$11.70)	(\$11.71)	(\$10.76)	(\$9.85)		
DSO	28.7	30.3	33.8	37.1	36.19		
DPO	30.0	36.4	24.6	24.9	24.69		
Inventory \$	1,760	1,908	2,017	2,180	2,270	4.1%	29.0%
Inventory Turns	11.5	10.0	9.5	9.6	10.16		
Inventory Days	31.8	36.5	38.3	37.9	35.9	-5.2%	13.0%
Cash Conversion days	30.4	30.4	47.5	50.2	47.4		
Cash Flow from Ops	\$5,604	\$6,113	\$6,555	\$7,166	7,703	7.5%	37.5%
Capex	(\$122)	(\$100)	(\$144)	(\$142)	(237)	66.9%	94.3%
Free cash flow	\$5,482	\$6,013	\$6,411	\$7,024	7,466	6.3%	36.2%
EBITDA	\$4,627	\$6,260	\$5,829	\$5,887	7,508	27.5%	62.3%

Source: BofA Global Research, company reports

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Glossary

AVGO: Broadcom

ASIC: Application specific integrated circuit

AI: Artificial intelligence

genAI: generative AI

GPU: Graphics processing unit

TPU: Tensor processing unit

XPU: X processing unit, custom silicon

NVDA: Nvidia

MRVL: Marvell

GPU: Graphics Processing Unit

D: Dimension

SAM: Serviceable Addressable Market

SerDes: Serializer/Deserializer

G: Gigabit

T: Terabit

GW: Gigawatt

GCP: Google Cloud Platform

TAM: Total Addressable Market

Cons: Consensus

Ests: Estimates

L-t: Long-term

n-t: near-term

DC: Data center

Mgmt: Management

Cust: Customer

Pot'l: Potential

Hist: Historical

Req: Requiring

Mkt: Market



**Exhibit 5: AVGO – Income Statement (\$mn)**

We model FY26 sales of \$99bn, up +55% YoY

FY (Oct) (\$mn)	1Q25 Jan-25	2Q25 Apr-25	3Q25 Jul-25	4Q25 Oct-25	1Q26E Jan-26E	2Q26E Apr-26E	3Q26E Jul-26E	4Q26E Oct-26E	1Q27E Jan-27E	2Q27E Apr-27E	3Q27E Jul-27E	4Q27E Oct-27E	FY26E Oct-26E	FY27E Oct-27E	CY25E Jan-26E	CY26E Jan-27E
Net revenue (Non-GAAP)	\$14,916	\$15,004	\$15,952	\$18,015	\$19,106	\$20,005	\$26,121	\$33,715	\$31,279	\$33,416	\$34,598	\$36,248	\$98,946	\$135,541	\$68,077	\$111,119
QoQ %	6.1%	0.6%	6.3%	12.9%	6.1%	4.7%	30.6%	29.1%	-7.2%	6.8%	3.5%	4.8%				
YoY %	24.7%	20.2%	22.0%	28.2%	28.1%	33.3%	63.7%	87.1%	63.7%	67.0%	32.5%	7.5%	54.9%	37.0%	24.8%	63.2%
Total cost of product sold (GAAP)	4771	4807	5249	5766	6151	6273	9025	12086	10920	11392	11656	12166	33536	46134	21973	38304
Gross Profit (Non-GAAP)	11796	11911	12499	14039	14688	15465	18828	23362	22052	23718	24636	25776	72343	96182	53137	79707
R&D (Non-GAAP)	1431	1524	1477	1525	1533	1533	1533	1548	1556	1571	1587	1603	6146	6317	11797	12332
SG&A (Non-GAAP)	537	594	567	593	593	596	599	602	605	611	617	623	2390	2456	2347	2402
Opex (Non-GAAP)	1968	2118	2044	2118	2126	2129	2132	2150	2161	2182	2204	2226	8536	8773	8406	8571
