AVGO Earnings Call – FY2023 Q4

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Operator

Welcome to Broadcom Inc.'s Fourth Quarter and Fiscal Year 2023 Financial Results Conference Call. At this time, for opening remarks and introductions, I would like to turn the call over to Ji Yoo, Head of Investor Relations of Broadcom Inc. The floor is yours.

Ji Yoo

Thank you, operator, and good afternoon, everyone. Joining me on today's call are Hock Tan, President and CEO; Kirsten Spears, Chief Financial Officer; and Charlie Kawwas, President, Semiconductor Solutions Group. Broadcom distributed a press release and financial tables after the market closed, describing our financial performance for the fourth quarter fiscal year 2023. If you did not receive a copy, you may obtain the information from the Investors section of Broadcom's website at broadcom.com. This conference call is being webcast live and an audio replay of the call can be accessed for one year through the Investors section of Broadcom's website. During the prepared comments, Hock and Kirsten will be providing details of our fourth quarter and fiscal year 2023 results, guidance for our fiscal year 2024, as well as commentary regarding the business environment. We'll take questions after the end of our prepared comments. Please refer to our press release today and our recent filings with the SEC for information on the specific risk factors that could cause our actual results to differ materially from the forward-looking statements made on this call. In addition to U.S. GAAP reporting, Broadcom reports certain financial measures on a non-GAAP basis. A reconciliation between GAAP and non-GAAP measures is included in the tables attached to today's press release. Comments made during today's call will primarily refer to our non-GAAP financial results. I'll now turn the call over to Hock.

