COVERAGE INITIATION · SEMICONDUCTORS · CUSTOM AI ACCELERATORS AND INFRASTRUCTURE SOFTWARE

Broadcom Inc. (AVGO)

At $347.01, Broadcom shares price in about $400 billion of annual free cash flow from fiscal 2032, 2.7 times what management's AI plan would produce; even that plan returns about 11% a year against our 16% cost of equity, so we rate the shares Underweight.

INTRINSIC VALUE	FAIR VALUE RANGE	1–3 MONTH DIRECTION	RATING
Expensive	$150–$280	Sideways	Underweight
Price 1.24 times the top of the range	Weighted $135 vs price $347.01	Very high volatility	Neutral below about $320

INVESTMENT VIEW

01 **At $347.01 the shares need about $400 billion of annual free cash flow from fiscal 2032.** At our 16% discount rate, our base case reaches $103B in fiscal 2031 and management's plan, our bull case, $148B. The price implies returns of 8.3% a year in our base case and 10.9% in the bull case.

02 **We expect fiscal 2028 AI revenue near $170 billion, below management's $230 billion, as financed customers carry more risk.** Two of six accelerator customers, Anthropic and OpenAI, rely on financing vehicles. Broadcom backstops up to $43B of one, an earlier tranche adds about $29B by an analyst's estimate, and Google is adding MediaTek as a supplier.

03 **The business is executing well, and contracted demand supports fiscal 2027 more firmly than the years after it.** Q3 AI revenue rose 221% to $16.7B, Q4 is guided to $21.7B, contracted backlog is $179.2B, and supply is secured for about $115B of fiscal 2027 AI revenue. Operating cash flow was 1.19 times net income in fiscal 2025.

04 **The 9 December results are the next test, and past reports have moved the shares sharply in both directions.** Across nine reports since September 2024 the two-session move against the S&P 500 ranged from −17.3% to +38.0% (median −3.2%). The shares rose 18.2% in the five sessions to 13 November.

WHAT WOULD CHANGE OUR VIEW

UPSIDE
A Q1 FY2027 revenue guide above $40B with gross margin (quarterly, non-GAAP) of 73% or more, and the OpenAI financing closed with no new Broadcom guarantee.

DOWNSIDE
A new Broadcom guarantee for OpenAI, a Q1 FY2027 AI revenue guide below $24B, or Google confirming MediaTek for volume TPU supply.

NEXT TEST
Nvidia results (17 November), Anthropic IPO pricing (expected 18 November) and Broadcom Q4 FY2026 results (9 December, after the close).

KEY DATA

Price (13 Nov close)	$347.01
Day / vs 52-wk high	−4.8% / −29.9%
52-week range	$289.77–$495.00
Diluted shares	4.89B
Market value	$1.66T
P/E trailing / FY2027E	44.3x / 17.8x
Q3 FY2026 revenue	$29.6B (+86%)
Street avg target	$533 (47)
Earnings credibility	B
Next catalyst	Results, 9 Dec

Yahoo Finance (13 Nov 2026 close and analyst data); Broadcom Q3 FY2026 release and 10-Q; FY2027 consensus EPS $19.47 via 24/7 Wall St. (13 Nov 2026); ABiS.

AVGO vs S&P 500, one year



Yahoo Finance adjusted closes to 13 Nov 2026.

1. Executive Summary

KEY TAKEAWAYS

At $347.01, Broadcom Inc. shares price in about $400 billion of annual free cash flow (operating cash flow minus capital spending) from fiscal 2032 at our 16.0% discount rate, about 2.7 times the $148 billion that management's own AI plan would produce in fiscal 2031 in our model. Broadcom is executing well, with AI semiconductor revenue up 221% in Q3 FY2026 and supply secured for about $115 billion of AI revenue in fiscal 2027, so our disagreement is about the price rather than the business. Our weighted value is $135 a share and our fair value range is $150–$280, which is why we rate the shares Underweight. If management delivers its plan in full, we estimate the shares would return 10.9% a year from today's price, below the 16.0% we require for a stock with a beta of 1.90.

Broadcom reported Q3 FY2026 revenue of $29.6 billion on 2 September, up 86% from a year earlier, and guided Q4 revenue to about $34.8 billion with AI semiconductor revenue of $21.7 billion. On the same call, management said it had secured supply to reach about $115 billion of AI revenue in fiscal 2027 and had "line of sight" to $230 billion in fiscal 2028. The shares closed at $291.53 on 5 November, 41.1% below their 52-week high of $495.00, and then rose 18.2% in the five sessions to 13 November to close 29.9% below that high. This is our first report on Broadcom; we have not yet published an event study on the company.

The price embeds more cash flow than even management's plan delivers in our model, as the expectations gap below sets out.

EXHIBIT 1 Expectations gap (reverse DCF at a 16.0% WACC against consensus and our base case)

Driver	Price implies	Consensus / management	Our base case	Validation signal
Free cash flow from FY2032	About $400B a year	Not published	$103B in FY2031	FY2027 and FY2028 cash flow
AI revenue, FY2028	Above $230B, sustained	$230B (management)	$170B	FY2028 AI revenue
Revenue, FY2027	Not separately implied	$173.5B (consensus)	$158B	Q1 FY2027 guide
EPS, FY2027 (non-GAAP)	17.8 times consensus	$19.47	$16.5	FY2027 results
Annual return from today	8.3% (base), 10.9% (bull)	Not applicable	16.0% required	10-year yield; beta
Net gap	**Price above our bull case**			**Bearish**

Source: ABiS valuation model (WACC 16.0%, terminal growth 3.0%); Broadcom Q3 FY2026 call (2 September 2026); 24/7 Wall St. on consensus (2 October and 13 November 2026). Free cash flow in our model is after stock-based compensation.

