ARGUS

Broadcom Inc. is a top-five global fabless semiconductor company with leading franchises in wired and wireless communications, enterprise data center and storage, and other end markets. The former Avago acquired Broadcom for $37 billion in 2016 and changed its name to Broadcom Inc. The company has grown via hardware acquisitions, including Agere, LSI Logic, Brocade, and Emulex; and software acquisitions, including CA Inc. in November 2018 and Symantec's enterprise security business in November 2019. Broadcom completed the acquisition of VMware in December 2023.

Analyst's Notes

Analysis by Jim Kelleher, CFA, March 7, 2025

ARGUS RATING: BUY

- Custom AI accelerators, VMware driving growth
- Broadcom easily topped consensus non-GAAP EPS and revenue expectations for fiscal 1Q25, with AI continuing to drive overall results.
- In the semiconductor solutions business, AI-related revenue growth is being driven by custom chips for hyperscale customers with a rapidly expanding service available market (SAM).
- The VMware acquisition has now been anniversaried, and the Infrastructure Software business is growing rapidly on an annual and sequential basis.
- AVGO trades at discounts to peers on most price-based metrics and is also attractive on discounted free cash flow valuation.

INVESTMENT THESIS

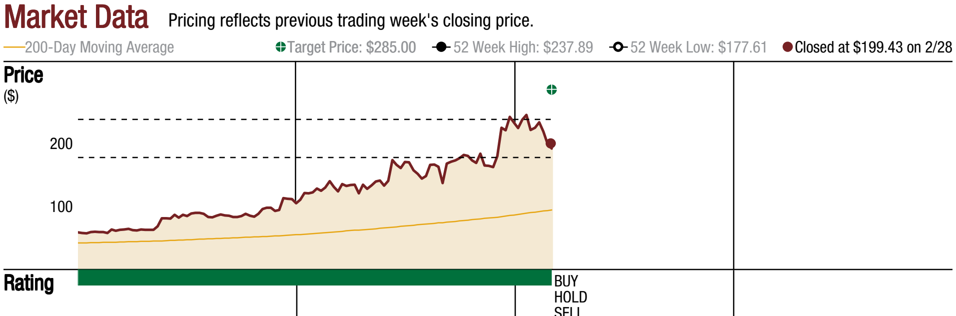
BUY-rated Broadcom Inc. (NGS: AVGO) rallied 12% in the after-hours market on 3/6/25 after the diversified semiconductor and infrastructure software provider reported strongly above-consensus revenue and non-GAAP EPS for fiscal 1Q25. Broadcom posted growth of 20%-plus in sales and 30%-plus in profits in fiscal 1Q25. Following an AI-driven FY24, AI momentum appears to be accelerating in fiscal 2025.

Key growth drivers in the quarter, according to CEO Hock Tan, include continued strong growth in AI-related revenue, accelerating VMware bookings, and stabilization in non-AI semiconductor revenue. Broadcom is partnering with multiple hyperscale customers to support development of custom accelerators (XPUs) to train frontier AI models, the most advanced AI models so far. Broadcom reiterated that it sees a service available market (SAM) opportunity with existing hyperscale customers of $60-$90 billion in this market by 2027. The company has added up to four new hyperscale customers beyond the existing opportunity.

Fiscal 1Q25 was the fourth full quarter for VMware contribution, and annual comparisons hereafter are apples-to-apples. Broadcom continues to reduce VMware

Market Data

Pricing reflects previous trading week's closing price.



EPS ($)

	2023 Q1	Q2	Q3	Q4	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
Quarterly	1.03	1.03	1.05	1.10	1.10	1.10	1.25	1.42	1.60	1.54	1.61	1.76	1.75	1.85	1.91	2.03
Annual	4.22				4.98				6.50 (Estimate)				7.62 (Estimate)			

Revenue ($ in Bil.)