Hock Tan

Thank you, Ji, and thank you, everyone, for joining us today. In our fiscal Q4 2023, consolidated net revenue was $9.3 billion, up 4% year-on-year and very much as we had guided at the last conference call. Semiconductor solutions revenue increased 3% year-on-year to $7.3 billion, and infrastructure software revenue grew 7% year-on-year to $2 billion. Overall, while infrastructure software remains very stable, semiconductor is continuing the cyclical slowdown at enterprises and telcos that we have been seeing over the past six months. However, hyperscalers remain strong. Generative AI revenue, driven by Ethernet solutions and custom AI accelerators, represented close to $1.5 billion in Q4 or 20% of semiconductor revenue, while the rest of the semiconductor revenue continued to be rather stable at around $6 billion. Moving on to results for the year. For fiscal 2023, consolidated revenue hit a record $35.8 billion, growing 8% year-on-year. And since 2020, even though we have not made an acquisition, we have shown a robust trajectory of growth, driven by semiconductor growing at an 18% CAGR over the past three years. In fiscal 2023, operating profit grew by 9% year-on-year, and our free cash flow grew 8% year-on-year to $17.6 billion or 49% of revenue. We returned $13.5 billion in cash to our shareholders through dividends and stock buybacks. As you well know, we just closed the acquisition of VMware on November 22, just about four weeks into Broadcom's fiscal 2024. We are now refocusing VMware on its core business of creating private and hybrid cloud environments among large enterprises globally and divesting noncore assets. Reflecting the consolidation of a restructured VMware into our 2024 outlook, we forecast our fiscal year '24 consolidated revenue to be $50 billion. We expect the integration to take about a year and will require close to $1 billion in transition spending, which will largely be done as we exit fiscal '24. Regardless, we expect our fiscal year 2024 adjusted EBITDA to be approximately 60% of revenue. Kirsten will give you more details in her section. Now, let me give you more color on our two reporting segments, and I'll start with software. In Q4, as you know, there's no VMware revenue and the infrastructure software business of CA, Symantec and Brocade grew 7% year-on-year to $2 billion. Consolidated renewal rates averaged 119% over expiring contracts. And in our strategic accounts, we actually averaged 130%. Over 90% of the renewal value represented recurring subscription and maintenance. For the year, renewal rates averaged 116% over expiring contracts and in strategic accounts, we averaged 124%. Revenue in fiscal 2023 was $7.6 billion, up 3% year-on-year and our expectation for fiscal '24 is for this revenue to be $8 billion, which is 4% year-on-year. For the s2024 outlook, we are excited to now include VMware. As we all know, VMware has the leading technology to virtualize entire data centers, not just compute, and by doing so, create private cloud on-prem. Our strategy going forward is simply to enable global enterprises to run their applications across the other data centers as well as on public clouds by consuming VMware's higher-value software stack. And to attract and keep these workloads across the environment, we are investing in a rich catalog of microservices tools. This will be our focus. And the noncore businesses of end-user computing and Carbon Black will be divested. So for 2024, based on 11 months of contribution from VMware, we expect VMware to contribute $12 billion in revenue. And on a consolidated basis, we expect our infrastructure software revenue in 2024 to be $20 billion. Turning now to the semiconductor segment. Let me give you more color by end markets. Q4 networking revenue of $3.1 billion grew 23% year-on-year, representing 42% of our semiconductor revenue. This was primarily driven by strong demand from hyperscalers for our custom AI accelerators and as well for our networking switches, routers and NICs, Network Interface Cards, dedicated towards scaling our AI data centers. As you know, even as Ethernet is the standard protocol in front-end networks, hyperscalers are also deploying Ethernet predominantly in their AI networks. In fiscal '23, networking revenue grew 21% year-on-year to $10.8 billion. If we exclude the AI accelerators, networking connectivity represented about $8 billion, and this is purely silicon, not systems, not cable nor subsystems. In fiscal 2024, we expect networking revenue to grow 30% year-on-year, driven by accelerating deployment of networking connectivity and expansion of AI accelerators in hyperscalers. Moving to wireless. Consistent with the seasonal launch by our North American customers, Q4 wireless revenue of $2 billion increased 23% sequentially and declined 3% year-on-year, representing 27% of semiconductor revenue. In fiscal '23, wireless revenue was relatively flat at $7.3 billion, just down 2% year-on-year. The engagement with our North American customers continues to be deep, strategic and multiyear. And accordingly, in fiscal '24, we expect wireless revenue to again remain stable year-on-year. Next, our Q4 server storage connectivity revenue was $1 billion or 14% of semiconductor revenue and down 17% year-on-year. In fiscal '23, server storage connectivity was $4.5 billion, up 11% year-on-year. And going to fiscal '24, we expect server storage revenue to decline mid- to high-teens percentage year-on-year, driven by the cyclical weakness that began late '23. And moving on to broadband. Q4 revenue declined 9% year-on-year to $950 million, in line with expectations and represented 13% of semiconductor revenue. And in fiscal '23, broadband revenue was $4.5 billion and up 8% year-on-year. Moving on to fiscal '24, we expect broadband revenue to be down low- to mid-teens percentage year-on-year and reflecting, again, the further slowdown as the cyclical weakness at service providers that began in late '23 continues into fiscal '24. And finally, Q4 industrial sales of $236 million was stable year-on-year. In fiscal '23, industrial resales were $962 million. In fiscal '24, we expect industrial resales to be down low single digits year-on-year. So in summary, fiscal '23 semiconductor solutions revenue was up 9% year-on-year to $28.2 billion. Revenue from generative AI in fiscal '23 reached 15% of semiconductor revenue, in line with our expectation. And moving on to fiscal '24, we forecast semiconductor solutions revenue to be up mid- to high-single-digit percent year-on-year. We expect revenue from generative AI to represent more than 25% of the semiconductor revenue, consistent with prior guidance, which more than offset the lack of growth from non-AI semiconductor revenue. With the consolidation of VMware, bringing our Infrastructure Software segment revenue to $20 billion and the semiconductor segment holding at mid-high single digit growth year-on-year, we are, therefore, guiding our fiscal '24 revenue to be $50 billion, which represents 40% year-on-year growth from fiscal '23. With that, let me turn the call over to Kirsten.