Over the next one to three months we expect the market to trade first the financing of Broadcom's two newest large customers, with Anthropic's initial public offering expected to price on 18 November and an OpenAI financing that Broadcom is arranging, and then Broadcom's Q4 FY2026 results on 9 December. Across Broadcom's last nine reports, the move against the S&P 500 over the two sessions after results ranged from −17.3% to +38.0% with a median of −3.2%, while the 63-session median was +16.7%, so history points both ways. We therefore expect the shares to move Sideways with very high volatility. The upside invalidation is a Q1 FY2027 revenue guide above $40 billion with gross margin held at 73% or more; the downside invalidation is a new Broadcom guarantee for the OpenAI financing or a Q1 FY2027 AI revenue guide below $24 billion.

Our view: the largest gap between the price and our analysis is the discount rate. At $347.01 investors are accepting returns of about 8–11% a year for a stock whose two-year beta is 1.90 and whose growth now depends partly on customers that need outside financing. The second disagreement is falsifiable on its own: we expect fiscal 2028 AI revenue near $170 billion against management's $230 billion. We would learn we are wrong first if Broadcom guides Q1 FY2027 revenue above $40 billion and the OpenAI financing closes without a guarantee, and conclusively if fiscal 2028 AI revenue exceeds $200 billion.

The bull points rest on reported results and signed contracts, and the bear points rest on valuation arithmetic and the financing structure.

- Bull: AI semiconductor revenue is contracted and accelerating, with Q3 at $16.7 billion (up 221%), a Q4 guide of $21.7 billion, remaining performance obligations (RPO, contracted revenue not yet recognized) of $179.2 billion, and a Google agreement running to 2031.
- Bull: Cash conversion is high, with fiscal 2025 operating cash flow at 1.19 times net income and Q3 free cash flow at 46% of revenue.
- Bear: The price requires about $400 billion of annual free cash flow from fiscal 2032, against $26.9 billion in fiscal 2025.
- Bear: Broadcom backstops up to $43 billion of one Anthropic leasing vehicle and an earlier tranche by about $29 billion on an analyst's estimate, together about three times its $24.0 billion of cash.
- Bear: Gross margin is diluting as custom accelerators grow, from 78% a year earlier to a guided 73% in Q4, and Google has added MediaTek as a second supplier for later TPU generations.

2. Business Overview

Broadcom designs semiconductors and sells infrastructure software, and outsources wafer fabrication to foundries while building some substrate and laser capacity of its own. The semiconductor segment includes custom AI accelerators (XPUs, chips designed with a single customer), Ethernet switching and other networking chips, and broadband, wireless and storage chips. The software segment is mainly VMware, acquired in fiscal 2024 (goodwill rose to $97.9 billion from $43.7 billion that year), plus other infrastructure software. Management named six XPU customers on the Q3 call: Google, Anthropic, OpenAI and Meta by name, and two others it did not identify. We could not obtain customer-level revenue concentration from the portion of the 10-Q available to us.

Semiconductors provided 70% of Q3 FY2026 revenue and nearly all of the growth, as the segment figures show.

EXHIBIT 2 Revenue by segment ($B)

Segment	Q3 FY2025	Q3 FY2026	YoY	Share of Q3 FY2026
AI semiconductors	n/a	16.7	+221%	56.4%
Other semiconductors	n/a	4.1	n/a	14.0%
Semiconductor solutions	**9.2**	**20.8**	**+127%**	**70.4%**
Infrastructure software	6.8	8.8	+29%	29.6%
Total	**16.0**	**29.6**	**+86%**	**100%**

Source: Broadcom Q3 FY2026 results release (2 September 2026) and call; ABiS calculations. Other semiconductors is the segment total less AI revenue. Prior-year AI revenue was not printed in the release.

By billing location, Asia Pacific provided 70.8% of Q3 revenue, the Americas 18.6% and Europe, the Middle East and Africa 10.6%. We believe billing location largely reflects where contract manufacturers and system builders take delivery, so it probably understates the share of end demand from US cloud companies. Because more than half of revenue is billed outside the United States, our cost of capital adds a revenue-weighted country risk premium of 1.21% under the house rules (see appendix).

3. Business and Competitive Analysis

3.1 Cycle position and operating indicators

Broadcom is early in a custom-accelerator build that its customers are increasingly financing with outside capital. Inventory reached $4.5 billion at the end of Q3, double the $2.3 billion at fiscal year-end 2025, and we see no sign yet of the industry inventory cycle turning because management says demand exceeds supply. Management named leading-edge wafers, substrates, high-bandwidth memory (HBM), lasers, and data-center land and power as the constraints for fiscal 2027 and 2028. Unit volumes, average selling prices (ASP) and yield are not disclosed. Hock Tan, the chief executive, put Broadcom's content at about $20–30 billion per gigawatt of customer compute, and management expects networking to grow as fast as XPUs, so revenue now tracks gigawatts deployed more closely than unit shipments.

Gross margin is the clearest cost of this mix shift. Non-GAAP gross margin (quarterly) was 75% in Q3, down 210 basis points from Q2, and is guided to about 73% in Q4 against 78% a year earlier, because XPUs carry more memory at lower margins. Management expects to hold operating margin through operating leverage, and Q3 non-GAAP operating margin was a record 67.9%, but the Q4 guide of about 66% is flat on a year earlier.

3.2 Competition and moat

Broadcom competes with Nvidia's merchant accelerators and with other custom-chip design partners, of which MediaTek is the most relevant. Counterpoint Research projects that Broadcom will hold 60% of design-partner share in AI server ASICs in 2027 and that MediaTek will reach 26% of shipments by 2028. TrendForce reports that MediaTek has won a major share of Google's TPU v9 orders for mass production in early 2028, and Macquarie downgraded Broadcom in June on the same concern. In networking, management says its Tomahawk 6 switch is deployed at all the major AI cloud companies. Nvidia's chief executive resigned on 12 November, and Broadcom's shares rose 5.5% that day as investors moved toward custom-chip suppliers, but we see no change to Broadcom's competitive position from that event.

Broadcom's moat is wide in software and networking and narrower in the accelerators that drive growth, so we rate it Narrow overall for the purpose of valuing growth.

