

## Q1 2020 Earnings Call

### Company Participants

- Beatrice Russotto, Director of Investor Relations
- Hock E. Tan, President and Chief Executive Officer
- Thomas Krause, Chief Financial Officer

### Other Participants

- Aaron Rakers, Analyst
- Blayne Curtis, Analyst
- Craig Hettenbach, Analyst
- Edward Snyder, Analyst
- Harlan Sur, Analyst
- Harsh Kumar, Analyst
- John Pitzer, Analyst
- Mitch Steves, Analyst
- Ross Seymore, Analyst
- Stacy Rasgon, Analyst
- Toshiya Hari, Analyst
- Vivek Arya, Analyst
- William Stein, Analyst

### Presentation

#### Operator

Welcome to Broadcom, Inc.'s First quarter Fiscal Year 2020 Financial Results Conference Call.

At this time, for opening remarks and introductions, I would like to turn the call over to Beatrice Russotto, Director of Investor Relations of Broadcom, Inc. Please go ahead, ma'am.

#### Beatrice Russotto {BIO 20827438 <GO>}

Thank you, operator, and thanks everyone for dialing in today. Joining me on today's call are Hock Tan, President and CEO and Tom Krause, Chief Financial Officer of Broadcom. After the market closed, Broadcom distributed a press release and financial tables describing our financial performance for the first quarter of fiscal year 2020. If you did not receive a copy, you may obtain the information from the Investors section of Broadcom's

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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 Tom will be providing details of our first quarter fiscal year 2020 results, guidance for our second quarter fiscal year 2020, and commentary regarding the business environment. We will 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 E. Tan** {BIO 1460567 <GO>}

Well, thank you, Bea. And thank you everyone for joining today. Well, it certainly was the best of times. It is now the worst of times and we certainly live in very interesting times. So let me start by reviewing our first quarter results, after which, I will provide an update on the current environment and outlook.

Consolidated net revenue for first quarter was \$5.9 billion, a 1% increase from a year ago. Semiconductor solutions revenue was \$4.2 billion, declining 4% year-over-year, but collectively demand for our networking, broadband and storage products continued to recover, growing 6% year-over-year. However, as expected, wireless products were down sharply year-on-year due to an architectural change in touch sensing as we'll explain.

Our infrastructure software segment performed largely as expected. Brocade recovered from the bottom of 2019 and continued to stabilize very well. CA had a record quarter under Broadcom, delivering approximately \$880 million of revenue, all of 5% growth year-over-year.

Finally, in this first quarter of integrating Symantec onto our platform and taking into account the impact of purchase accounting, we had revenue of approximately \$400 million, which we expect will stack up as the year progresses. Note, this first quarter results also exclude the managed security services business, which we are divesting to Accenture.

Now, let me turn to our current thinking on the full-year. Let me begin by putting into context how we initially came to our prior full-year 2020 guidance. It was based on two primary drivers. On the infrastructure software side, we added Symantec, which in the first year we expect to do \$1.8 billion. Combined with Brocade, which is on its way back to a

normalized run rate and CA, which is growing, we felt good about \$7 billion from the software segment in 2020.

Now, in semiconductors, 2018 was a strong year, up high-single digits. However, with softening demand industry-wide, 2019 became challenging, and was down high single-digits, bottoming out in the second half of the year. So when we gave our 2020 guidance last quarter, it reflected a projected recovery from that bottom.

We expected the recovery would be more gradual in the first half of 2020, which we have been seeing and then accelerate in the second half of 2020. Our confidence in that acceleration was driven by the anticipated launch of 5G phones late in the year and expected strong datacenter spending from enterprise and hyper cloud customers.

So now, let's talk about the impact of COVID-19 on that outlook. As I sit here today, I have not yet seen a meaningful impact on bookings and certainly, the fundamentals of the business remain very much intact. However, there is no doubt COVID-19 has created a high level of uncertainty, which we can't help, but the thing is going to have an impact on our semiconductor business, in particular in the second half of the fiscal year. But frankly, visibility is bad and confidence continue to erode, so as a result, we believe it is only prudent that we withdraw our annual guidance until such time that visibility returns to pre COVID-19 levels.