	2023 Q1	Q2	Q3	Q4	2024 Q1	Q2	Q3	Q4	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
Quarterly	8.9	8.7	8.9	9.3	12.0	12.5	13.1	14.1	14.9	15.0	15.5	16.6	16.1	16.7	17.0	18.3
Annual	35.8				51.6				62.0 (Estimate)				68.1 (Estimate)			

FY ends Dec 31

Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 27% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$179.45
Target Price	$285.00
52 Week Price Range	$119.76 to $251.88
Shares Outstanding	4.70 Billion
Dividend	$2.36

Sector Overview

Sector	Information Technology
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	30.70%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	50.5%
Return on Equity	44.0%
Net Margin	18.5%
Payout Ratio	0.36
Current Ratio	1.17
Revenue	$54.53 Billion
After-Tax Income	$10.07 Billion

Valuation

Current FY P/E	27.61
Prior FY P/E	36.03
Price/Sales	15.47
Price/Book	12.43
Book Value/Share	$14.44
Market Capitalization	$843.76 Billion

Forecasted Growth

1 Year EPS Growth Forecast	30.52%
5 Year EPS Growth Forecast	11.00%
1 Year Dividend Growth Forecast	12.38%

Risk

Beta	1.97
Institutional Ownership	75.03%

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Analyst's Notes ...Continued

operating costs, driving margin expansion. Both Infrastructure Software and Semiconductor Solutions are forecast to grow in strong double-digits annually in fiscal 2Q25, leading to revenue guidance ($14.9 billion) that exceeded pre-reporting consensus estimates ($14.6 billion).

Fiscal 2Q25 guidance calling for 19% annual sales growth suggests continued strong momentum across FY25, driven by AI, cloud demand, and VMware. We see Broadcom as being in the early innings of supporting generative AI models and expect that business to grow significantly in coming years, aided by the VMware acquisition. We are reiterating our BUY rating and our split-adjusted 12-month target price of $285.

RECENT DEVELOPMENTS

AVGO is down 13% year-to-date in 2025, compared with a 5% decline for peers. AVGO rose 108% in 2024, compared with a 12% gain for the peer group of communications and computing semiconductor companies under Argus coverage. AVGO rose 100% in 2023, compared with a 63% gain for peers; declined 16% in 2022, better than the 33% decline for peers; rose 52% in 2021, while peers rose 34%; and advanced 39% in 2020, versus a 45% gain for peers.

For fiscal 1Q25 (ended 2/3/25), Broadcom reported revenue of $14.9 billion, which was up 25% year over year and 6% sequentially. Fiscal 1Q24 was a 14-week quarter while 1Q25 had 13 weeks. Sales topped management's $14.6 billion guidance and $14.6 billion consensus estimate by $300 million. Non-GAAP earnings of $1.60 per diluted share for 1Q25 were up 45% year over year and up $0.18 on a sequential basis from fiscal 4Q24; all EPS numbers are adjusted for the 10-for-1 stock split enacted in July 2024. Non-GAAP EPS topped the prereporting consensus forecast of $1.51. Broadcom did not provide non-GAAP EPS guidance for fiscal 1Q25.

CEO Hock Tan Key noted that Broadcom had a solid quarter reflecting accelerating growth in AI semiconductor revenue, stabilization in non-AI semiconductor revenue, and strong growth in Infrastructure Software led by VMware. The company sees an 'exciting trend' as frontier large language models (LLMS), meaning the most advanced LLMs, put pressure on existing AI infrastructure and demand much larger and more powerful clusters. The CEO stated that it is 'difficult to serve all needs with a general-purpose accelerator' and thus the company is focused on custom silicon.

Specifically, Broadcom is focused on supporting massive AI clusters with custom silicon called XPUs, which combine processor technology (GPUs and CPUs) with supporting networking silicon to address specific tasks in the data center. The 'x' in XPU is similar to the x in a math equation, in that it represents a variable. These could include different modes of training, inference, and other advanced AI tasks. Broadcom technology supports the industry's first XPU in 2 nm process node.