Operating Income (Non-GAAP)	9828	9793	10455	11921	12562	13336	16697	21212	19892	21535	22432	23550	63807	87409	44731	71136
EBITDA	9419	9805	10367	11519	12968	13798	17212	21781	20462	22074	22961	24052	65759	89549	44660	73252
Net financial income (Non-GAAP)	-732	-738	-683	-625	-647	-595	-543	-492	-440	-389	-337	-286	-2277	-1452	-2693	-2071
Pretax Income (Non-GAAP)	9096	9055	9772	11296	11916	12741	16153	20720	19451	21147	22094	23264	61530	85957	42039	69066
Tax expense (Non-GAAP)	1273	1268	1368	1582	1966	2102	2665	3419	3209	3489	3646	3839	10152	14183	6184	11396
Net Income Cont Ops (Non-GAAP)	7823	7787	8404	9714	9949	10639	13488	17301	16242	17658	18449	19426	51377	71774	35854	57670
Dil. EPS (incl. options) (Non-GAAP)	\$1.37	\$1.27	\$1.29	\$1.58	\$1.63	\$1.77	\$2.34	\$3.11	\$2.89	\$3.17	\$3.33	\$3.53	\$8.85	\$12.93	\$5.77	\$10.11
YoY	68.7%	49.5%	28.7%	32.6%	18.9%	39.5%	81.7%	97.3%	77.2%	79.4%	42.3%	13.5%	60.8%	46.0%	30.8%	75.4%
Total stock comp expense	1280	1771	2322	2195	2200	2200	2200	2200	2205	2205	2205	2205	8800	8820	8488	8805
Dil EPS (ex options) (Non-GAAP)	\$1.60	\$1.58	\$1.69	\$1.95	\$2.00	\$2.14	\$2.71	\$3.48	\$3.26	\$3.54	\$3.70	\$3.90	\$10.33	\$14.40	\$7.23	\$11.59
GAAP Net Income	5503	4965	4140	8518	5660	6279	8838	12263	11357	12628	13339	14216	33040	51541	23283	38737
GAAP Diluted EPS	\$1.14	\$1.03	\$0.85	\$1.74	\$1.16	\$1.28	\$1.81	\$2.50	\$2.32	\$2.58	\$2.72	\$2.90	\$6.75	\$10.51	\$4.78	\$7.91
Diluted Shares	4836	4826	4860	4889	4890	4892	4895	4897	4899	4901	4904	4906	4893	4903	4866	4896
Diluted Shares (Non-GAAP)	4895	4937	4972	4969	4970	4972	4975	4977	4979	4982	4984	4986	4974	4983	4962	4976
Dividends	\$0.59	\$0.59	\$0.59	\$0.59	\$0.65	\$0.65	\$0.65	\$0.65	\$0.71	\$0.71	\$0.71	\$0.71	\$2.60	\$2.86	\$2.42	\$2.66
Non-GAAP Margins (ex SBC)																
Gross Margin	79.1%	79.4%	78.4%	77.9%	76.9%	77.3%	72.1%	69.3%	70.5%	71.0%	71.2%	71.1%	73.1%	71.0%	78.1%	71.7%
R&D Expense	9.6%	10.2%	9.3%	8.5%	8.0%	7.7%	5.9%	4.6%	5.0%	4.7%	4.6%	4.4%	6.2%	4.7%	8.9%	5.6%
SG&A Expense	3.6%	4.0%	3.6%	3.3%	3.1%	3.0%	2.3%	1.8%	1.9%	1.8%	1.8%	1.7%	2.4%	1.8%	3.4%	2.2%
Total Opex	13.2%	14.1%	12.8%	11.8%	11.1%	10.6%	8.2%	6.4%	6.9%	6.5%	6.4%	6.1%	8.6%	6.5%	12.3%	7.7%
Operating Margin	65.9%	65.3%	65.5%	66.2%	65.7%	66.7%	63.9%	62.9%	63.6%	64.4%	64.8%	65.0%	64.5%	64.5%	65.7%	64.0%
EBITDA margin	63.2%	65.4%	65.0%	63.9%	67.9%	69.0%	65.9%	64.6%	65.4%	66.1%	66.4%	66.4%	66.5%	66.1%	65.6%	65.9%