One more point though before I move on. Keep in mind through all this cyclical and uncertainty, given the high degree of recurring revenue based on multi-year contracts, any uncertainty around Infrastructure software revenue is likely to be very much more muted.

Also, in light of the unique environment we are in, we thought it makes sense at this time to provide more color on near-term expectations, which we have better visibility. We expect our second quarter revenues to be \$5.7 billion, which reflects a typical sequential drop -- slight drop in wireless seasonality. Importantly, on a year-on-year basis, we expect our semiconductor business this Q2 overall to be virtually flat from a year ago, this after year-on-year reduction over the last four quarters.

On infrastructure software revenues, we expect them to sustain on a sequential basis as we continue to focus on completing the Symantec integration process. So to put it in perspective, shipments to-date in addition to orders on hand, give us the confidence in our ability to achieve this focus.

So finally, before I turn the call over to Tom, let me address our wireless business, especially given all the speculation in the press following our last quarterly call. After careful consideration, we have come to the conclusion that continuing to invest in and operate our wireless assets will create the most value for our business and for our shareholders.

We're now more closely and strategically aligned with our largest smartphone customer as a result of our recent multi-year supply agreements, and look forward to the continuous

success of our wireless franchises.

Now, let me turn the call over to Tom.

**Thomas Krause** {BIO 17978469 <GO>}

Thank you, Hock. Consolidated net revenue for the first quarter was \$5.9 billion, a 1% increase from a year ago. Semiconductor solutions revenue was \$4.2 billion and represented 72% of our total revenue this quarter. This was down 4% year-on-year and down 8% quarter-over-quarter. Revenue for the infrastructure software segment was \$1.7 billion and represented 28% of revenue. This was up 19% year-over-year and up 39% quarter-over-quarter.

Let me now provide additional detail on our financial performance. Operating expenses were \$1.19 billion and include approximately \$80 million of Symantec-related expenses that we expect to go away over the course of the year. Operating income from continuing operations was \$3.08 billion and represented 52.6% at net revenue. Adjusted EBITDA was \$3.27 billion and represented 55.7% of net revenue. This figure excludes \$146 million of depreciation.

I would also note that we accrued \$248 million of restructuring, integration expenses and made \$131 million of cash restructuring, integration payments in the quarter. We spent \$108 million on capital expenditures and free cash flow represented 37.8% of revenue or \$2.21 billion.

In the quarter, we returned \$1.5 billion to our common stockholders, including \$1.3 billion of cash dividends. We paid \$169 million in withholding taxes due on investing of employment equity, resulting in the elimination of \$0.5 million AVGO shares.

Finally, we ended the quarter with \$6.4 billion of cash, \$44.7 billion of total debt, 399 million outstanding common shares and 451 million fully diluted shares for the quarter.

Now, let me turn to our non-GAAP guidance for the second quarter of fiscal year 2020. As Hock discussed, we expect net revenue to be \$5.7 billion plus or minus \$150 million. Adjusted EBITDA is expected to be approximately \$3.135 billion or 55% of net revenue, with the slight drop in revenue partially offset by the lower operating expense.

As you would expect us to do, we run various downside recessionary scenarios with respect to our cash flow outlook and ability to maintain our liquidity, service our debt and return capital to our shareholders. Given our high gross margin profile and our somewhat variable operating expense structure, we believe we are able to maintain EBITDA margins comfortably north of 50% even in these downside scenarios.

With this as a backdrop, we are quite comfortable with the current dividend and our ability to generate excess cash beyond the dividend throughout the fiscal year. As a result, our capital allocation plan for the year remains unchanged. We plan to pay out

approximately \$5.5 billion in cash dividend to common and preferred shareholders and expect to pay down \$4 billion of debt.

Given the high level of uncertainty today, we are currently focused on maintaining higher than normal levels of liquidity and currently plan to do the debt pay down in the second half of the year or once visibility starts to improve.

That concludes my prepared remarks. During the Q&A portion of today's call, please limit yourselves to one question each, so we can accommodate as many analysts as possible.

Operator, please open up the call for questions.

## Questions And Answers

### Operator

Thank you. (Operator Instructions) Our first question will come from Craig Hettenbach with Morgan Stanley.