Kirsten Spears

Thank you, Hock. Let me now provide additional detail on our Q4 financial performance. Consolidated revenue was $9.3 billion for the quarter, up 4% from a year ago. Gross margins were 74.3% of revenue in the quarter, in line with our expectations. Operating expenses were $1.2 billion, flat year-on-year. R&D of $940 million was also stable year-on-year. Operating income for the quarter was $5.7 billion and was up 4% from a year ago, with operating margin at 62% of revenue. Adjusted EBITDA was $6 billion or 65% of revenue, in line with expectations. This figure excludes $124 million of depreciation. Now, a review of the P&L for our two segments, starting with our semiconductor segment. Revenue for our semiconductor solutions segment was $7.3 billion and represented 79% of total revenue in the quarter. This was up 3% year-on-year. Gross margins for our semiconductor solutions segment were approximately 70%, down 110 basis points year-on-year driven primarily by product mix within our semiconductor end markets. Operating expenses were stable year-on-year at $822 million, resulting in operating profit growth of 2% year-on-year and semiconductor operating margins of 58%. Now, moving on to our infrastructure software segment. Revenue for infrastructure software was $2 billion, up 7% year-on-year and represented 21% of revenue. Gross margins for infrastructure software were 92% in the quarter, and operating expenses were $339 million in the quarter. Q4 operating profit grew 12% year-on-year with infrastructure software operating margin at 75%. Now moving on to cash flow. Free cash flow in the quarter was $4.7 billion and represented 51% of revenues in Q4. We spent $105 million on capital expenditures. Days sales outstanding were 31 days in the fourth quarter compared to 30 days in the third. We ended the fourth quarter with inventory of $1.9 billion, up 3% sequentially. We continue to remain disciplined on how we manage inventory across the ecosystem. We exited the quarter with 76 days of inventory on hand, down 80 days in Q3. We ended the fourth quarter with $14.2 billion of cash and $39.2 billion of gross debt, of which $1.6 billion is short term. Now let me recap our financial performance for fiscal 2023. Our revenue hit a record $35.8 billion, growing 8% year-on-year. Semiconductor revenue was $28.2 billion, up 9% year-over-year. Infrastructure software revenue was $7.6 billion, up 3% year-on-year. Gross margin for the year was 74.7%, down 90 basis points from a year ago. Operating expenses were $4.6 billion, down 4% year-on-year. Fiscal 2023 operating income was $22.1 billion, up 9% year-over-year and represented 62% of net revenue. Adjusted EBITDA was $23.2 billion, up 10% year-over-year and represented 65% of net revenue. This figure excludes $502 million of depreciation. We spent $452 million on capital expenditures, and free cash flow grew 8% year-on-year to $17.6 billion or 49% of fiscal 2023 revenue. Now, turning to capital allocation. For fiscal 2023, we spent $15.3 billion, consisting of $7.6 billion in the form of cash dividends and $7.7 billion in share repurchases and eliminations. We ended the year with $7.2 billion of authorized share repurchase programs remaining. With the VMware deal closed, we have resumed repurchasing shares under our existing program. In fiscal year 2024, including the incremental shares from the acquisition of VMware and excluding the potential impact of any share repurchases, we expect the non-GAAP diluted share count to be approximately 494 million. Aligned with our ability to generate increased cash flows in the preceding year and now off of a larger share count base from the acquisition of VMware, we are announcing an increase in our quarterly common stock cash dividend in Q1 fiscal 2024 to $5.25 per share, an increase of 14% from the prior quarter. We intend to maintain this target quarterly dividend throughout fiscal '24 subject to quarterly Board approval. This implies our fiscal 2024 annual common stock dividend to be a record $21 per share. I would like to highlight that this represents the 13th consecutive increase in annual dividends since we initiated dividends in fiscal 2011. Now on to guidance. As Hock discussed, with the recent closing of our VMware acquisition and the integration process, which will take at least one year, for fiscal 2024, we will provide our outlook for the full year instead of quarterly guidance. Based on current business trends and conditions, our guidance for fiscal year 2024 is for consolidated revenues of $50 billion. Within this, our fiscal year 2024 semiconductor revenue is expected to grow mid- to high-single-digit percent year-on-year. Our fiscal year 2024 infrastructure software segment revenue from continuing operations is expected to be $20 billion, including $8 billion from CA, Symantec Enterprise and Brocade and $12 billion from VMware. With regard to VMware, our forecast for fiscal '24 revenue of $12 billion reflects 11 months of contribution from VMware. This does not include revenue from EUC and Carbon Black of approximately $2 billion, which we plan to divest. We are also converting an installed base of licenses that is over 60% perpetual today to one that will be mostly subscription by the end of fiscal 2024. Offsetting these, our new strategy for VMware will accelerate revenue growth over the next three years. During fiscal '24, we expect to incur about $1 billion of spend related to transitioning VMware into the new Broadcom model. This transition spending will be largely completed by the end of the fiscal year as our VMware spending run rate exits fiscal '24 at approximately $1.4 billion per quarter, down 40% from a year ago. So, in fiscal year 2024, including VMware, we expect consolidated adjusted EBITDA of approximately 60% of projected revenue. That concludes my prepared remarks. Operator, please open up the call for questions.