Source: BofA Global Research estimates, company report

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Exhibit 6: AVGO – Segment model (\$mn)

We model AI Semis growth in FY26 of roughly +157% YoY

FY (Oct) (\$mn)	1Q25 Jan-25	2Q25 Apr-25	3Q25 Jul-25	4Q25 Oct-25	1Q26E Jan-26E	2Q26E Apr-26E	3Q26E Jul-26E	4Q26E Oct-26E	1Q27E Jan-27E	2Q27E Apr-27E	3Q27E Jul-27E	4Q27E Oct-27E	FY26E Oct-26E	FY27E Oct-27E	CY25E Jan-26E	CY26E Jan-27E
Semis	8,216	8,408	9,166	11,072	12,302	12,657	18,331	25,769	23,254	25,351	26,493	28,062	69,059	103,161	40,948	80,011
AI Semis	4,100	4,404	5,220	6,500	8,202	8,625	14,116	21,056	18,714	21,008	22,089	23,317	52,000	85,128	24,326	62,511
AI Networking	1,640	1,762	1,866	1,900	2,052	2,175	2,414	2,608	2,764	2,985	3,134	3,260	9,249	12,143	7,580	9,961
AI Compute	2,460	2,642	3,354	4,600	6,150	6,450	11,702	18,449	15,950	18,023	18,955	20,058	42,751	72,985	16,746	52,550
Non-AI Semis	4,116	4,004	3,946	4,572	4,100	4,031	4,215	4,713	4,541	4,344	4,404	4,745	17,060	18,033	16,622	17,500
Infra Software	6,700	6,596	6,786	6,943	6,804	7,348	7,789	7,945	8,025	8,065	8,105	8,186	29,887	32,381	27,129	31,108
Total Sales	\$14,916	\$15,004	\$15,952	\$18,015	\$19,106	\$20,005	\$26,121	\$33,715	\$31,279	\$33,416	\$34,598	\$36,248	\$98,946	\$135,541	\$68,077	\$111,119
QoQ %																
Semis	-0.2%	2.3%	9.0%	20.8%	11.1%	2.9%	44.8%	40.6%	-9.8%	9.0%	4.5%	5.9%				
AI Semis	9.6%	7.4%	18.5%	24.5%	26.2%	5.2%	63.7%	49.2%	-11.1%	12.3%	5.1%	5.6%				
AI Networking	13.9%	7.4%	5.9%	1.8%	8.0%	6.0%	11.0%	8.0%	6.0%	8.0%	5.0%	4.0%				
AI Compute	7.0%	7.4%	26.9%	37.1%	33.7%	4.9%	81.4%	57.7%	-13.5%	13.0%	5.2%	5.8%				
Non-AI Semis	-8.3%	-2.7%	-1.4%	15.9%	-10.3%	-1.7%	4.6%	11.8%	-3.7%	-4.3%	1.4%	7.7%				