### Q - Craig Hettenbach {BIO 6185428 <GO>}

Yes. Thank you. Hock, just a question on the wireless business. If you can add some more context in terms of your commentary around further alignment with your largest customer and the strategic nature of the business?

### A - Hock E. Tan {BIO 1460567 <GO>}

Well, we're pretty much under NDA. So I'm obviously very limited in how much I would disclose to you, but suffice it to say, and we put that out in the press release right after we signed agreement with our customer. Basically, it's a long-term, a three-year, in fact, agreement that aligns and that requires us to provide technology and roadmap alignment in essentially RF components for the next three generation of 5G phones. And it's a very close engagement and it perpetuates the strong products and franchise we have in this space.

### Operator

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

### Q - Ross Seymore {BIO 20902787 <GO>}

Hi, Hock. Thanks for all your color. I know times are very uncertain. Is there any either end market or geographic color you can give on the supply versus demand disruption you're seeing? I know you've said that bookings hasn't really changed at all, but clearly the uncertainty levels are high. So any sort of color would be helpful.

### A - Hock E. Tan {BIO 1460567 <GO>}

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Well, it's a very interesting one. You just said, because you're right. I mean as we sit here right now, and obviously, trying not to be disingenuous about how we answer this question, but we haven't seen any significant or meaningful impact, but that could reflect the fact that most of all our businesses are related to enterprises and infrastructure as opposed to consumer base. And as we know, the pandemic of COVID-19 is obviously hitting the people, the individual, the consumer. So we have that level of buffer before we see it, and we recognize that.

We also recognize the fact that probably some areas would behave differently from other areas. In the sense that, we see as part of social distancing, that more and more people, a lot of people work from home, which basically implies they not only work from home, they stay home and play from home, which means, consumption of Internet cloud increases. So hyper cloud spending, I would see, to probably not be pulled back or scaled back, possibly might even improve for such.

On the other side, over time, as consumer spending drops, as we all expect to at least on a temporary basis, confidence level among businesses, enterprises might erode as I indicated in my notes, which might basically delay or push out spending by enterprises while cloud spending goes up. So there is puts and takes, but again, this will all be our speculation, and I want to put it down this way because we have not seen either thing -- either scenarios happen just yet.

## Operator

Thank you. Our next question comes from Vivek Arya with Bank of America.

### Q - Vivek Arya {BIO 6781604 <GO>}

Thanks for taking my question. And Hock I understand the visibility is limited, but should we assume second half can still be better than the first half, because when I go back to Tom's, I think, cash flow remarks, if I got them right, I think, Tom, you said \$5.5 billion in dividend payment and \$4 billion in debt pay down, so that's \$9.5 billion of cash usage, which I think is higher than the \$9 billion free cash flow that you had outlined in the last call for fiscal '20? So that definitely suggests strong free cash flow generation for this year. So I'm just trying to look at those data points and see what are the assumptions you have for the second half of this year, both from a sales and a free cash flow generation perspective. Thank you.

### A - Hock E. Tan {BIO 1460567 <GO>}

Let's start with the top-line, as you said, right, because then the bottom line falls through with us very, very easily to answer your question. And as Tom indicated, as we look at the full year, we could draw various possibilities, various scenarios, we could. And our current guidance, I'm not suggesting for second, might even show up or close to show up, problem is frankly, as I indicated, we don't know. We don't because we are trying to understand the impact of COVID-19 on our ecosystem. And this is still a very early stage in the whole process, but what we've seen so far is what happened in China, Asia, obviously, and that hit badly, big. So it could come from two parts, demand and supply chain. What we saw in the supply chain was not much impact partly because a lot of supply chain,

contract manufacturing and all that was not in China, part of it was, but there was also inventory in the pipeline pre COVID-19. So that kept supply chain going. So our supply chain has not been impacted to any meaningful level.

On the demand side, there was slowdown. There has also been some level of recovery since then in China as the pandemic in China's starts to subside somewhat. Now, having said that, we're looking over at the US, Europe now and we're seeing that going into its full blown glory. Can we extrapolate what we see in China over here, to be honest, we don't know. And so if you want to look at one possible downside and we have done plenty of it, you could say, the revenues could drop say plus 5% to 10% from our \$25 billion original forecast. And there are some indicators -- and I'll let Tom elaborate a bit more. What we're seeing is because of our high margin products and revenues and to some extent a variable OpEx -- operating expense levels, we expect our EBITDA percentage of revenue to still be comfortably over 50%.