Operator

[Operator Instructions] Our first question will come from the line of Vivek Arya with Bank of America.

Vivek Arya

Hock, so yesterday, one of your peers suggested that the market for AI accelerators could be as large as $400 billion. So kind of three related questions. What do you think about that number? And then number two, how does Broadcom participate in that, just beyond your large kind of ASIC project on the compute offload side? And then what does this larger AI accelerator market imply for your Ethernet networking business? I assume that they are correlated, but what is the right way to think about what is presumably a much larger market for accelerators and how it impacts Broadcom's growth prospect?

Hock Tan

Thank you for those very interesting questions. Starting with the first part, I mean, it's -- what we're seeing is a market that continues to grow, to accelerate. What is also very obvious is it's very, very dynamic as architectures of large language models, software models continues to change, I mean, literally change on the fly. We are also seeing the requirements for compute silicon change. And it's very interesting, very fascinating for us, but it also presents quite an interesting opportunity, which is to say that if a customer has a business model that is substantial and have resources which obviously supports that, is getting to a stage that it might make a lot of sense to design AI compute engines, which comprises memory as well as the compute engine itself, then that can be tailored or better word, customized for their particular requirements on applications, on their particular LLM model. And we're seeing this as we all are seeing LLM models continue to change and the face -- the shape of generative AI dynamically change more and more, where training and inference are now starting to, in a way, converge and the chip designs are changing. And we are seeing that in the way we design specific custom chips for hyperscalers. That's interesting. So that's a very interesting opportunity for us. And as I indicated in my remarks, we see that revenue as part of networking revenue, $4 billion and networking -- AI networks and going -- doubling almost during 2024. Nothing new. We have said that before. And if anything else, we are reinforcing that particular guidance. Now, networking is particularly interesting as you heard in my opening remarks. It is accelerating as fast as our AI accelerators, the compute engines are growing. And we see that growing hand in hand and particularly so as training -- continuous training of very large language models with very different and very large parameters keep going on and things keep changing. So we're seeing no slowdown, in fact, in the update on building out this AI networks. If anything else on average, we are seeing a doubling on size of those networks across the board. So, that's -- to your answer question. Yes, I fully concur with AMD, when they indicate that it looks like demand appears to be accelerating rather than staying stable or decelerating.

Operator

Thank you. One moment for our next question. And that will come from the line of Ross Seymore with Deutsche Bank.

Ross Seymore

Just a quick clarification on the question. The clarification is, is the fiscal year guidance going to be the new protocol, or is that just this quarter? And then the real question, Hock, is on the VMware side of things, Kirsten talked about it potentially accelerating off of that $12 billion base. Can you just talk about the linearity of it maybe throughout the year, or more importantly, how is it going to be accelerating as people start to look at what the VMware Street estimates were before. We know we have to take out the two divested operations. But what are the drivers of acceleration? And how should we consider the magnitude of that as we look forward?

