

# Broadcom FY2024 + FY2025 Run-Rate Due Diligence Brief

22 November 2025

## Executive takeaways

- Broadcom closed FY2024 at \$51.6B in revenue (+44% YoY) with 63% gross margin, but VMware-driven amortization cut GAAP operating income to \$13.5B (26% margin) and net income to \$5.9B (11% margin), highlighting the GAAP/non-GAAP spread investors must underwrite (FY2024 Form 10-K).
- Mix shifted sharply toward software: infrastructure software revenue jumped 181% YoY to \$21.5B and now represents 42% of company sales, while subscriptions and services contributed 41% of FY2024 revenue (FY2024 Form 10-K, Segment Note).
- Cash generation remained robust — operating cash flow reached \$20.0B (39% margin) and free cash flow \$19.4B — supporting \$9.8B of dividends (\$2.105/share post split) and \$7.2B of buybacks even as net debt sits at roughly \$58B (Cash Flow and Capital Returns tables).
- Infrastructure software leverage is visible in recent filings: the August 4, 2024 Form 10-Q shows software already 44% of quarterly revenue, while the September 4, 2025 Q3 release reported record \$16.0B revenue, \$5.2B AI semiconductor sales (+63% YoY) and Q4 guidance of \$17.4B, implying another step-up in software attach.
- Balance sheet quality is defined by intangibles (\$98B goodwill and \$40.6B intangibles equal 84% of assets) and customer concentration (top distributor = 26% of Q3 FY2024 revenue), reinforcing the need to monitor VMware integration, deferred revenue durability and AI networking demand concentration (FY2024 Form 10-K and Q3 FY2024 Form 10-Q).

## Source corpus

- Broadcom Inc. Form 10-K for the fiscal year ended November 3, 2024 (filed Dec 2024) plus accompanying Excel financial statement extract ('Broadcom\_10k\_2024.xls').
- Broadcom Inc. Form 10-Q for the quarter ended August 4, 2024 (filed September 2024).
- "Broadcom Inc. Announces Third Quarter Fiscal Year 2025 Financial Results and Quarterly Dividend" press release dated 4 September 2025.
- "Semiconductor List.xlsx" peer comp sheet (for market multiples and consensus guardrails).

## Hybrid platform map (Semiconductor & Software)

- **Semiconductor Solutions** (FY2024 Form 10-K, pp. 5–7): custom ASICs for cloud AI accelerators, networking (Ethernet, InfiniBand, optical), broadband CPE/CO silicon, storage controllers, industrial/auto optoelectronics. Strength remains in bespoke silicon for hyperscalers and telcos.
- **Infrastructure Software:** VMware Cloud Foundation (VCF), Tanzu application platform, VeloCloud SD-WAN/SASE, application networking and security (lateral firewalling + load balancing), mainframe (CA) portfolio, enterprise security, Fibre Channel SAN automation, Arcot

payment security. VMware Cloud Foundation and Private AI services provide license portability between on-prem and hyperscaler endpoints (10-K, Software Portfolio table).

- **Flywheel:** Custom AI silicon and Ethernet/optical attach feed massive VMware estates as customers standardize modern private clouds, then extend to SD-WAN and security. Software ARR boosts visibility, while ASIC wins defend hardware share.

## FY2024 scoreboard

Metric (\$B unless noted)	FY2024	FY2023	YoY
Revenue	51.6	35.8	+44%
Gross margin	32.5	24.7	+32%
Operating income	13.5	16.2	-17%
Net income	5.9	14.1	-58%
Operating cash flow	20.0	18.1	+10%
Capital expenditures	0.6	0.5	+21%
Free cash flow	19.4	17.6	+10%
R&D as % of revenue	18.1%	14.7%	+340 bps
Diluted EPS (USD, split-adjusted)	1.23	3.30	-63%

Table 1: Consolidated results from FY2024 Form 10-K (all figures in millions converted to billions).

Observations:

- VMware closing (Nov 2023) turned Broadcom into a 60/40 hardware/software company but dragged GAAP profitability via \$6.0B amortization embedded in cost of revenue and opex.
- Free cash flow margin remained 38%, funding both elevated dividends (\$9.8B) and \$7.2B buybacks even with \$40B of new borrowings to refinance VMware-related debt (Cash Flow Statement).
- R&D dollars jumped 77% YoY to \$9.3B, lifting R&D intensity to 18% as management re-invests in VMware Cloud Foundation, Private AI services and networking silicon.

## Revenue mix and business model

Segment (\$B)	FY2024	FY2023	YoY	FY2024 mix
Semiconductor solutions	30.1	28.2	+7%	58%
Infrastructure software	21.5	7.6	+181%	42%
Total	51.6	35.8	+44%	100%

Table 2: Segment revenue from FY2024 Form 10-K, Note 13.

- Products still comprise 59% of FY2024 revenue (\$30.4B, +9% YoY) while subscriptions/services scaled to 41% (\$21.2B, +168% YoY), giving Broadcom a more software-like backlog profile (Disaggregation tables).

- Infrastructure software posted \$14.0B operating income (+148% YoY) despite \$3.2B amortization, underscoring VMware's leverage relative to hardware (Segment operating results).
- Top distributor accounted for 26% of Q3 FY2024 revenue and top-five end customers 35%, so diversification hinges on VMware upsells and AI customer wins (Q3 FY2024 Form 10-Q).

## Balance sheet and liquidity

(\$B)	Nov 3 2024	Oct 29 2023
Cash and cash equivalents	9.3	14.2
Trade receivables	4.4	3.2
Inventory	1.8	1.9
Total current assets	19.6	20.8
Current liabilities	16.7	7.4
Long-term debt	66.3	37.6
Total liabilities	98.0	48.9
Stockholders' equity	67.7	24.0
Goodwill	97.9	43.7
Intangible assets, net	40.6	3.9

Table 3: Condensed balance sheet from FY2024 Form 10-K.