### **A - Thomas Krause** {BIO 17978469 <GO>}

Good to add on that. I think if you look at the Q2 levels, it's a seasonally down quarter traditionally. And if we work off of that as a baseline, you're right, we all would have expected revenues to seasonally be up in the second half. There are some one-time drivers associated with that, but there's also generally an uptick in the back half. We run a lot of different scenarios, as you would expect, we would. Even if you assume depressed levels where we're flattish off of the Q2 number, I mean, keep in mind, in Q2, we're going to generate on the order of \$2.5 billion of free cash flow. Interest rates have come down dramatically. We have a lot of floating rate debt that's helping us. We have a variable compensation structure here, as Hock was articulating, that helps us.

And so if you want to paint that kind of scenario and the things we have to do, especially given our capital structure, we're still going to generate on order of the amount of free cash flow that you were describing. We haven't guided a specific number, because I think the visibility continues to get worse and we don't want to get out in front of what could be, obviously, a very challenging environment. But needless to say, we're paying \$5.5 billion in the form of dividends, including a preferred. It gives us a tremendous amount of headroom. I think it's only prudent, as I said, to keep ample amount of liquidity as we sit here today. But it's at least our expectation, especially if we're going to be running at these levels, let alone showing improvement, that we would continue on and continue to pay down the debt we said we were going to in the second half. So we'll continue to watch it and as visibility improves, we will act accordingly.

### **Operator**

Thank you. Our next question comes from Harlan Sur with JPMorgan.

### **Q - Harlan Sur** {BIO 6539622 <GO>}

Good afternoon. Just want to start off with a quick housekeeping item. Just given the strong design win pipeline that's unfolding in your compute offload or cloud ASIC business, is that now annualizing greater than \$500 million per year because we're just hearing that the demand pull here is strong? And then for my main question, on the

uncertainties on the prior full-year outlook, your infrastructure business is all mission critical. Your large customers will spend here typically in good times and in bad, and just as important. I believe that your infrastructure software business is 80% to 85% ratable revenues. So fairly predictable annuity like revenues over multiple quarters. Is that what is driving the confidence on the sustainability on the software business in the second half?

**A - Hock E. Tan** {BIO 1460567 <GO>}

Absolutely. As I indicated earlier, this infrastructure software is all largely, as you say correctly, mission-critical applications, running the processes, running the transactions of the largest 500 companies in the world. You have to keep doing business and these are multi-year contracts with fix, committed payment revenue structures. So, yeah, in a way that's a very nice thing about having this slate [ph] of infrastructure software within our product portfolio.

**Operator**

Thank you. Our next question comes from John Pitzer with Credit Suisse.

**Q - John Pitzer** {BIO 1541792 <GO>}

Yeah. Good afternoon, guys. Thanks for letting me ask the question. Hock, I appreciate the uncertainty from COVID-19 being the rationale for pulling the full fiscal year guide. It sounds like your fiscal 2Q there you're characterizing that as a somewhat normal seasonal quarter. So I'm just curious if you're putting any cushion in for the fiscal 2Q guide and are you at all worried that your customers are perhaps not pulling orders from you because they're concerned about your ability to supply and that we end up having some excess inventory in 90 days?

**A - Hock E. Tan** {BIO 1460567 <GO>}

Interesting question. As I indicated in my remarks, we've three months for Q2, and we are just about almost halfway through Q2 fiscal '20. As you know, Q2 will end of April for us. We pretty much have line of sight, or in other words, we have backlog, and we have clear visibility on how we're going to produce those parts and who are going to take those parts. So that's pretty much the basis of our forecast. And as you call it, our confidence.

**Operator**

Thank you. Our next question comes from Stacy Rasgon with Bernstein Research.

**Q - Stacy Rasgon** {BIO 16423886 <GO>}

Hi, guys. Thanks for taking my question. I wanted to know what kind of leverage level you need to maintain your investment grade rating, potentially as EBITDA maybe coming down. And how are you thinking about the dividend next year if free cash flow is say down year-over-year in 2020 given it's a trailing 12-month free cash flow formula that goes into it?