Total Semiconductor Solutions revenue of $8.2 billion for fiscal

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	23,888	27,450	33,203	35,819	51,574
COGS	10,372	10,606	11,108	11,129	19,065
Gross Profit	13,516	16,844	22,095	24,690	32,509
SG&A	1,935	1,347	1,382	1,592	4,959
R&D	4,968	4,854	4,919	5,253	9,310
Operating Income	4,212	8,667	14,282	16,451	14,996
Interest Expense	1,724	1,869	1,637	1,087	3,492
Pretax Income	2,443	6,765	12,434	15,097	9,916
Income Taxes	-518	29	939	1,015	3,748
Tax Rate (%)	—	0	8	7	38
Net Income	2,960	6,736	11,495	14,082	5,895
Diluted Shares Outstanding	4,221	4,290	4,232	4,272	4,778
EPS	0.63	1.50	2.65	3.30	1.23
Dividend	1.30	1.44	1.64	1.84	2.11
GROWTH RATES (%)					
Revenue	5.7	14.9	21.0	7.9	44.0
Operating Income	0.8	105.8	64.8	15.2	-8.8
Net Income	8.7	127.6	70.7	22.5	-58.1
EPS	-2.0	137.6	76.7	24.5	-60.9
Dividend	22.6	10.8	13.9	12.2	14.4
Sustainable Growth Rate	-11.5	1.0	17.9	26.7	-8.1
VALUATION ANALYSIS					
Price: High	$43.85	$67.78	$67.22	$115.18	$251.88
Price: Low	$15.57	$41.91	$41.51	$55.00	$104.15
Price/Sales: High-Low	7.7 - 2.8	10.6 - 6.6	8.6 - 5.3	13.7 - 6.6	23.3 - 9.6
P/E: High-Low	69.4 - 24.7	45.2 - 27.9	25.4 - 15.7	34.9 - 16.7	204.8 - 84.7
Price/Cash Flow: High-Low	15.3 - 5.4	21.2 - 13.1	17.0 - 10.5	27.2 - 13.0	60.3 - 24.9

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash ($ in Millions)	12,416	14,189	9,348
Working Capital ($ in Millions)	11,452	13,442	2,898
Current Ratio	2.62	2.82	1.17
LT Debt/Equity Ratio (%)	172.1	156.8	98.0
Total Debt/Equity Ratio (%)	174.0	163.5	99.8
RATIOS (%)			
Gross Profit Margin	66.5	68.9	63.0
Operating Margin	43.0	45.9	29.1
Net Margin	33.8	39.3	11.4
Return On Assets	15.1	19.3	4.9
Return On Equity	47.1	60.3	12.9
RISK ANALYSIS			
Cash Cycle (days)	46.3	57.6	34.3
Cash Flow/Cap Ex	39.5	40.0	36.4
Oper. Income/Int. Exp. (ratio)	8.2	10.3	3.5
Payout Ratio	96.0	62.0	55.8

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Analyst's Notes ...Continued

1Q25 was up 11% year over year and little changed sequentially. AI drove growth, with AI-related semiconductor revenue growing 77% year over year and 9% quarter over quarter from $3.8 billion for fiscal 4Q24. The company exceeded its AI semiconductor revenue guidance by at least $300 million. Non-AI Semiconductor revenue for 1Q25 was about $4.1 billion, down 19% annually and 9% sequentially.

The major growth driver continues to be networking solutions, particularly to hyperscale customers. Broadcom has three existing tier one hyperscale customers believed to be Google Cloud, Meta Platforms, and ByteDancer (owner of TikTok). As these customers invest in next-generation frontier models, already huge data centers will require ever-larger clusters of XPUs.

Broadcom is in the process of working with its hyperscale customers to build AI clusters with 500,000 XPUs. Broadcom has doubled the rating capacity of its next-generation Tomahawk data center interconnects (DCIs) to scale to up to support clusters of up to 1 million XPUs. The company has taped out this next-generation 100 Tb Tomahawk and will be shipping samples to its customers' engineers in coming months.