EXHIBIT 3 Moat scorecard

Dimension	Strength	Evidence
Intangible assets (designs, IP)	High	Multi-generation XPU programs at six customers
Switching costs	High in software, medium in XPUs	VMware gross margin about 94%; Google adding MediaTek for TPU v9
Network effects	Low	No evidence found
Cost advantage and scale	Medium	Secured supply for about $115B of FY2027 AI revenue
Returns on capital	High	ROIC 26.8% on trailing GAAP operating income
Overall	**Narrow (growth segment)**	**Wide in the base business; second-sourcing caps XPU pricing**

Source: Broadcom Q3 FY2026 call; TrendForce (3 August 2026); Counterpoint Research; TIKR on Macquarie (June 2026); ABiS calculations.

3.3 Customer financing and contingent liabilities

Customer financing is the central risk in our analysis because the two customers expected to be Broadcom's largest XPU buyers from 2027 rely on financing vehicles that Broadcom arranges and partly backstops. On the Q3 call, Tan said four of the six XPU customers can fund themselves, while Anthropic and OpenAI use dedicated vehicles. He expects Anthropic to become the largest XPU customer in 2027, with about 5 gigawatts of TPU v8i that year and an incremental 10 gigawatts in 2028, and OpenAI the second largest, with 1.3 gigawatts in 2027 and more than 5 gigawatts in 2028. Broadcom's own April 2026 filing states that Anthropic's consumption "is dependent on Anthropic's continued commercial success".

The disclosed and reported exposures are large relative to Broadcom's balance sheet, as the summary below shows.

EXHIBIT 4 Customer financing structures and Broadcom's exposure

Arrangement	Date	Size	Broadcom's role	Maximum exposure
AI XPV platform, first tranche (Anthropic, 1 GW)	June 2026	$35B	Partners underwrite; residual value support	About $29B (analyst estimate; not confirmed)
Anthropic leasing vehicle (BofA, Blackstone, Citi, Morgan Stanley)	26 Oct 2026	$63B	Residual value backstop above 72.5% of lease balance	About $43B undiscounted (8-K)
OpenAI chip financing (Apollo, Blackstone in talks)	Reported Oct 2026	Above $50B	Arranger; any guarantee unconfirmed	Not disclosed
Total disclosed or estimated		**About $148B**		**About $72B**

Source: Broadcom 8-K (26 October 2026, Item 2.03); Broadcom Q3 FY2026 call (2 September 2026); Bloomberg via Yahoo Finance (26 October 2026); Fortune (4 November 2026); Crypto Briefing and BigGo on OpenAI (October 2026); ABiS.

Under the October backstop, Broadcom owes the difference between 72.5% of the outstanding lease balance and the resale value of the racks if the customer defaults, and the exposure rises as racks are deployed and falls as lease payments are made. Broadcom describes the backstop as "a contingent liability the Company believes has a low probability of occurring". We agree that the probability is low while Anthropic is raising capital: press reports of its prospectus cite $146.6 billion of liquidity at 30 September and its IPO seeks up to $64.4 billion. The risk lies in the correlation: a backstop pays out only when AI demand or financing has weakened, which is also when resale values of the same racks would be lowest. We include a $20 billion backstop loss in our bear scenario for that reason, and we could not obtain the term of the backstop, its accounting treatment or the exact figure for the June tranche.

4. Management, Governance, and Capital Allocation

Hock Tan is president and chief executive, and Amie Thuener is chief financial officer. We found no short-seller report, executive departure or accounting investigation at Broadcom in the last six months. The main governance issue we weigh is regulatory: the European cloud association CISPE filed a competition complaint with the European Commission on 19 March 2026 over VMware's partner program, alleging cost increases above 1,000% for some providers, and the Commission had not acted on interim measures in the reports we obtained. The second issue is structural, because off-balance-sheet support for customers ties Broadcom's balance sheet to the financing of its buyers (section 3.3).

Capital allocation favors dividends and debt reduction, and the use of guarantees is the weakest element.

EXHIBIT 5 Capital allocation scorecard

Dimension	Record	Score	Evidence
Dividends	$9.3B paid in nine months of FY2026; $0.65 a quarter	Good	10-Q; release
Buybacks	$8.45B for 25M shares in nine months; none in Q3; $10.1B authorized	Medium	10-Q Note 7
Debt	Principal cut to $61.1B from $67.1B; no maturities in FY2027	Good	10-Q Note 6
Acquisitions	VMware (fiscal 2024): software operating margin about 84% in Q3	Good	Q3 call
Customer support	Backstops of about $43B (8-K) plus an estimated $29B	Poor	8-K; Q3 call
Overall		**Medium**	**Guarantees weigh on the score**

Source: Broadcom 10-Q for the quarter ended 2 August 2026; Q3 FY2026 release and call; 8-K (26 October 2026); ABiS.

5. Financial Analysis and Earnings Quality

5.1 Financial trends

Revenue has roughly doubled in two years and margins have recovered from the dip that followed the VMware acquisition, with nine-month fiscal 2026 revenue up 55.0% and GAAP operating margin at 49.7%. Stock-based compensation, which we treat as a cost, fell to 8.8% of revenue in the nine months from 11.8% in fiscal 2025.

EXHIBIT 6 Financial trend ($B unless stated)

Metric	FY2022	FY2023	FY2024	FY2025	9M FY2026
Revenue	33.2	35.8	51.6	63.9	71.1
Revenue growth	n/a	+7.9%	+44.0%	+23.9%	+55.0%
Gross margin (fiscal year, GAAP)	66.5%	68.9%	63.0%	67.8%	69.0%
Operating margin (fiscal year, GAAP)	43.0%	45.9%	29.1%	40.8%	49.7%
Free cash flow	16.3	17.6	19.4	26.9	31.9
Free cash flow margin	49.1%	49.2%	37.6%	42.1%	44.9%
Stock compensation, share of revenue	4.6%	6.1%	11.1%	11.8%	8.8%
Free cash flow after stock compensation	14.8	15.5	13.7	19.3	25.7

Source: Broadcom annual financial statements via Yahoo Finance (retrieved 13 November 2026); Q3 FY2026 release; ABiS calculations. Nine-month growth is against the first nine months of fiscal 2025.

Broadcom trades at 17.8 times consensus fiscal 2027 earnings, close to the peer median forward multiple of 19.2 times, and at 44.3 times trailing GAAP earnings (see appendix).