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**A - Thomas Krause** {BIO 17978469 <GO>}

Yeah. Stacy, it's Tom. I think on the leverage levels, what we had going into the year looking at was maintaining roughly 3 times to 3.5 times leverage on a pro-forma basis with Symantec. That included the pro-forma contribution from an EBITDA perspective of over \$1 billion from Symantec, as well as some debt pay down by the end of the year. So that largely is intact frankly. I think you will also know we came off of a cyclical downturn in semis last year and at least through the first half. As we discussed, frankly, we're flat if anything on the semi side. And CA actually is up. So from an EBITDA standpoint, it would take quite a bit of a drop in the organic business, very meaningful drop actually, where EBITDA would actually be down year-over-year, especially given the Symantec contribution. So I think from a leverage level standpoint and as it relates to our rating profile, we feel pretty comfortable.

On the dividend, I think, it's premature. And obviously, we talked about the cash flows. We discuss where cash flows are in the first half and running near \$5 billion second half. Even in some downside scenarios, we think we can hold up reasonably well. And so when you look at the cash flow performance even on a relative basis to last year when you include restructuring costs, we are actually going to be up as well in that downside scenario. So things would have to get a lot worse where we'd be looking at changing our dividend policy. In fact, I think what I would tell you is, we look at the fundamentals of the business and are any of these businesses is changing meaningfully relative to the fundamentals, we don't see that of course. And so we're pretty committed to the dividend, as you can expect, and the cash flows are there to support that.

**A - Hock E. Tan** {BIO 1460567 <GO>}

Another way of putting that, Stacy, is -- and to sum it up simply, in a way, we've got two tailwinds here. One is, 2020, we are integrating and improving contribution of Symantec to our EBITDA and that's adding on for sure on revenue, of course, to \$1.8 billion, EBITDA (inaudible). And the second thing, in semiconductors, we began 2020 with low set of numbers anyway in terms of a downturn in the cycle that we are emerging from. So that too helps the fact that we will have an opportunity to offset any impact from COVID-19.

**Operator**

Thank you. Our next question will come from Blayne Curtis with Barclays.

**Q - Blayne Curtis** {BIO 15302785 <GO>}

Hi, guys. Thanks for taking my questions, just curious by end market, if you could maybe comment on? And obviously, enterprise went through some inventory correction. It seems like it's getting a bit better from a supply chain perspective and the datacenter is quite strong. So I was wondering if you could just comment on what you're seeing in those two end markets across your business?

**A - Hock E. Tan** {BIO 1460567 <GO>}

I would love to answer that question actually before COVID-19. At this point now, it might seem fairly, I call it delusional. But let me tell you, but since you asked, I'll answer, before

the impact of what we think today from COVID-19, you're right the semiconductor business I pointed out has been nicely recovering. Still in some ways. If you look at numbers Q1 and Q2, as we say, it reflects that. It's recovering. In fact, in Q4 last year. If you take the semiconductor solutions segment year-on-year was down 7% Q4 '19.

Q1 just balance of '20 was down 4% and our guidance now for Q2 '20 is virtually flat from a year ago. You see that recovery. Now, it's still gradual and we had hoped the second half to be accelerated for the reasons you mentioned about, which is based on data center spending, which had been more muted. Before starting to accelerate. And you would see that, that should have limited should be impacted on a more limited and direct basis by COVID-19. The only thing I will tell to you is, we don't know for sure. Hence, I would say, we put in a very prudent position. We don't know. Well, you think if a consumer that gets hit, less the infrastructure, datacenters, but the things that are going on we're still very unclear. Visibility on how people behave, our enterprises or cloud guys would change their spending behavior, still a not very clear, but pre COVID-19, you're right, there is a clear distinct recovery from the bottom of 2019.

## Operator

Thank you. Our next question comes from Toshiya Hari with Goldman Sachs.