Broadcom, according to CEO Hock Tan, is aligned with its hyperscale customers as each races to one million XPU clusters in the next few years. These three hyperscale customers alone will generate SAM of $60-$90 billion by the end of calendar 2027.

The company is 'deeply engaged' with two additional hyperscale customers who have chosen Broadcom for custom accelerators to train their new frontier models. These two customers, who reportedly may be Apple and OpenAI, are on track to become customers this year. These two are not included in the SAM of $60-$90 billion cited above. And two more hyperscalers recently engaged with Broadcom for custom XPU silicon. Broadcom will not count any of these four customers until it is actively supporting new frontier models operated by these hyperscalers. The CEO sees generative AI as a 'multi-year journey' that will support a steady ramp in AI deployment.

For 1Q25, we estimate that total networking revenue of $4.57 billion (56% of total) was up 38%, driven by AI. Non-AI Enterprise networking within this total was sequentially flat in 1Q25 and will likely be flat in 2Q25 as customers continue to absorb channel inventory.

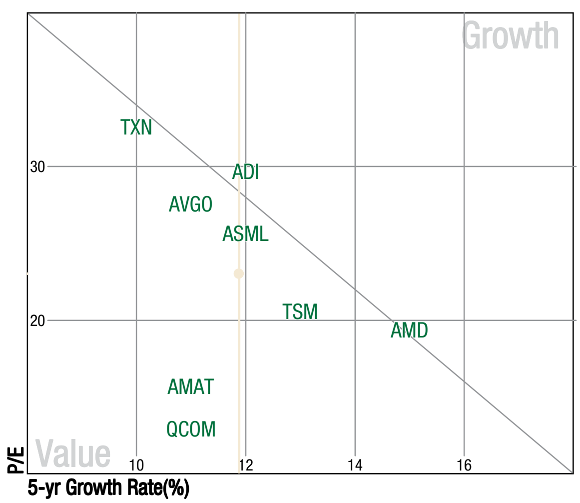
Wireless revenue (24% of total) for 1Q25 was down a seasonally normal 11% sequentially and little changed year over year. Broadcom expects this business to be stable year-over-year in fiscal 2Q25. This business formerly drove Broadcom's stock performance, particularly its relationship with its large North American customer (Apple). The iPhone maker is reportedly seeking to develop internal solutions to replace its RF supplier Broadcom and baseband supplier Qualcomm. If Broadcom loses its RF socket in iPhone but wins Apple as a hyperscale customer for AI, that is more than worth the trade.

In other semiconductor markets, Server Storage Connectivity was likely up in high single digit percentages annually and down in

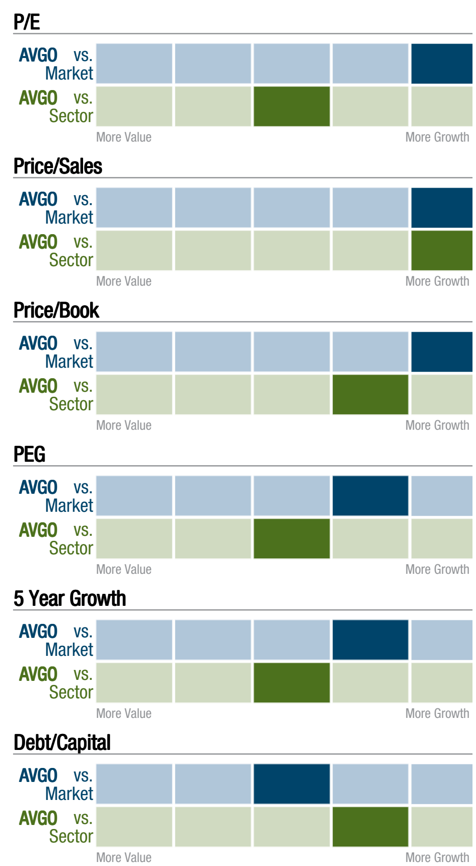
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare AVGO versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how AVGO stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how AVGO might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
TSM	Taiwan Semiconductor Manufactu	912,054	13.0	20.6	40.5	8.6	BUY
AVGO	Broadcom Inc	843,761	11.0	27.6	18.5	17.2	BUY
ASML	ASML Holding NV	281,526	12.0	25.7	26.8	16.6	BUY
QCOM	Qualcomm, Inc.	172,580	11.0	12.9	25.9	7.6	BUY
TXN	Texas Instruments Inc.	172,284	10.0	32.6	30.7	19.8	BUY
AMD	Advanced Micro Devices Inc.	160,184	15.0	19.4	6.4	19.6	BUY
AMAT	Applied Materials Inc.	123,117	11.0	15.7	23.0	7.5	BUY
ADI	Analog Devices Inc.	110,489	12.0	29.7	16.7	13.6	BUY
Peer Average		**346,999**	**11.9**	**23.0**	**23.6**	**13.8**	