5.2 Earnings quality

We grade Broadcom's earnings credibility B. The cash tests are strong: accruals were −2.6% of average assets in fiscal 2025, operating cash flow was 1.19 times net income in fiscal 2025 and 1.11 times in the first nine months of fiscal 2026, and the Beneish M-Score, a screen for earnings manipulation where values above −1.78 flag risk, was −2.10. The flags are in revenue recognition and the balance sheet. Days sales outstanding (DSO, receivables divided by revenue) rose from 36 at fiscal year-end 2025 to 42 in Q3, or about 47 if the $1.6 billion of receivables sold in the quarter is added back. Contract assets (revenue recognized before billing) rose to $11.9 billion from $8.9 billion, and Q3 product revenue included $3.5 billion of upfront license revenue, 11.7% of the quarter's total.

EXHIBIT 7 Earnings-quality checks

Check	Result	Verdict
Accruals and cash conversion	−2.6% of assets; CFO 1.19x net income (FY2025)	Pass
Beneish M-Score	−2.10 (FY2025); receivables index 1.31	Pass, one component high
Receivables	DSO 42 in Q3 (about 47 before factoring) against 36	Minor flag
Revenue recognition	$3.5B upfront license revenue in Q3; contract assets $11.9B	Flag
Off-balance-sheet items	Backstops up to about $43B disclosed by 8-K	Flag
Governance and audit	No restatement or investigation found	Pass
Credibility grade		**B**

Source: Broadcom 10-K data via Yahoo Finance; 10-Q (quarter ended 2 August 2026) Notes 2 and 3; 8-K (26 October 2026); ABiS calculations.

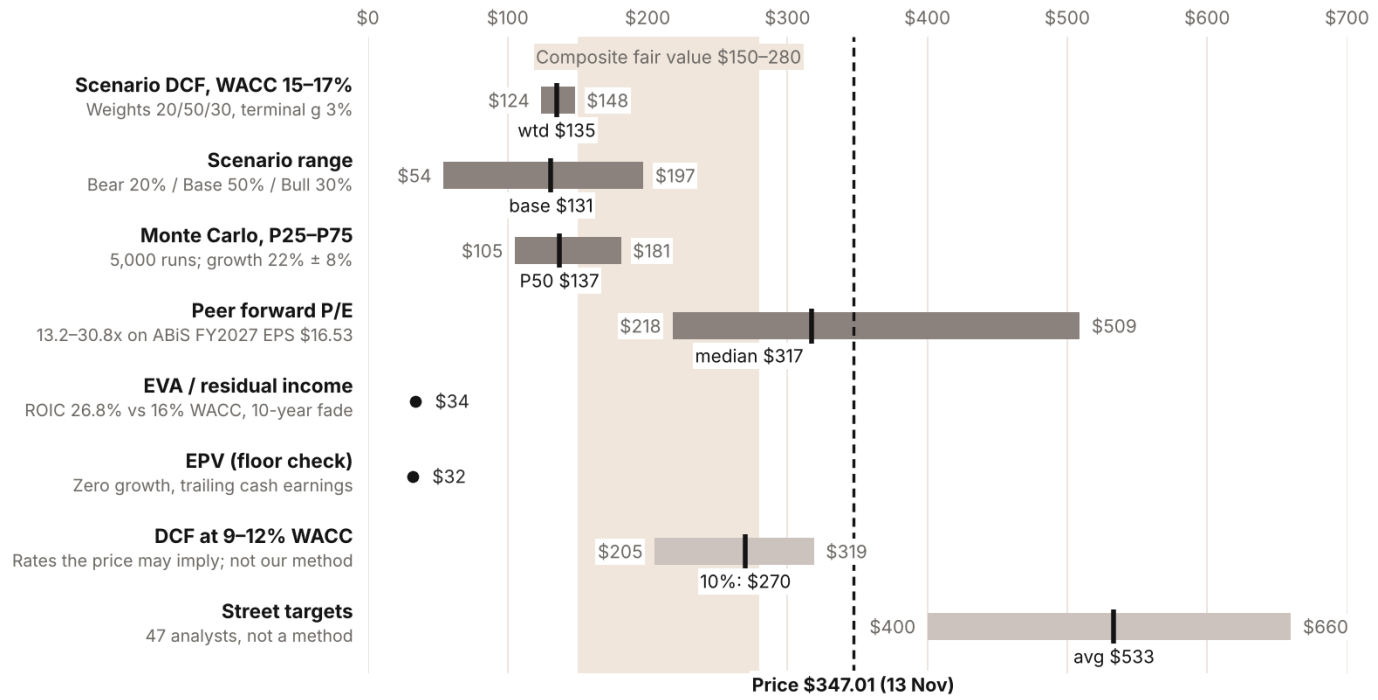
Because Broadcom supports its customers' financing, we show free cash flow before and after those items. Free cash flow was $31.9 billion in the first nine months of fiscal 2026, $25.7 billion after stock compensation and $24.9 billion after $0.76 billion of investment purchases; the backstops are contingent and so do not appear in cash flow until a loss occurs (see appendix). We could not obtain receivables by customer or the June tranche's exact terms.

6. Valuation

KEY TAKEAWAYS

Three primary methods place Broadcom's fair value at $150–$280 against a price of $347.01, and our weighted scenario value is $135. The label holds across reasonable discount rates, because the weighted value is $319 even at a 9% WACC. We label the shares Expensive.

EXHIBIT 8 Valuation football field ($ per share)



Source: ABiS valuation model; Yahoo Finance peer multiples and Street targets (13 November 2026). Grey rows are references only.

6.1 What the price implies

A reverse DCF solves for the cash flows that justify today's price. At a 16.0% WACC (weighted average cost of capital, here equal to our cost of equity) and 3.0% terminal growth, the enterprise value of $1.73 trillion requires free cash flow after stock compensation of about $400 billion a year from fiscal 2032, after our base-case cash flows for fiscal 2027–2031. That is 3.9 times our base case for fiscal 2031 and 2.7 times our bull case, which delivers management's AI plan. A second test, the present value of growth opportunities (PVGO, the part of the price that pays for growth not yet earned), shows that 89% of the price is growth: trailing free cash flow after stock compensation of $6.33 a share is worth $40 at a 16.0% discount rate with no growth.