## Q - Toshiya Hari {BIO 6770302 <GO>}

Hi guys. Thank you so much for taking the question. Hock, you mentioned that after careful consideration, you guys decided to keep the RF business and invest in the business long-term. I was hoping you could provide a little more color in terms of what went into the thought process? Was it basically that long-term agreement with your largest customer that sort of pinned down your decision, or were there any other changes in terms of how you think about the market long-term or your competitive position long-term, the profitability of that business, or does it have more to do with the valuation, the price that others were perhaps willing to pay? Thank you.

## A - Hock E. Tan {BIO 1460567 <GO>}

Very good point. You hit on most of the reasons, except the last couple of which is not the case. But yeah, don't forget, we may have call it in the last earnings call as a financial asset. We didn't say non-core. We called them financial assets. Doesn't change the fact these have been and continues to be franchises. These are product franchises. The way we define them is, strong technology, we are by far in the lead and we have a good position and we continue to be in that position. And the market, especially with 5G phones coming in, with and the plethora of difficult spectral bands that require our filters, our unique filters, that all drive towards sustainability of the franchise. And what really I guess comes to terms in changing our mid to a large extent is the fact that there is now clarity and certainty of a long-term roadmap and a very strong market position with respect to high-end next generation 5G phones. So all that relates to it, but it has less or nothing to do with the fact what value we can achieve out of it. I can't say more, but it definitely was not the last part.

## Operator

Thank you. Our next question will come from Edward Snyder with Charter Equity.

**Q - Edward Snyder** {BIO 2498283 <GO>}

Thanks a lot. Between your move to from annual to quarterly guides and your comments about the larger impact of the Coronavirus on retail and infrastructure, does that imply that most of your uncertainty in the second half of the year has more to do with wireless and say, with your networking and certainly not infrastructure software, and mostly about maybe timing given that's got such a big impact on your wireless business?

And then, Tom, given the steep decline in valuations, especially in the software sector here, have you studied the accretive trade-off between shifting more of your resources maybe to acquisitions sooner than you might have expected, given that you could see a bigger boost out of the side or is it just steady as you go until you build a big enough cash pile to feel more comfortable with it? Thanks.

**A - Hock E. Tan** {BIO 1460567 <GO>}

Let me take the first part, which is, hey, in this environment, given where everything is, we're focused on running the business. We are focused on liquidity. We're focused on capital returns. I think at least for the time being, M&A is off the table until visibility improves. That's all to say there.

**A - Thomas Krause** {BIO 17978469 <GO>}

And on the second, you know the answer, as well as I do, so I don't need to expand or comment on it.

**Operator**

Okay. Our next question will come from Aaron Rakers with Wells Fargo.

**Q - Aaron Rakers** {BIO 6649630 <GO>}

Yeah. Thanks for taking the question. I guess I wanted to ask on the Symantec contribution and your expectations going forward. You mentioned that you would expect to see the revenue trajectory ramp through the course of this year. Can you help us understand how that ramp might look from here relative to the \$400 million? And where do you stand on just the integration efforts, what's been done, or more importantly, what's still in front of us, and how do we think about that from an operating expense perspective?

**A - Hock E. Tan** {BIO 1460567 <GO>}

Sure. It's Tom. Things are progressing well. It's a unique deal with an asset purchase. We took the decision to drive integration quickly. We're well ahead from an operating spent standpoint. So I think by and large, we're off to a decent start. On the revenue side, relative to CA, Symantec had a bit more in the form of perpetual licenses. When we bought the business over, we did take a purchase accounting haircut, which is reflected in the numbers.

We also have successfully sold the managed services business, and we are getting set to close that with Accenture. So that's a good thing. And so what I think you'll see is, as bookings continue to come online and we move into not only the second quarter, but in the second half that we will continue to progress toward the \$1.8 billion run rate that we articulated last quarter.

## Operator

Thank you. Our next question will come from Harsh Kumar with Piper Sandler.

### Q - Harsh Kumar {BIO 3235392 <GO>}

Yes. So question on your software business, Hock. You're building the software complex of companies that are targeting top enterprise customers. These businesses on the previous managements didn't grow very much, they were flat, maybe 1% growth at best. How fast do you think these businesses can grow under your umbrella? Outside of being better managers, what are you guys bringing to the table to enable this better growth?