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Analyst's Notes ...Continued

low single digits sequentially; we look for this business to rise sequentially in 2Q25. Broadband, which declined almost 40% in FY24, was also down sharply year over year in 1Q25 but rose in double digits sequentially and should sustain that momentum in 2Q25.

For 1Q25, Infrastructure software revenue was $6.7 billion (45% of total revenue), up 47% year over year and 15% sequentially. Integrating VMware into the Broadcom sales organization has enabled the VMware spending run rate to fall from $2.4 billion pre-acquisition per quarter, to $1.2 billion by year-end FY24 - ahead of earlier expectations. Management looks for VMware quarterly spending to remain at $1.2 billion on a sustained basis, even as this business continue to grow.

Transformation of the business model of VMware 'continues to progress very well,' according to the CEO. Since acquiring VMware, Broadcom has 'modernized' offerings from over 8,000 disparate SKUs to four core product offerings and simplified the go-to-market flow by eliminating or reducing channel conflicts.

Broadcom held a recent event to promote VMware Cloud Foundation (VCF), which is a full software stack that virtualizes an entire data center and creates a private cloud environment on-premises for enterprises. Since deal close, Broadcom has signed more than 5,000 of its 10,000 largest customers to enable them to build self-service virtual private clouds on-premises. These customers typically sign multi-year contracts, which Broadcom normalizes as annualized booking value (ABV).

Continued strong bookings at VMware are expected to accelerate revenue growth through fiscal 2025. Broadcom expects this business to continue ramping toward a $4 billion quarterly revenue contribution. At the time of the VMware acquisition, Broadcom set a goal of generating adjusted EBITDA of $8.5 billion within three years of deal close. Based on VMware momentum to date, Broadcom now believe it can achieve or even exceed this target in FY25. For 2Q25, Broadcom expects Infrastructure software revenue of about $6.5 billion, which would be up 23% year over year though down 3% sequentially.

As smaller, more concentrated companies work through several quarters of weakness in core end markets, Broadcom with its broad array of customers and markets served appears positioned for market-share gains. Broadcom has a high degree of recurring revenue based on multiyear contracts, both in semiconductors and particularly in infrastructure software, and that should help sustain growth and margins. Its AI custom accelerator opportunity is off the charts, in our view, and should help AVGO power through the current phase of AI profit-taking.

EARNINGS & GROWTH ANALYSIS

For fiscal 1Q25 (ended 2/3/25), Broadcom reported revenue of $14.9 billion, which was up 25% year over year and 6% sequentially. Fiscal 1Q24 was a 14-week quarter while 1Q25 had 13 weeks. Sales topped management's $14.6 billion guidance and $14.6 billion consensus estimate by $300 million.

The non-GAAP gross margin was 79.1% in fiscal 1Q25, vs. 76.9% in fiscal 4Q24 and 75.43% a year earlier. The non-GAAP operating margin was 65.9% in 1Q25, vs. 62.7% in 4Q24 and 57.1% a year earlier.