Infra Software	15.0%	-1.6%	2.9%	2.3%	-2.0%	8.0%	6.0%	2.0%	1.0%	0.5%	0.5%	1.0%				
Total Sales	6.1%	0.6%	6.3%	12.9%	6.1%	4.7%	30.6%	29.1%	-7.2%	6.8%	3.5%	4.8%				
YoY %																
Semis	11.2%	16.7%	26.0%	34.5%	49.7%	50.5%	100.0%	132.7%	89.0%	100.3%	44.5%	8.9%	87.3%	49.4%	32.4%	95.4%
AI Semis	77.0%	46.1%	64.1%	73.8%	100.0%	95.9%	170.4%	223.9%	128.2%	143.6%	56.5%	10.7%	157.1%	63.7%	73.3%	157.0%
AI Networking	134.3%	171.0%	77.7%	31.9%	25.1%	23.4%	29.4%	37.2%	34.7%	37.2%	29.8%	25.0%	29.0%	31.3%	58.6%	31.4%
AI Compute	52.2%	11.7%	57.4%	100.0%	150.0%	144.1%	248.9%	301.1%	159.4%	179.4%	62.0%	8.7%	227.4%	70.7%	80.9%	213.8%
Non-AI Semis	-18.9%	-4.4%	-3.6%	1.8%	-0.4%	0.7%	6.8%	3.1%	10.7%	7.8%	4.5%	0.7%	2.5%	5.7%	-1.6%	5.3%
Infra Software	46.6%	24.8%	17.0%	19.2%	1.6%	11.4%	14.8%	14.4%	17.9%	9.7%	4.1%	3.0%	10.6%	8.3%	14.9%	14.7%
Total Sales	24.7%	20.2%	22.0%	28.2%	28.1%	33.3%	63.7%	87.1%	63.7%	67.0%	32.5%	7.5%	54.9%	37.0%	24.8%	63.2%
% of revenues																
Semis	55.1%	56.0%	57.5%	61.5%	64.4%	63.3%	70.2%	76.4%	74.3%	75.9%	76.6%	77.4%	69.8%	76.1%	60.1%	72.0%
AI Semis	27.5%	29.4%	32.7%	36.1%	42.9%	43.1%	54.0%	62.5%	59.8%	62.9%	63.8%	64.3%	52.6%	62.8%	35.7%	56.3%
AI Networking	11.0%	11.7%	11.7%	10.5%	10.7%	10.9%	9.2%	7.7%	8.8%	8.9%	9.1%	9.0%	9.3%	9.0%	11.1%	9.0%
AI Compute	16.5%	17.6%	21.0%	25.5%	32.2%	32.2%	44.8%	54.7%	51.0%	53.9%	54.8%	55.3%	43.2%	53.8%	24.6%	47.3%
Non-AI Semis	27.6%	26.7%	24.7%	25.4%	21.5%	20.2%	16.1%	14.0%	14.5%	13.0%	12.7%	13.1%	17.2%	13.3%	24.4%	15.7%
Infra Software	44.9%	44.0%	42.5%	38.5%	35.6%	36.7%	29.8%	23.6%	25.7%	24.1%	23.4%	22.6%	30.2%	23.9%	39.9%	28.0%
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: BofA Global Research estimates, company reports