### A - Hock E. Tan {BIO 1460567 <GO>}

Well, yeah, we have some limited data that we have been able to achieve. That of course doesn't mean this is something we'll go to forever, but it's pretty in line with what we set out to achieve. And that was, we have over one year of operation of CA under our belt today. CA comprises, as you know, the mainframe software and various distributed software and distributed software as it relates to DevOp automation and business operation together. And we reported this past Q1, CA having hitting revenues of \$880 million in that one quarter, revenues for that and this is ratable revenue.

That's how we mentioned this revenues. None of this is perpetual, it's also acceleration, flat revenues \$880 million. And that's a 5% increase from a year ago. And to us that's the kind of level we hope to sustain going forward. That we grow this very, very embedded infrastructure software business at a rate in the mid-single digits. And we're very pleased that we're able to do that for CA now. We expect to be able to put the same business model, financial model into the Symantec business and do that same. And what we see is that this \$7 billion a year of infrastructure software and that includes Brocade of course, will over the long-term grow in the mid-single digits and be extremely profitable for us.

## Operator

Thank you. Our next question will come from William Stein with SunTrust.

### Q - William Stein {BIO 15106707 <GO>}

Great. Thank you for taking my question. Hock, you said earlier in the call, in your prepared remarks that there has been no change to bookings. You said on orders, I think, there essentially the same thing. But in years, and certainly in the decades past, that would have been quite a meaningful statement given what's been going on with COVID in the last couple of weeks.

I wonder if something has changed in the way your customers manage their supply chain that would make this maybe not as meaningful? In other words, how much optimism should we, as analysts or investors, draw from that comment as it relates to beyond just the next few weeks, but medium term outlook?

**A - Hock E. Tan** {BIO 1460567 <GO>}

Don't forget there's just a limited horizon on the way those bookings are. So you are looking at a very limited horizon and limited visibility because the bookings are only over a certain period of time. We're not talking of bookings that run out through the end of this calendar year. We don't book that far. So on that limited horizon of bookings, we are seeing in a sense what it's not discernible, another way of my phrasing it is, any significant change in the way the pattern of booking we've been seeing over the past couple of months also, that has not changed, neither have we seen any cancellations, definitely [ph] on the orders that have placed, on any of the backlogs that's been placed on us -- on our books today. That's as much as I would put it at this point would. Beyond that horizon, we're not making any guesses or making -- giving you any direct information as to what might happen, but what we have on our books we have not seen cancellations, whatever we have seen on the level of bookings and a pattern of bookings, we have not seen any dramatic change.

**Operator**

Thank you. Our next question will come from Mitch Steves with RBC Capital Markets.

**Q - Mitch Steves** {BIO 19155169 <GO>}

Hey, guys. Thanks for taking my question. I hate to circle back to COVID-19 talk, but you guys mentioned your talking about maybe a 5% to 10% decline. I don't expect a number from this, but how do we think about the business lines and in terms of what business line do you guys think would be most impacted if it doesn't get solved quickly? And maybe some view, I guess, on the handset shipments you guys expected for the full year and how you're thinking about that changing given what we know now?

**A - Hock E. Tan** {BIO 1460567 <GO>}

Yeah. Mitch, this is Tom. I think in order of most impacted, the least impacted, it's probably pretty self-explanatory, that the consumer and consumer discretionary related end markets like phones, I think, are going to be the most impacted potentially. And certainly with the expected 5G ramp, as Hock was talking about, any push outs there would have some meaningful impact on the second half of the year, particularly Q4. Less so is on the infrastructure side. We talked a lot about the cloud and how spending likely should hang in there. In fact, you could paint a picture that some of the COVID-19 activity in terms of social distancing would actually suggest that could improve. Broadband certainly could improve as well for that matter.

And then, of course, on the software side, it's a high level of recurring revenue. These companies, whether it be CA or now Symantec, it's 100% recurring, it's three-year ratable contracts almost exclusively. And so we have a lot of visibility on that front. And so we'll

see how it plays out, but I would say, the only area where you could probably -- to be most concerned would be more on the consumer related items at this point.

## Operator

Ladies and gentlemen, that concludes today's question-and-answer session, as well as today's conference call. Thank you for your participation. You may now disconnect and have a wonderful day.

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