Our cost of equity is high because the inputs are. The 10-year Treasury yield was 5.10% on 12 November, Broadcom's two-year weekly beta against the S&P 500 is 2.37 before adjustment (1.90 after), and the country risk premium adds 1.21%. On Yahoo Finance's five-year monthly beta of 1.51, the cost of equity would be about 12.8% and the weighted value about $182 (see appendix), which still leaves the shares Expensive.

6.2 Scenario DCF

The three scenarios differ in AI revenue, in margins as XPU mix rises, and in whether a backstop is called. Free cash flow in each case is after stock compensation, and we hold the share count flat because buybacks have offset dilution (4.887 billion diluted shares in Q3 against 4.860 billion a year earlier).

EXHIBIT 9 Scenario assumptions and values

Assumption	Bear	Base	Bull
AI revenue FY2027 / FY2028 ($B)	90 / 100	105 / 170	115 / 230
Total revenue FY2027 / FY2031 ($B)	142 / 144	158 / 286	168 / 390
Free cash flow margin FY2027 / FY2031	34% / 31%	37% / 36%	39% / 38%
Backstop loss	$20B in FY2029	None	None
Value per share	$54	$131	$197
Return from $347.01 (IRR)	5.3%	8.3%	10.9%
Evidence grade	Medium	Central case	Medium-strong
Probability	20%	50%	30%

Source: ABiS valuation model (WACC 16.0%, terminal growth 3.0%, fade of three to five years); Broadcom Q3 FY2026 call.

The bear scenario models an AI spending pause in fiscal 2029 in which one financed customer slows deployment, AI revenue falls to $75 billion and Broadcom absorbs a $20 billion backstop loss. Its evidence grade is Medium, based on about $72 billion of disclosed or estimated backstops (three times cash), the Rothschild & Co Redburn downgrade of 13 November, gross margin dilution to 73% and Google's addition of MediaTek. The bull case delivers management's $115 billion and $230 billion targets and holds free cash flow margin near 38%. Its evidence grade is Medium-strong, based on $179.2 billion of contracted backlog, secured supply for fiscal 2027 and a 221% rise in Q3 AI revenue. Under the house rule, a one-step gap favoring the bull case gives weights of 20% bear, 50% base and 30% bull. Equal grades would give $128 and a two-step gap $139, so the weighting moves the value by less than 6%.

6.3 Cross-checks and composite range

Earnings power value (EPV, trailing cash earnings capitalized with no growth) is $32 a share and acts as a floor. The economic value added (EVA) method, which values the business as invested capital plus the present value of returns above the cost of capital as they fade over ten years, gives $34 at a 26.8% return on capital. A peer test applies the interquartile range of peer forward P/E multiples (13.2–30.8 times) to our fiscal 2027 earnings estimate of $16.53 and gives $218–$509. A Monte Carlo run with distributions for growth, margin and discount rate gives a median of $137, and 99% of 5,000 runs fall below the price.

EXHIBIT 10 Valuation summary

Method	Value per share	Versus price	Role	Key assumption
Reverse DCF and PVGO	Not applicable	Needs about $400B of free cash flow	Framework	89% of price is growth
Scenario DCF (weighted, WACC 15–17%)	$124–$148 (weighted $135)	−64% to −57%	Primary	Weights 20/50/30
Monte Carlo (P25–P75)	$105–$181	−70% to −48%	Primary	Growth 22% ± 8%; WACC 15–17%
Peer forward P/E	$218–$509	−37% to +47%	Primary	ABiS FY2027 EPS $16.53
EVA	$34	−90%	Check	Excess returns fade over 10 years
EPV	$32	−91%	Floor	$30.9B cash earnings, no growth
Composite range	**$150–$280**	**−57% to −19%**		**Weighted value $135**

Source: ABiS valuation model; Yahoo Finance (13 November 2026). The composite averages the lows and the highs of the three primary methods.

The composite implies an expected return of −61% to the weighted value. The peer multiple is the only method that reaches the price, and it does so because peers are themselves priced at returns well below their own costs of equity. Our view: Broadcom's value rests on whether investors keep accepting returns of about 8–11% a year for a stock this volatile, and on whether fiscal 2028 AI revenue reaches $230 billion with financed customers paying their own way. Broadcom's current earnings are near a cyclical high, so we capitalize trailing cash earnings for EPV and do not apply a multiple to peak profit.

7. Analyst View Summary

Sell-side opinion is the opposite of ours: none of the 47 analysts in Yahoo Finance's data rates the shares a sell, and Street targets range from $400 to $660 with an average of $533, 54% above the price. Consensus fiscal 2027 earnings are $19.47 from 48 analysts, revised slightly upward over 30 days (24/7 Wall St., 13 November), and the most recent consensus revenue we obtained for fiscal 2027 is $173.5 billion (2 October). Rothschild & Co Redburn downgraded the shares to Neutral from Buy on 13 November and cut its target to $398 from $595, arguing that Broadcom's AI growth depends on Anthropic and OpenAI paying their own way, and the shares fell 4.8% that day.

Our fiscal 2027 revenue of $158 billion is 8.9% below consensus and our earnings of $16.53 are 15.1% below, mostly because we assume AI revenue of $105 billion against management's $115 billion and a 63% non-GAAP operating margin against 66% guided for Q4. The larger difference is the discount rate: our 16.0% is well above the returns implied by the Street's targets (see appendix).

8. Recent News and Catalysts

Broadcom's news over the last six months has supported revenue while raising the financing question, and the largest share moves came from results, the sector and Nvidia. The next scheduled tests are Nvidia's results, Anthropic's offering and Broadcom's own Q4 report.