Hock Tan

Yes. We are very -- we are in a very interesting, very exciting situation here as we move into the next chapter of VMware. As I said, we focus the business on VMware Cloud Foundation, which is the full software stack that virtualizes data centers on-prem, not totally [ph] virtualize it, a cloud environment, and we are converting more and more customers step-by-step as they come up for renewal into this higher value stack, and we're doing it on a subscription basis. So become very focused. So we will kick it off at a much lower rate -- because subscription generally brings down revenues, as you know, in software based on revenue recognition. But we see a trajectory of accelerated growth even in 2024 -- through 2024. And it just doesn't stop there because it's the math and the trajectory. And to answer your question, you're right, we are accelerating from $12 billion, and we're probably seeing a double-digit growth for the next three years, just by sheer math of selling that higher value virtualization stack versus the very loose component sales in the past, particularly on compute only.

Ross Seymore

And on the fiscal year side, is this a one quarter thing, or is this the new way you guys are going to be doing it?

Hock Tan

Well, that's a good question. Well, we will -- just to give you an indication, in 2024 because it's an accelerating trend, our view is that it's more appropriate and more relevant to getting you guys a sense of where we're headed to get to turn it to an annual guidance for '24. And we will report results every quarter and update our annual guidance '24 each time we report the quarterly actuals.

Operator

Thank you. One moment for our next question. And that will come from the line of Harlan Sur with JPMorgan.

Harlan Sur

One quick housekeeping item question. So, even off the lower revenue base starting in fiscal '24 for VMware, is the team still targeting $8.5 billion-plus of EBITDA in three years? And then for my main question, Hock. As you mentioned, right, one of the fastest growing workloads in accelerated compute is accelerated compute and generative AI. And all of these workloads are increasing at an exponential rate. You talked about the benefits to your silicon franchise. But given the significant performance requirements of these workloads, right, training, inference, it appears that more of the near-term adoption of running these workloads is on bare metal, GPU, TPU, accelerated servers. So, how is the team exploiting a software-defined data center solutions via either cloud foundations or Tanzu to try to help customers focus on AI sort of drive better utilization, better economics, faster deployments on this very fast growing part of the market?

Hock Tan

Well, as you may be aware, in the last VM Explore in Las Vegas, VMware came out and announced in partnership with NVIDIA, the VMware Private AI Cloud Foundation. Another way of describing it is, the VMware Cloud Foundation Software Stack, the whole VCF stack runs NVIDIA coder, runs the NVIDIA GPU. That is the partnership. So, if you're an enterprise, it's a very easy step to get into gen AI analytics because the data center that you as an enterprise own on-prem that runs VCF will by default run the NVIDIA GPU software stack as well. Another way to put it, it virtualizes the NVIDIA GPU. That's the VMware software stack as well. So it's a very strong attraction in our -- from our perspective to, in fact, accelerate thinking of a lot of enterprise to adopting the whole VCF site. It's simply because not only does it virtualize the data centers and make your data on-prem data center much more resilient, easier to manage, lower cost to manage, it has the added benefit, a big attraction this is of being able to right away start running AI workloads.

Harlan Sur

And then, just on my first question, are you guys still targeting $8.5 billion of EBITDA in three years on VMware?

Hock Tan

As Kirsten indicated, as we exit fiscal '24, we are practically at a run rate of $8.5 billion EBITDA.

Operator

One moment for our next question. And that will come from the line of Stacy Rasgon with Bernstein.

Stacy Rasgon

Kirsten, along that line, I was wondering if you're going to do 60% EBITDA margin for the Company for the full year, how should we think about the beginning and exit rates on EBITDA margin relative to that full year total? And I guess, aligned with that, I think I heard you say you -- that VMware OpEx would be down 40%

exiting the year versus the entry trade. I'm actually kind of surprised it's not down more. Maybe that's the reinvestment. But is that $1.4 billion per quarter for VMware, that's the right exit rate going for VMware OpEx? And should we sort of go off of that or what?

Kirsten Spears

That's VMware spending. So that's total spending.