Highlights:

- Goodwill plus intangibles equal 84% of assets post-VMware; impairment sensitivity is material if VMware renewals falter.
- Net debt is roughly \$58B (short + long-term debt minus cash), so sustaining FCF > \$15B is key to debt paydown while maintaining a \$10B+ dividend.
- Deferred revenue from VMware subscriptions now funds working capital but requires high renewal rates to avoid cash cliffs.

## Latest prints

### Q3 FY2024 Form 10-Q (quarter ended August 4, 2024)

- Net revenue \$13.1B (+47% YoY) with semiconductor 56% / infrastructure software 44% mix; AI networking demand offset weaker broadband/storage, while VMware drove software growth (10-Q MD&A).
- Gross margin was \$8.4B (64% of sales) versus 69% prior-year as amortization of VMware intangibles pressured margins.
- Research and development expense rose 73% YoY on VMware headcount, signaling sustained opex investment despite cost controls.
- Customer concentration remained high: one distributor 26% of quarterly revenue; aggregate top five end customers 35%.

## **Q3 FY2025 press release (quarter ended August 3, 2025)**

- Revenue hit \$16.0B (+22% YoY) with AI semiconductor revenue \$5.2B (+63% YoY) and Adjusted EBITDA \$10.7B (67% margin).
- GAAP net income was \$4.1B (\$0.85 diluted EPS); non-GAAP net income \$8.4B (\$1.69 EPS), showing ongoing amortization drag versus cash earnings.
- Operating cash flow \$7.2B minus \$0.14B capex yielded \$7.0B free cash flow (44% of revenue) — validating the “low capex, high FCF” thesis even at elevated AI investment levels.
- Management guided Q4 FY2025 revenue to \$17.4B (+24% YoY) with Adj. EBITDA margin steady at 67%, implying 2H FY2025 run-rate \$64B+ before VMware renewals.

## **Strategic themes**

1. **AI-custom silicon + networking:** Continued 63% YoY AI revenue growth (Q3 FY2025) reinforces Broadcom's lock on hyperscaler custom accelerators and Ethernet/optical fabrics. Attach opportunity: each custom accelerator typically drags NICs, PCIe switches, and optics designed by Broadcom.
2. **Private cloud modernization:** VMware Cloud Foundation, Private AI, and Tanzu give customers cloud-like operations in regulated environments. License portability plus Private AI services should translate hardware wins (AI accelerators) into software ARR.
3. **Telco/edge consolidation:** VeloCloud SD-WAN/SASE and Telco Cloud Platform integrate with carrier capex cycles, aligning with government-funded broadband/5G programs.
4. **Mainframe and payments resilience:** CA/Broadcom Software plus Arcot payment security form high-retention revenue that can service debt regardless of AI cycles.

## **Risks and watch items**

- **Intangible-heavy balance sheet:** 84% of assets are goodwill/intangibles; any VMware underperformance could trigger impairments and covenant pressure.
- **Customer concentration:** Distributor at 26% of revenue and top-five end customers at 35% (10-Q). Delays in hyperscaler AI programs or internal silicon moves could swing quarterly revenue.
- **Debt and rates:** \$67B of long-term debt (weighted avg ~4.9%) plus \$40B recently issued fixed/floating notes raises refinancing risk if rates remain high.
- **Integration execution:** VMware Cloud Foundation roadmap (Private AI, VCF Edge) must harmonize pricing/support; missteps risk churn and legal exposure in multi-cloud deals.
- **Regulatory oversight:** Broad portfolio touches telecom, data privacy, payments, and security; compliance costs and export controls (especially around AI networking) can erode margins.

Scenario	Key assumptions	FY2025 rev (\$B)	GAAP EPS (USD)
Bear	AI accelerator orders slip to single-digit growth; VMware renewals slow to low-90% retention; Adj. EBITDA 62% of sales.	60	1.10
Base	Q4 FY2025 guidance (\$17.4B) annualizes; AI networking holds 60% growth; VMware renewals stable at mid-90%.	64	1.45
Bull	AI accelerator revenue tops \$6.2B in Q4 and sustains \$25B annual run-rate; Private AI services upsell expands software gross margin.	70	1.90

Table 4: Scenarios anchored on FY2024 base, Q3 FY2025 actuals, and management's Q4 FY2025 guidance.

## Scenario outlook (management style)

### Action items

- Track VMware Cloud Foundation renewals/ARR disclosure to validate software-driven deleveraging.
- Monitor AI custom silicon share of wallet at top hyperscalers (look for confirmation in upcoming 10-Q customer mix commentary).
- Compare dividend policy versus debt pay-down each quarter to ensure \$10B+ annual capital returns remain sustainable.
- Refresh Semiconductor List.xlsx multiples quarterly to benchmark Broadcom's EV/EBITDA vs. NVIDIA/AMD/Marvell spreads as AI enthusiasm evolves.

### Appendix: data notes

- Unless noted, FY2024 figures reference the fiscal year ended November 3, 2024 (Broadcom Form 10-K); YoY compares to the year ended October 29, 2023.
- Free cash flow defined as operating cash flow minus purchases of property, plant and equipment per consolidated cash flow statement.
- Mix percentages derived from segment and disaggregation tables in `Broadcom_10k_2024.xls`; customer concentration stats from Q3 FY2024 Form 10-Q.
- Q3 FY2025 metrics sourced from Broadcom's September 4, 2025 earnings release; scenarios incorporate this guidance plus peer growth ranges from Semiconductor List.xlsx.