EXHIBIT 11 Catalyst calendar

Date	Event	Direction	Logic	Status
2026-11-17	Nvidia Q3 FY2027 results, interim CEO	Mixed	Sector read-through; custom-chip rotation	Confirmed
2026-11-18	Anthropic IPO pricing (trading 19 Nov)	Bull	Funds the largest 2027 XPU customer	Expected
2026-12-09	Broadcom Q4 FY2026 results and Q1 guide	Mixed	Tests the FY2027 path and gross margin	Expected (after close)
By end-2026	OpenAI financing above $50B	Bear if guaranteed	Size of new contingent exposure	Reported target
Dec 2026	FY2026 10-K	Mixed	First full-year disclosure of backstops	Date not confirmed
Undated	EU decision on CISPE complaint	Bear	VMware pricing	Pending
Early 2028	MediaTek TPU v9 mass production	Bear	Google second source	Reported

Source: Yahoo Finance and Benzinga (earnings date); The Next Web and FourWeekMBA (Anthropic IPO); Bloomberg via Crypto Briefing (OpenAI financing); Verdict (CISPE); TrendForce (MediaTek); ABiS.

8.1 What the news is saying

Three sessions in the last two weeks moved Broadcom more than 3% against the semiconductor ETF (SMH). On 9 November Broadcom rose 8.8% against 5.1% for SMH in a broad chip rebound, and Trefis and Heygotrade found no company-specific news. On 10 November it rose 3.9% while SMH fell 0.8%, which FX Leaders attributed to Google's AI chip demand. On 12 November it rose 5.5% while SMH fell 1.0%, after Nvidia confirmed Jensen Huang's resignation and investors moved toward custom-chip suppliers.

EXHIBIT 12 Recent news and market reaction

Date	Event	AVGO move	SMH move
2026-04-07	Google long-term TPU agreement; Anthropic 3.5 GW (8-K, 6 Apr)	+6.2%	+1.0%
2026-06-04	Q2 results; Q3 AI guide below consensus	−12.6%	−1.6%
2026-09-03	Q3 results; FY2027 $115B and FY2028 $230B AI outlook	−2.7%	+0.4%
2026-10-27	Backstop of up to $43B (8-K); $63B Anthropic vehicle, released 26 Oct after the close	+4.0%	+3.0%
2026-11-05	Post-midterm sector sell-off; Qualcomm outlook	−10.4%	−11.2%
2026-11-12	Nvidia CEO resigns; rotation to custom chips	+5.5%	−1.0%
2026-11-13	Redburn downgrade to Neutral, target $398	−4.8%	−3.0%

Source: Broadcom 8-Ks (6 April and 26 October 2026); Bloomberg; PR Newswire (26 October 2026, 4:15 p.m. ET); Kucoin and Indmoney (June 2026); Kalkine and Finimize (5 November 2026); 24/7 Wall St. and Bloomberg (12 November 2026); MarketBeat and Invezz (13 November 2026); ABiS calculations on Yahoo Finance closes. The 7 April move followed the 6 April 8-K; we did not obtain coverage confirming its cause.

8.2 Forecast register

Our forecasts center on the 9 December results and on fiscal 2027 and 2028 AI revenue, which together test the main disagreement in this report, plus one forecast on whether Broadcom extends its guarantees to OpenAI.

Each forecast below is dated, scoreable and kept unchanged once published.

EXHIBIT 13 Forecast register

Forecast	Baseline	Range or direction	Validation date	Invalidation
Q4 FY2026 revenue	Guide $34.8B	$34.8–$36.0B	2026-12-09	Below $34.5B
Q4 FY2026 AI semiconductor revenue	Guide $21.7B	$21.7–$23.0B	2026-12-09	Below $21.5B
Q4 FY2026 gross margin (quarterly, non-GAAP)	Guide about 73%	72.0–74.0%	2026-12-09	Below 71.5%
Q1 FY2027 revenue guide midpoint	Q4 guide $34.8B	$37–$40B	2026-12-09	Above $40B favors the bull case
Broadcom guarantee for an OpenAI financing vehicle	None disclosed	Disclosed by 31 March 2027	2027-03-31	No guarantee by that date
FY2027 AI semiconductor revenue	FY2026 guide $58B	$95–$115B	2027-12-09	Above $120B
FY2028 AI semiconductor revenue	Management $230B	$150–$200B	2028-12-07	Above $210B invalidates our base
AVGO vs S&P 500, 63 trading days	Price $347.01	Sideways (within ±5%)	2027-02-17	Outside ±5%

Source: ABiS. Dates after 9 December 2026 follow Broadcom's usual reporting calendar and are unconfirmed.

9. Investment Conclusion, Counter-Case, and Position Sizing

9.1 Conclusion

KEY TAKEAWAYS

We rate Broadcom Underweight because the shares at $347.01 trade 24% above (1.24 times) the top of our $150–$280 fair value range and 76% above our bull case of $197. The business is delivering and history after results is mixed, which is why our direction for the next one to three months is Sideways with very high volatility. We would move to Neutral below about $320, and we would call the shares Cheap only below about $128.

Decision triad. Intrinsic value view: Expensive. 1–3 month market trading direction: Sideways, very high volatility. Rating: Underweight. The intrinsic value label is Expensive because the price is more than 1.15 times and less than 1.5 times the top of the range. The direction is Sideways because the 63-session median after Broadcom's last eight reports was +16.7% against the S&P 500 while the two most recent large reactions were −18.4% and −28.1%, and the shares enter the 9 December report after an 18.2% five-session rise. The rating is Underweight because that is our pre-set result for an Expensive label with high uncertainty, and no earnings-credibility veto applies. If this were a cash decision today, we would not buy the shares at $347.01, because even management's plan returns less than the 16.0% we require.

9.2 Counter-case and pre-mortem

Our call fails if investors keep accepting a return near 10% for Broadcom, or if AI revenue exceeds management's plan with margins intact. The strongest counter-evidence is Medium-strong: contracted backlog of $179.2 billion, secured supply for fiscal 2027 and a five-year beta of 1.51 that would lower our discount rate by about 3 points. We responded by weighting the bull case at 30% and by choosing Sideways rather than Sideways to lower for the near-term direction. We did not change the label, because the weighted value stays below the price at any WACC we tested down to 9%.