Hock Tan

Yes, it will be. But, let me tell you, Stacy, you're missing the biggest point. We are on a -- as I indicated to an earlier question by Vivek, I think, our revenue during this process, even 12 months, 4 quarters, is on the growth trajectory, just because of the way the math works. As we sell more and is on revenue, and we recognize revenue on a ratable basis, our revenue on a quarterly basis is on a growth trajectory. That will keep running and will keep running beyond 2024. But 2024 by itself won't be on a revenue trajectory that goes up very rapidly. So what you have think about picture is, is a revenue trajectory in '24 that is expanding or growing while the expense -- operating expense, total spend because of reduction of transition expenses is declining. And that's why we are telling you that by the end of -- as we exit fiscal '24, we pretty much get to the guidance we gave you at the beginning of when we announced this deal.

Stacy Rasgon

So what's the total company EBITDA margin, say, exiting the year then, just to level set?

Hock Tan

Well, that's a total -- we will get pretty close to where we are supposed to, before we started this whole exercise.

Stacy Rasgon

What was that 65%? I can't remember.

Hock Tan

It's somewhere between 60% and 65%. How does that sound, Stacy?

Stacy Rasgon

I mean you did say 65% on it. I think I recall you saying you were going to run VMware at 65%. So I guess, 65% is the right exit rate?

Hock Tan

At steady state, you're right. At steady state, we'll get to pretty close to 65% on VMware.

Operator

Thank you. One moment for our next question. And that will come from the line of Timothy Arcuri with UBS.

Timothy Arcuri

Hock, in the language for the approvals from China, they noted some restrictive conditions and there were some protections around some sensitive information from your competitors. Can you detail what these are? And does this change your view on the synergies you can drive, either cost or more importantly, revenue? Thanks.

Hock Tan

No. I think those conditions are pretty well laid out in the website of the relevant authorities. I frankly don't think that it's very appropriate for me to sit here and repeat all those conditions again. It's right on the website, and that's what it is.

Timothy Arcuri

Okay. And it doesn't make you think any differently about the synergies that you can drive from the business?

Hock Tan

No.

Operator

Thank you. One moment for our next question. That will come from the line of Christopher Rolland with Susquehanna.

Christopher Rolland

Thanks for the question. Congrats on the quarter and closing the VMware deal. I guess, cost of capital has increased since VMware -- since the announcement of the deal. And now that this is closed, I guess, does this affect how you look at your capital allocation strategy going forward? It sounds like you bounced -- you bumped the divi here and you restarted your share repurchase now that it's closed. Are you going to focus more on repurchases, or is it still same old Broadcom with acquisitions in mind as you delever?

Kirsten Spears

Always with acquisitions in mind, we're continuing our share repurchase program that we promised. So that's -- we're definitely buying back shares. Yes, as being Broadcom, we'll delever quickly. So, we'll keep everything in mind essentially.

Hock Tan

Chris, to expand a bit on that. We acquired VMware with part of cash because it took longer. So we got ourselves some part of cash. And with that flexibility, not only are we able to give dividends to the new shareholders from VMware side, we are continuing to complete the commitment we make to you, the shareholders, to -- for the rest of fiscal -- for the rest of calendar '23 to buy back that $7 million of shares out there.

Christopher Rolland

Great. Thanks. And maybe a quick follow-up. Thoughts on just why you didn't offer next quarter in favor of the full year? And if you had any thoughts on the shape of revenue for next year, whether it's back half loaded significantly or pretty linear?

Hock Tan

We just bought a company that's pretty sizable. We are restructuring the business model and we're changing, among other things, the business model to a subscription business model, as Kirsten said. And we see therefore that trajectory of the revenue -- a sharp trajectory of growth for the revenue just by sheer conversion to subscription and the fact that we are also upselling a higher-value product. The combination of that and the new -- in fact it's company, we -- makes it more -- much more sensible, let's put it this way, for us to be able to give you a full year number than a three-month guidance. Because spending -- transition spending might slip, might accelerate, revenue might accelerate, might slip. And giving ourselves three months to tell you what it is, especially on a new environment to us, it's not very, very, I call it -- we are not being good to you guys, the shareholders. But for the full year, I think we have hell a lot more confidence we will attain those endpoints at the exit.

