AVGO CEO/CFO/IR

Supply/Demand: 90% booked, how to judge real demand

Semi:

75% come from largest 100 customers, easier to judge demand

Hyperscale, telecom: direct engagement; see roadmap of

OEM (CSCO, IBM, DELL, NTAP): not direct engagement

Wireless: AAPL, Samsung

Q1: 17% yoy

Q2/q3: 17% growth (true natural demand) given supply demand inbalance in this environment

Direct/indirect:

10Q distribution grew 50%?

Go through dist for AAPL

Also for fulfillment purpose (hyperscale), whitebox, odm (China, TW)

Samsung go direct

Charge substantial expedite fee to deter double booking

Hyperscale/teleco wants stuff faster

Networking

Enterprise: 50% rev (lots of OEM); inventory lean, but can use inventory

50% hyperscale (switch/router), teleco (more routers)

Next 2-3y, merchant silicon mkt (ASIC)

Believe this mkt will grow (change has been happening last decade)

Hyperscale: don’t need bell whistle enterprise need

Merchant Silicon: simpler design, more programmabile

Hyper-cloud for routing: transparent, easier to manage, resilient

Wireless guide strong (assumption of 5g)

5g about 50% (content): 40% content step up, half this year, half next yr

M&A war chest

$5-$15b range.

Would like to add a tgt with 10% cash on cash ret ($1B ebitda / $10b investment)

Low teen ebidta growth

$2b incremental ebida annually?

$3.5b fcf per q

$16b cash at ye ($10b above what need to be investment grade)

Not paying down debt

50% dividend

M&A tgt

Driving function: good s/w tools (not looking at magic quadrant)

Good footprint in large enterprise (700 large enterprise)🡪 good adoption

4-5x rev, 10% margin (arbitrage opp)

Cross selling

Networking: mid-teen growth

400g switching cycle

Not seeing supply contrained (in true demand)

Enterprise step up spending, hyperscale may slow down (some rebalance could happen, more in 2022); in-line of sight (high level booking, replenish inventory mainly, but not seeing roaring demand)

Hyperscale has not slowing down yet

But hyperscale may invest in 800G, not sure when

Teleco: has been spending in 2020, and extend broad ban in 2021, not stopping in 2022

25g epon (late 2021, 10g bit launch)

5g: c-band🡪 build infrastructure

Not move fast 🡪 see spending 2022

ANET/JNPR: specialty cloud

ORCL/IBM/AAPL: want to do more, but don’t buy enough, very enterprise driven

Macro cycle

Never a goldilock ending

Just saw crazy demand in last 2q in 2020

But visibility of length of the cycle mixed

2022 may be ok. 2023 may be the down yr

GM: 50-100bps improvement each yr, drivers

Semi 17% (peak of growth). Normal: msd growth long term

S/W: drive msd (or higher) growth (core growth highest growth 10%)

Host in GCP (90% GM?)

OPM will grow, no limit

Product cycle: Networking; 2-3y, Storage: 3-5y, Industry: 5-10y

Semi margin: 50-100bps improvement

New products each yr, new product cycle

This mix of portfolio produce margin uplift

S/W: 7 core products

Don’t manage by numbers

Try to be leaders in each category (maintain tech leadership, mkting leadership)

Just enough investment to maintain

Buy biz, keep 3-4 strong division, get rid of non-core biz

Profitability/ cash flow is AVGO all about

Manufacturing footprint

Early inning of up cycle for semi (