EXHIBIT 14 Pre-mortem, three ways this call could fail within a year

Failure scenario	Mechanism	Evidence strength	Monitoring signal	Test date
Discount rate falls	Volatility normalizes; investors accept 9–11% returns	Medium-strong	10-year yield below 4.5%; peers rerate higher	2027-02-17
AI revenue beats our base	FY2028 AI revenue reaches $230B with 38% free cash flow margin	Medium	Q1 FY2027 guide above $40B	2026-12-09
Financing risk fades	Anthropic IPO and OpenAI vehicle close without new guarantees	Medium	IPO proceeds; 10-K backstop disclosure	2027-03-31

Source: ABiS.

This is our first report on Broadcom, so there are no earlier forecasts to review.

9.3 Position thinking

The probability-weighted expected return is −61%, and 99% of Monte Carlo runs value the shares below the price. All three scenarios lie below the price, so the upside-to-downside ratio is not defined and the Kelly-style sizing our model computes is zero. Our assessment: the risk-reward supports no long position. A short position is not our recommendation, because the shares have a beta of 1.90, rose 18.2% in five sessions, and sit 54% below the average Street target, so the path is hard to hold.

9.4 Monitoring list

- Upside invalidation: a Q1 FY2027 revenue guide above $40 billion with gross margin (quarterly, non-GAAP) of 73% or more, or fiscal 2028 AI revenue tracking above $200 billion.
- Downside invalidation: a Broadcom guarantee for the OpenAI financing, a Q1 FY2027 AI revenue guide below $24 billion, or Google confirming MediaTek for volume TPU supply.
- Backstop exposure: total maximum backstops disclosed above $80 billion in the fiscal 2026 10-K would weaken the base case.
- Receivables: DSO above 50 days before factoring in Q4 FY2026 would raise our concern about revenue quality.
- Discount rate: each percentage point off our 16.0% discount rate adds about $13 a share to the weighted value, so a 10-year Treasury yield below 4.5% would narrow the gap only modestly.

9.5 Confidence

EXHIBIT 15 Confidence self-assessment

Dimension	Score	Note
Data completeness	Medium	Segment margins, purchase obligations, risk factors and the June backstop figure not obtained
Valuation convergence	Medium	DCF and Monte Carlo agree; the peer multiple is far higher
Expectations gap clarity	High	Price needs about $400B of free cash flow; FY2028 AI revenue is testable
Earnings credibility	B	Strong cash conversion; receivables and off-balance-sheet flags
Overall confidence	**Medium**	**The label is robust; the timing is not**

Source: ABiS.

Appendix: supporting exhibits

Broadcom's reactions to its last nine reports have been large in both directions, with a median two-session move of −3.2% against the S&P 500 and a 63-session median of +16.7%.

EXHIBIT 16 Reaction to the last nine earnings reports (%, against SPY and SMH)

Report (announced after close)	Pre-event drift vs SPY	d0–1 raw	d0–1 xSPY	d0–1 xSMH	d0–21 xSPY	d0–63 xSPY
2024-09-05	−1.8	−7.9	−7.3	−5.9	+11.3	+1.2
2024-12-12	+6.4	+38.4	+38.0	+34.3	+29.1	+14.4
2025-03-06	−7.2	+2.8	+4.9	+5.2	−2.2	+33.1
2025-06-05	+6.9	−6.0	−7.1	−8.3	+1.6	+23.6
2025-09-04	+1.6	+12.9	+13.0	+10.6	+6.0	+19.0
2025-12-11	+6.0	−16.4	−15.2	−11.5	−16.7	−18.4
2026-03-04	−3.3	+4.1	+5.9	+8.7	+2.8	+21.4
2026-06-03	+13.1	−19.5	−17.3	−8.8	−21.9	−28.1
2026-09-02	+3.4	−2.5	−3.2	−5.5	−2.6	n/a
Median			**−3.2**		**+1.6**	**+16.7**

Source: ABiS calculations on Yahoo Finance adjusted closes; report dates from Yahoo Finance's earnings calendar. d0–1 runs from the close on the report date to the close two sessions later; excess return is the stock's return minus the benchmark's. Pre-event drift covers the five sessions to the report date. Windows were not checked for other news (no event study yet), so these are indicative.

The price requires several times our base-case revenue at any plausible margin.

EXHIBIT 17 Revenue required by the price in fiscal 2032 (reverse DCF)

Steady-state free cash flow margin	Revenue required ($B)	Implied revenue CAGR from FY2026E	Multiple of our FY2031 base
30%	1,333	66%	4.7x
35%	1,142	61%	4.0x
40%	1,000	57%	3.5x

Source: ABiS valuation model. Fiscal 2026 revenue estimate of $105.9 billion is the nine-month actual of $71.1 billion plus the Q4 guide of $34.8 billion.

The weighted value stays below the price at every discount rate from 9% to 17%.

EXHIBIT 18 Value by discount rate ($ per share, weights 20/50/30)

WACC	Bear	Base	Bull	Weighted
9.0%	126	307	468	319
10.0%	107	260	395	270
11.0%	93	225	341	233
12.0%	82	198	299	205
13.0%	73	176	266	182
14.0%	65	158	238	164
16.0%	54	131	197	135

Source: ABiS valuation model, terminal growth 3.0%. At 16.0%, equal weights (25/50/25) give $128 and 20/45/35 gives $139.

The cost of capital follows the house defaults, and the beta is the input that matters most.

EXHIBIT 19 Cost of capital build

Input	Value	Source
Risk-free rate	5.10%	FRED DGS10, 12 November 2026
Beta	1.90	Two-year weekly regression against SPY (raw 2.37), Blume-adjusted
Equity risk premium	4.5%	House default
Country risk premium	1.21%	Damodaran regional averages (January 2026) by Q3 billing mix
Cost of equity	15.94%	5.10% + 1.90 × (4.5% + 1.21%)
WACC	16.0%	Net debt is 2% of market value, so WACC equals cost of equity
Terminal growth	3.0%	House default

Source: FRED; Damodaran (ctryprem, 5 January 2026); ABiS calculations on Yahoo Finance weekly closes.