Operator

And one moment for our next question. And that will come from the line of Toshiya Hari with Goldman Sachs.

Toshiya Hari

Hock, I had a question on the semiconductor business and specifically on the non-AI side of things for both networking and server storage connectivity. As you noted, you're obviously going through a cyclical correction. Historically, you've had a pretty good understanding of where customer inventory is. And when we simply look at their balance sheets for the public companies, inventory is pretty elevated, particularly on the networking side. What is your interpretation of where inventory is for your products? And how should we think about the timing and pace of recovery as you look into 2024? Thank you.

Hock Tan

On our books, you can see inventory for our products is pretty damn good, right, especially compared to our peers, and that's because we keep it tight. Out in customers, and we don't sell through channels, we don't sell much through channels. We usually do a lot of it direct to our logic customers. We feel they are in good shape, relatively speaking. We are still in good shape. Now, if you ask me, maybe server storage, that could be a little excessive, but not broadband and certainly not in networking. So overall, on our products, we still feel rather good about it. And the best indication is the level of our own inventory on our own books. But what we do see is customers are perhaps much more cautious about buying more stuff, not just because they have too much of my inventory, I think because they have too much of everybody else inventory out there. We tend to see some caution in the way they choose to buy. Having said that, we're still keeping to our lead times.

Toshiya Hari

And Hock, any comment on sort of the timing or the shape of the recovery in '24?

Hock Tan

If only I know. I mean, I'll be speculating to say second half of '24 things will start looking better compared to the first half of '24.

Operator

And one moment for our next question. And that will come from the line of Karl Ackerman with BNP Paribas.

Karl Ackerman

Hock, I was hoping you may discuss the reason for divesting EUC and Carbon Black. And maybe more importantly, as you think about the growth rate off this $12 billion, Kirsten, could you discuss the opportunity you see in front of you as DRAM memory pooling brought in from the adoption of CXL within data centers that would seem to be a very big opportunity for VMware? Thank you.

Hock Tan

Yes. What was the first question again? Sorry. Okay. Why do I chose to sell End-User Computing and Carbon Black? Those are good assets. Let's make no mistake. They are very sustaining. They are very stable, good assets. And why we chose to sell them is typically our playbook. We focus very much so on -- in any acquisition where we see the biggest value for our business model. And basically, we then do not want to be distracted by noncore focus. And VMware for us is about core. It's about data centers, it's about core networks and core compute. And so, we're now going to invest and focus our sales and R&D on those core areas of VMware Cloud Foundation. And to us, End-User Computing, Carbon Black, good assets as they may be, we prefer now to divest them. We'll find good homes for them because there are a lot of very interested parties who are more than happy to take those assets. And we'll be very, very thoughtful about where we put those assets eventually, simply because the customers of many of these two assets, many of the customers are also the same customers to the VMware Cloud Foundation.

Operator

Thank you. And one moment for our next question. And that will come from the line of Matt Ramsay with TD Cowen.

Matt Ramsay

Hock, I guess I'll caveat my question saying that I'm a semiconductor guy rather than a software expert. But I wanted to ask about the plan to convert the VMware customer base to subscription models and contrast that with what you guys did with CA and Symantec. So, are there -- do you feel like the process is going to be pretty similar in duration and success, or are there differences in maybe the customer base, the length of the long tail outside the sort of Fortune 1000, the type of technologies there? Are there any similarities or differences in the plan there that we should sort of think about and what that might mean for how quickly you can convert that business? Thanks.