Non-GAAP earnings of $1.60 per diluted share for 1Q25 were up 45% year over year and up $0.18 on a sequential basis from fiscal 4Q24; all EPS numbers are adjusted for the 10-for-1 stock split enacted in July 2024. Non-GAAP EPS topped the prereporting consensus forecast of $1.51. Broadcom did not provide non-GAAP EPS guidance for fiscal 1Q25.

Full-year fiscal 2024 revenue of $51.6 billion was up 44% from $35.8 billion in FY23. Split-adjusted non-GAAP earnings of $4.98 per diluted share for FY24 rose 14% from $4.22 per diluted share for FY23.

For fiscal 2Q25, management guided for Semiconductor revenue of $8.4 billion, including $4.4 billion in AI revenue, and Infrastructure software revenue of $6.5 billion. Total forecast revenue of $14.9 billion would be up 19% annually and flat sequentially. Adjusted EBITDA for 2Q25 is forecast at about 66% of total revenue.

We are raising our split-adjusted non-GAAP EPS estimate for FY25 to $6.50 per diluted share, from $6.36. We are raising our non-GAAP EPS estimate for FY26 to $7.62 from an initial $7.55. We regard our estimates as fluid and subject to revision. Our long-term annualized EPS growth rate forecast remains 11%.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Broadcom Inc. is Medium-High. The following discussion reflects Broadcom's balance sheet as of 1/31/24, after the VMware acquisition was completed.

Broadcom issued $18 billion in debt to acquire CA Inc. in 2018, and $11 billion to acquire Symantec's enterprise security business late in 2019. The VMware deal added about $28 billion in debt to the balance sheet, which has been refinanced, along with about $5 billion in cash. Broadcom has worked diligently to reduce debt post-acquisition and to raise funds by selling noncore businesses. Broadcom is a financially strong company that has increased its proportion of high-margin and recurring revenue via its infrastructure software business.

Broadcom currently maintains a ratio of 2.1-times total debt to EBITDA, comfortably below its target of 2.5-times. The company intends to rapidly de-lever VMware related debt and to get back to its 2.5-times leverage target within two years of deal close.

Cash & investments were $9.31 billion at the end of fiscal 1Q25. Cash & investments were $9.95 billion at the end of fiscal 2024, $14.19 billion at the end of fiscal 2023, $12.42 billion at the end of fiscal 2022, and $12.3 billion at the end of FY21.

Total debt was $66.6 billion at the end of fiscal 1Q25, compared with total debt of $68.5 billion at the end of fiscal 2024. Prior to the VMware acquisition, total debt was $39.3 billion at the end of fiscal 2023, $39.5 billion at the end of fiscal 2022, and $39.7 billion at the end of FY21.

The company plans to continue to pay down debt at an aggressive pace given strong cash flow generation.

Debt/cap was 51.0% at the end of FY24. Debt/cap was 62.0% at the end of FY23, 63.5% at the end of FY22, 57.8% at the end of FY21, 63.2% at the end of FY20, 59.2% at the end of FY19, and 39.6% at the end of FY18.

Net debt was $58.5 billion at the end of FY24, vs. $25.0 billion at the end of FY23, $27.1 billion at the end of FY22, and $27.6 billion at the end of FY21.

Cash flow from operations was $20.0 billion in FY24. Cash flow from operations was $18.1 billion in FY23, $16.7 billion in FY22, and $13.8 billion in FY21.

During FY23, Broadcom returned $15.3 billion to shareholders with roughly equal $7.7 billion buyback and $7.7 billion dividend components.

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Analyst's Notes ...Continued

In December 2024, Broadcom hiked its quarterly dividend by 11%, to a split-adjusted $0.59 per common share. Prior dividend hikes include 14%, to a split-adjusted $0.525, in December 2023; 12%, to $0.46 per common share, in December 2022; by 14%, to $0.41 per common share, in December 2021; 11%, to $0.36, in December 2020; and 23%, to $0.33, in FY19.