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Exhibit 7: AVGO – Balance Sheet (\$mn)

AVGO has a significant net debt position of \$49bn

FY (Oct) (\$mn)	1Q25 Jan-25	2Q25 Apr-25	3Q25 Jul-25	4Q25 Oct-25	1Q26E Jan-26E	2Q26E Apr-26E	3Q26E Jul-26E	4Q26E Oct-26E	1Q27E Jan-27E	2Q27E Apr-27E	3Q27E Jul-27E	4Q27E Oct-27E	FY26E Oct-26E	FY27E Oct-27E	CY25E Jan-26E	CY26E Jan-27E
ASSETS																
Current assets:																
Cash and cash equivalents	9307	9472	10718	16178	14331	14912	15686	19144	24365	29882	37123	44938	19144	44938	14331	24365
Trade accounts receivable, net	4955	5563	6494	7145	7809	8176	10675	13779	12783	14024	14520	15213	13779	15213	7809	12783
Inventory	1908	2017	2180	2270	2496	2614	3761	5037	4551	4873	4986	5204	5037	5204	2496	4551
Assets of Discontinued Operation																
Other current assets	4820	5129	5606	5980	5980	5980	5980	5980	5980	5980	5980	5980	5980	5980	5980	5980
Total current assets	20990	22181	24998	31573	30615	31682	36103	43940	47680	54758	62609	71334	43940	71334	30615	47680
Property, plant and equipment, net	2465	2462	2451	2530	2624	2723	2852	3019	3173	3338	3509	3688	3019	3688	2624	3173
Goodwill	97871	97801	97801	97801	97801	97801	97801	97801	97801	97801	97801	97801	97801	97801	97801	97801
Intangible assets, net	38583	36393	34344	32273	32273	32273	32273	32273	32273	32273	32273	32273	32273	32273	32273	32273
Other long-term assets	5449	5793	6027	6915	6915	6915	6915	6915	6915	6915	6915	6915	6915	6915	6915	6915
Total assets	165358	164630	165621	171092	170229	171394	175944	183948	187842	195086	203107	212012	183948	212012	170229	187842
LIABILITY AND SE																
Current liabilities:																
Accounts payable	1905	1297	1432	1560	1669	1702	2449	3279	2963	3091	3162	3301	3279	3301	1669	2963
Employee compensation and benefits	922	1266	1719	2129	1014	1393	1891	2342	1116	1532	2080	2576	2342	2576	1014	1116
Capital lease obligations - current																
Other current liabilities	12430	12503	12154	11673	11673	11673	11673	11673	11673	11673	11673	11673	11673	11673	11673	11673
Current portion of long-term debt	5653	5531	1399	3152	3152	3152	3152	3152	3152	3152	3152	3152	3152	3152	3152	3152
Total current liabilities	20910	20597	16704	18514	17508	17920	19164	20446	18903	19447	20067	20702	20446	20702	17508	18903
Long-term liabilities:																
Long-term debt	60926	61751	62830	61984	57858	53732	49606	45480	41354	37228	33102	28976	45480	28976	57858	41354
Capital lease obligations - non-current																
Other long-term liabilities	13733	12696	12810	9302	9302	9302	9302	9302	9302	9302	9302	9302	9302	9302	9302	9302
Total liabilities	95569	95044	92344	89800	84668	80954	78072	75228	69559	65977	62471	58980	75228	58980	84668	69559
Total shareholders' equity	69789	69586	73277	81292	85561	90441	97872	108720	118283	129109	140636	153032	108720	153032	85561	118283
Liabilities and SE	165358	164630	165621	171092	170229	171394	175944	183948	187842	195086	203107	212012	183948	212012	170229	187842
Total cash incl. equivalents	9307	9472	10718	16178	14331	14912	15686	19144	24365	29882	37123	44938	19144	44938	14331	24365
Short-term debt	5653	5531	1399	3152	3152	3152	3152	3152	3152	3152	3152	3152	3152	3152	3152	3152
Long-term debt	60926	61751	62830	61984	57858	53732	49606	45480	41354	37228	33102	28976	45480	28976	57858	41354
Total debt	66579	67282	64229	65136	61010	56884	52758	48632	44506	40380	36254	32128	48632	32128	61010	44506
Net Cash	(\$57,272)	(\$57,810)	(\$53,511)	(\$48,958)	(\$46,679)	(\$41,972)	(\$37,072)	(\$29,488)	(\$20,141)	(\$10,498)	\$869	\$12,810	(\$29,488)	\$12,810	(\$46,679)	(\$20,141)
Net Cash/dil. share	(\$11.70)	(\$11.71)	(\$10.76)	(\$9.85)	(\$9.39)	(\$8.44)	(\$7.45)	(\$5.92)	(\$4.04)	(\$2.11)	\$0.17	\$2.57	(\$5.92)	\$2.57	(\$9.39)	(\$4.04)

Source: BofA Global Research estimates, company reports

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Exhibit 8: AVGO – Statement of Cash Flows (\$mn)