Hock Tan

No. These are very different assets, not saying anyone necessarily much better than the other, just different. In CA, particularly where we're mainframe but also some distributors, we focus very much especially on core customer base, which represented at that time, we bought 70% of the overall revenue of those -- CA. We focus on these customers. We focus on supporting them and they're continuing to basically give them really good support, feature request growth in the area. And that's how we then and -- we focus on Symantec too, which is a small core group of customers. And a big part of it is the technology of CA, especially on mainframe is honestly -- is running a lot of legacy applications that are still very, very much alive today, but customers preferring to run it on those mainframe tools simply because it makes no sense to modernize or change for whatever -- for their own good reasons. VMware, however, we're selling a product of the present and of the future. It is a growth product to be able to create a virtualized cloud environment in your own data center on-prem for any global company. The good thing about going to public cloud is also totally virtualize, but very resilient when you run -- when you run a software-defined environment. We are creating with VMware, the same experience of virtualization of the data center on-prem for those companies, which has workloads, by the way, that are already running VMware products that application that's already written on VMware Cloud Foundation. This is then giving these enterprises the opportunity to have a hyperscaler on-prem. That's the plan we're doing, plain and simple.

Operator

Thank you. One moment for our next question. And that will come from the line of William Stein with Truist.

William Stein

Hock, in the past, I think we've all been aware that there's one major customer on the accelerated compute side. I suspect that he's broadened and deepened perhaps and hoping you can give us some characterization of that, maybe the number of customers or projects, how diversified it is at this point, that would really help. Thank you.

Hock Tan

Yes, it has. It has, which reflects some of my opening remarks that say that I used to tell you guys, hey, merchant silicon will triumph. But I think with the evolution -- a very rapid evolution I've been seeing on the AI, large language model, generative AI large language models and the fact that in hardware one size doesn't fit all. That is variation depending on the models you run. I would say that if -- for some of those hyperscalers with the resources, with the scale requirements to be able to create customized versions of hardware to match with customization of their foundation models and even their application models, we begin to see the effect of that. Other than that, I'd rather not disclose any more to you at this point because we're kind of under NDA overall.

Operator

Thank you. One moment for our next question. And that will come from the line of Harsh Kumar with Piper Sandler.

Harsh Kumar

Yes. Hock, first of all, congratulations on closing the VMware deal. I know you've been trying to close that for a while. I wanted to -- you've had a lot of time. Your management had a lot of time to look at this deal through the process of closing. I was curious what you have seen so far that pleases you the most and what do you think will be the most challenging aspect of the integration over the next 12 months that you highlighted?

Hock Tan

Well, over the past 18 months almost, we had on the journey of closing this deal from the date of announcement. You're right, we had a great opportunity, and thanks to a very supportive management team from VMware that engages with us very, very well. Again, it's planning. We can see, we can't touch, but it has a lot of time to plan and think through. It also gives me a lot of opportunity to go out there. And over the past 12, 16 months, I must have talked one-on-one or in small groups to at least 150 CIOs globally of the largest customers of VMware out there. And one thing is very clear. The VMware core product, the VMware Cloud Foundation software stack that enables virtualization of not just computing, servers, compute, but storage, networking as well as orchestration and management layer over that whole stack is something that CIOs, head of infrastructure of large -- many large companies out there really want. They want to be able to deploy. They want to make their data centers, which is very heterogenous now between virtualization and compute to bare metal and the mix environment and different vendors where each is trying to optimize best-of-breed to one that is managing under a single abstraction layer across a diversity of hardware. That saves a lot of hardware purchases. That creates a lot of cost reduction in a way to manage it. That is the value of the technology VMware brings to bear. And the products are there. For us is focusing and execution, which is what you hear us say that today and which is what you hear Kirsten lay out in the numbers we are looking at just in the first year of completion of this acquisition.

Operator

And that concludes today's question-and-answer session. I would now like to turn the call back over to Ms. Ji Yoo for any closing remarks.

Ji Yoo

Thank you, operator. In closing, Broadcom currently plans to report its earnings for the first quarter of fiscal '24 after close of market on Thursday, March 7, 2024. A public webcast of Broadcom's earnings conference call will follow at 2:00 p.m. Pacific. That will conclude our earnings call today. Thank you all for joining. Operator, you may end the call.

Operator

Thank you all for participating. This concludes today's program. You may now disconnect.