The annual dividend cost the company $9.8 billion in FY24 and $7.6 billion in FY23. We expect cash flow to cover the dividend by a factor of 2.3-2.5 and free cash flow to cover the dividend by a factor of 2.2-2.4.

Our split-adjusted dividend estimates are $2.36 for FY25 and $2.60 for FY26.

MANAGEMENT & RISKS

Avago's CEO and president is Hock E. Tan. Kristen Spears is CFO and Chief Accounting Officer. Charles Kawwas is president, Semiconductor Solutions Group, and Yuan Xing Lee is VP of Central Engineering. Operating in over 20 distinct end markets, Broadcom Inc. has 25-plus managers at the division level.

The announced acquisition of CA was poorly received by the market. Investors have warmed to the deal now that it is lifting margins. That led to a more favorable reception of the Symantec Enterprise Security acquisition. We think successful acquisitions of these large software assets have laid the groundwork for institutional approval of the massive VMware deal.

The CA deal added $18 billion in new debt, and Symantec added $11 billion. VMware adds an additional $28 billion. Broadcom Inc. has more debt than cash as a result of past acquisitions but has shown diligence in paying it down. Additionally, the company has been able to rapidly de-lever given its strong cash flows and targeted sales of non-core assets.

Although loss of Huawei business and related trade war impacts hurt Broadcom, this is a global impact experienced by many semiconductor competitors. We also believe the U.S. government did Broadcom a favor by blocking its bid for Qualcomm, which would have added replicative rather than complementary assets.

Broadcom Inc. is at risk from the diversity of its business lines, which increased further once Broadcom Corp. was acquired. Broadcom's leadership and market share strength in Analog III-V and in mixed-signal CMOS enable the company to command premium prices for its products. The company has never hesitated to exit or sell unprofitable or low-return product lines, thus enabling it to maintain its profit margins.

COMPANY DESCRIPTION

Broadcom Inc. is a top-five global fabless semiconductor company with leading franchises in wired and wireless communications, enterprise data center and storage, and other end markets. The former Avago acquired Broadcom for $37 billion in 2016 and changed its name to Broadcom Inc. The company has grown via hardware acquisitions, including Agere, LSI Logic, Brocade, and Emulex; and software acquisitions, including CA Inc. in November 2018 and Symantec's enterprise security business in November 2019. Broadcom completed the acquisition of VMware in December 2023.

VALUATION

AVGO trades at 29.5-times our FY25 non-GAAP estimate and at 25.4-times our FY26 forecast, or at an average two-year-forward P/E of 27.5-times. The two-year-forward P/E is above the historical five-year (FY20-FY24) trailing P/E of 17.3. AVGO trades at a relative P/E of 1.34 on a two-year-forward basis, above its historical five-year trailing relative P/E of 0.91. Broadcom is now growing much faster and is higher-margined than in the past and has a fast-growing AI opportunity. Other price-based multiples are more in line with historical levels. Fair value based on comparable historical multiples is in the $120s, rising though below current prices.

Peer group analysis shows AVGO trading below peers on EV/EBITDA and in line on P/E and price/sales. Peer indicated value is in the $150s, declining amid profit-taking in technology and sector rotation.

Discounted free cash flow analysis points to a value above $350, well above current levels. Cash flow generation should accelerate further as the company integrates high-margin assets and achieves volume leverage and greater synergies across its operations.

Our blended valuation analysis indicates a fair value for AVGO in the $325 range, above current levels and in a stable trend. Calculated fair value remains above the current stock price.

Appreciation to our 12-month target of $285 implies a potential risk-adjusted total return, including the 1.3% dividend yield, exceeding our forecast for the broad market. On that basis, we are reiterating our BUY rating.

On March 7 at midday, BUY-rated AVGO traded at $185.45, up $6.00.

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About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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