AVGO generates leading FCF margins of ~40%+

FY (Oct)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	FY26E	FY27E	CY25E	CY26E
(\$mn)	Jan-25	Apr-25	Jul-25	Oct-25	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Oct-26E	Oct-27E	Jan-26E	Jan-27E
Net income	5503	4965	4140	8518	5660	6279	8838	12263	11357	12628	13339	14216	33040	51541	23283	38737
Reconciliations to net income																
Depreciation and amortization	2174	2166	2202	2233	2144	2151	2202	2264	2179	2197	2206	2220	8761	8802	8745	8796
Loss on extinguishment of debt																
Loss on disposal of PP&E																
Share-based compensation	1280	1771	2322	2195	2200	2200	2200	2200	2205	2205	2205	2205	8800	8820	8488	8805
Tax benefits of share-based comp.																
Excess tax benefits from share comp																
Trade accounts receivable	-539	-590	-937	-651	-664	-367	-2499	-3104	995	-1241	-496	-692	-6634	-1434	-2842	-4975
Inventory	-148	-109	-163	-90	-226	-118	-1147	-1275	486	-322	-113	-218	-2767	-167	-588	-2055
Accounts payable	241	-613	136	118	109	33	747	830	-316	128	72	138	1719	22	-250	1294
Employee compensation/benefits	-908	287	511	410	-1115	378	498	451	-1226	416	548	496	213	234	93	101
Other current assets & liabilities	26	-55	-999	-809	-500	-500	-500	-500	-500	-500	-500	-500	-2000	-2000	-2363	-2000
Other LT assets and liabilities	-1023	-830	-442	-1323	-500	-500	-500	-500	-500	-500	-500	-500	-2000	-2000	-3095	-2000
Net cash from operating activities	\$6,113	\$6,555	\$7,166	\$7,703	\$7,108	\$9,556	\$9,838	\$12,630	\$14,680	\$15,012	\$16,761	\$17,365	\$39,132	\$63,817	\$28,532	\$46,703
Purchases of PP&E	-100	-144	-142	-237	-251	-263	-344	-444	-411	-440	-455	-477	-1302	-1783	-774	-1462
Acquisitions and investments (net)			-64	-130											-194	
Proceeds from disposal of PP&E	13	-10													-10	
Net cash used in investing activities	-\$174	-\$133	\$94	-\$367	-\$251	-\$263	-\$344	-\$444	-\$411	-\$440	-\$455	-\$477	-\$1,302	-\$1,783	-\$657	-\$1,462
Debt repayments	-8090		-6750	-4126	-4126	-4126	-4126	-4126	-4126	-4126	-4126	-4126	-16504	-16504	-15002	-16504
Issuance of ordinary shares (net)		118													118	
Repurchase of ordinary shares		-2450			-1500	-1500	-1500	-1500	-1500	-1500	-1500	-1500	-6000	-6000	-3950	-6000
Dividend payments to shareholders	-2774	-2785	-2786	-2797	-3078	-3086	-3094	-3102	-3421	-3430	-3438	-3447	-12360	-13736	-11446	-12703
Payment on capital lease obligation																
Excess tax benefits from stock comp	-46	-4	-7	-27											-38	
Net cash from financing activities	-\$5,980	-\$6,257	-\$6,014	-\$1,876	-\$8,704	-\$8,712	-\$8,720	-\$8,728	-\$9,047	-\$9,056	-\$9,064	-\$9,073	-\$34,864	-\$36,240	-\$22,851	-\$35,207
Increase in cash and equivalents	-41	165	1246	5460	-1847	581	775	3458	5221	5516	7241	7815	2966	25794	5024	10035
Free Cash Flow, quarterly	6013	6411	7024	7466	6857	9293	9495	12186	14268	14572	16306	16888	37831	62034	27758	45242
Free Cash Flow / Share	\$1.23	\$1.30	\$1.41	\$1.50	\$1.38	\$1.87	\$1.91	\$2.45	\$2.87	\$2.93	\$3.27	\$3.39	\$7.61	\$12.45	\$5.59	\$9.09
Free Cash Flow as % of Sales (ttm)	38%	40%	42%	42%	41%	42%	40%	38%	41%	41%	43%	46%				

Source: BofA Global Research estimates, company reports

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Price objective basis & risk

Broadcom Inc (AVGO)

Our \$500 price objective for Broadcom is based on 33x CY27E P/E, at the upper end of its 11x-41x historical range, still in-line with 1x-2x PEG framework for high-growth compute vendors, and justified given double-digit EPS growth and best-in-semis profitability, FCF generation, and returns.

Downside risks to our price objective are: 1) semiconductor cycle risks, including sensitivity to fundamental or sentiment shifts in AI theme, 2) high exposure to Apple and Google with potential design out risks, 3) competitive risks in networking, smartphone, storage, enterprise software markets, including rising NVDA competition in networking, 4) frequent acquirer of assets, which increases financial and integration risks, and 5) large \$60bn net-debt.

Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Allegro Microsystems	ALGM	ALGM US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Michael Mani
	Credo Technology	CRDO	CRDO US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	MKS Instruments	MKSI	MKSI US	Michael Mani
	Nova	NVMI	NVMI US	Michael Mani
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
NEUTRAL				
	Ambarella	AMBA	AMBA US	Vivek Arya
	Amiq Micro, Inc.	AMBQ	AMBQ US	Vivek Arya
	Astera Labs Inc	ALAB	ALAB US	Vivek Arya
	Coherent Corp	COHR	COHR US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Marvell Technology, Inc.	MRVL	MRVL US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
UNDERPERFORM				
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Duksan Jang
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya



US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
RVW	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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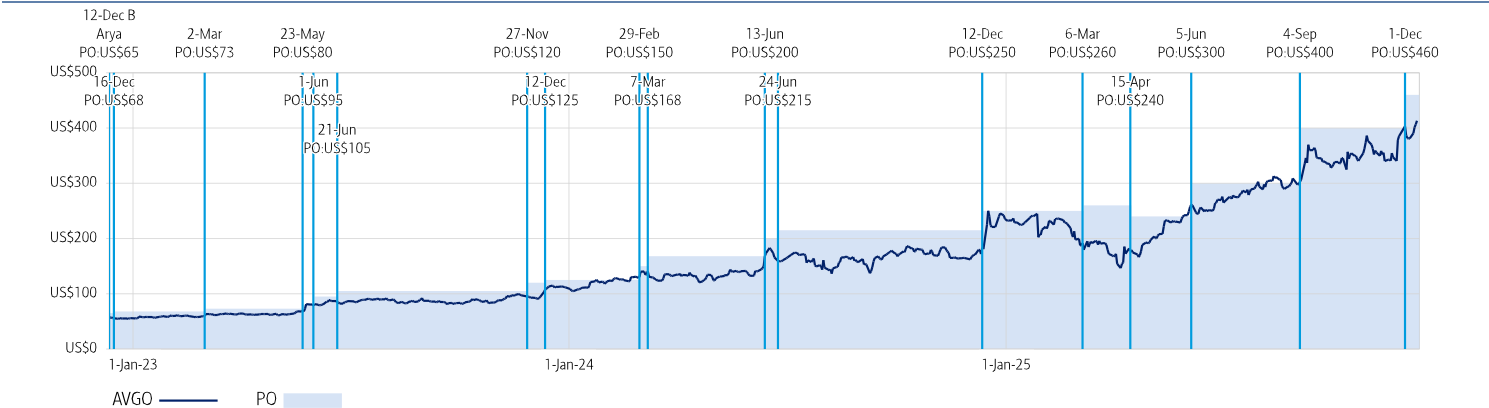
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Broadcom (AVGO) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 30 Sep 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	195	51.72%	Buy	99	50.77%
Hold	103	27.32%	Hold	52	50.49%
Sell	79	20.95%	Sell	23	29.11%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1816	53.11%	Buy	1062	58.48%
Hold	825	24.13%	Hold	480	58.18%
Sell	778	22.76%	Sell	385	49.49%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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