EXHIBIT 20 Base-case value by discount rate and terminal growth ($ per share)

WACC	Terminal growth 2%	Terminal growth 3%	Terminal growth 4%
15.0%	137	144	151
16.0%	126	131	137
17.0%	116	120	126

Source: ABiS valuation model. No cell reaches the price of $347.01.

Broadcom's forward multiple sits near the middle of its peers.

EXHIBIT 21 Valuation multiples against semiconductor peers (13 November 2026)

Company	Market value ($B)	Trailing P/E	Forward P/E
Broadcom	1,656	44.3x	17.9x
Nvidia	3,932	20.6x	10.3x
TSMC	2,068	25.8x	17.1x
AMD	876	114.1x	30.2x
Micron	881	10.5x	3.7x
Qualcomm	185	13.6x	14.1x
Marvell	141	51.6x	21.3x
Arista Networks	249	52.9x	32.7x
Arm	204	219.0x	62.0x

Source: Yahoo Finance, 13 November 2026. The peer interquartile range of forward P/E, used in our peer test, is 13.2–30.8 times (median 19.2 times).

EXHIBIT 22 Street versus ABiS

Item	Street	ABiS	Gap
Rating mix	No sell ratings (47 analysts)	Underweight	Opposite
Value per share	Average target $533 ($400–$660)	Fair value range $150–$280	−47% to −72% against average
FY2027 revenue	$173.5B (2 October)	$158B	−8.9%
FY2027 EPS (non-GAAP)	$19.47 (13 November)	$16.53	−15.1%
FY2028 AI revenue	$230B (management)	$170B	−26%
Q4 FY2026 revenue	$34.9B consensus	$34.8–$36.0B	In line to above

Source: Yahoo Finance (13 November 2026); 24/7 Wall St. (2 October and 13 November 2026); Broadcom Q3 call; ABiS. ABiS fiscal 2027 EPS uses a 63% non-GAAP operating margin, $2.4 billion of interest, a 16% tax rate and 4.937 billion shares.

Free cash flow is lower once stock compensation and investments are counted, and the contingent backstops are larger than nine months of free cash flow.

EXHIBIT 23 Free cash flow before and after strategic items, nine months of FY2026 ($B)

Item	Amount
Operating cash flow	32.95
Capital spending	−1.01
Free cash flow	**31.94**
Stock compensation	−6.29
Free cash flow after stock compensation	**25.65**
Purchases of investments	−0.76
Free cash flow after strategic investments	**24.89**
Contingent backstops (maximum, not cash)	About 72

Source: Broadcom 10-Q (quarter ended 2 August 2026); 8-K (26 October 2026); Q3 FY2026 call; ABiS. The $72 billion combines the 8-K's $43 billion with an analyst's estimate of about $29 billion for the June tranche, which Broadcom has not confirmed.

Quarterly results show revenue accelerating while gross margin (quarterly, GAAP) has held near 68–69%.

EXHIBIT 24 Quarterly results, last five quarters

Quarter	Revenue ($B)	Gross margin (quarterly, GAAP)	Net income ($B)	Free cash flow ($B)	DSO (days)
Q3 FY2025	15.95	67.1%	4.14	7.02	37
Q4 FY2025	18.02	68.0%	8.52	7.47	36
Q1 FY2026	19.31	68.1%	7.35	8.01	40
Q2 FY2026	22.19	69.5%	9.31	10.26	44
Q3 FY2026	29.59	69.1%	13.09	13.67	42

Source: Broadcom quarterly statements via Yahoo Finance (retrieved 13 November 2026); Q3 FY2026 release; ABiS calculations on 91-day quarters.

EXHIBIT 25 Value-chain position and operating indicators

Indicator	Latest	Direction	Source
Value-chain position	Fabless design; wafers outsourced; own substrate and laser capacity	Expanding	Q3 FY2026 call
AI share of revenue	56.4% in Q3 FY2026	Rising	Release
XPU share of AI revenue	73% in Q3 FY2026	Stable	Q3 call
Content per gigawatt	About $20–30B (management)	Not obtained	Q3 call
Gross margin (quarterly, non-GAAP)	75% in Q3; about 73% guided	Falling	Q3 call
Inventory	$4.5B, from $2.3B at FY2025 year-end	Rising	10-Q
Software ARR growth	15%	Stable	Q3 call
SBC / revenue	8.8% in 9M FY2026, from 11.8% in FY2025	Falling	ABiS from statements
Remaining performance obligations (RPO)	$179.2B; about 25% within 12 months	Rising	10-Q Note 2
Industry inventory cycle	Demand above supply; company inventory doubled in nine months	Early build	Q3 call; 10-Q
Customer concentration	Not obtained	Not obtained	Not obtained

Source: as listed.

Key valuation assumptions are in the scenario exhibit and the cost of capital build. Our automated consistency checks on the model inputs and the text found no material issues after revision.

Method and data notes

Price is the 13 November 2026 close of $347.01 (Yahoo Finance), the last official close before work started that evening. Shares are 4.887 billion diluted weighted-average shares from the Q3 FY2026 income statement, held flat because buybacks have offset dilution and our free cash flow already deducts stock compensation. Net debt of $35.4 billion is debt of $59.4 billion (carrying value; principal $61.1 billion) less cash of $24.0 billion at 2 August 2026; Broadcom reported no short-term investments. The explicit forecast covers fiscal 2027–2031 (fiscal years end around 1 November); fiscal 2026 has ended but is not yet reported, so it serves as the base year. House default not used: risk-free rate date; we used 5.10% (FRED DGS10, 12 November 2026) because the 13 November value had not been published when work started. The cost of capital uses a beta of 1.90 (two-year weekly regression, raw 2.37, adjusted with the 0.67 × raw + 0.33 formula), the 4.5% equity risk premium plus a 1.21% country risk premium from Damodaran's January 2026 regional averages weighted by Q3 billing (Asia 1.49%, Western Europe 1.04%, North America 0.22%), and a 16.0% WACC after rounding 15.94%. Terminal growth is 3.0%. Free cash flow in all scenarios is after stock compensation; margins, the 63% fiscal 2027 operating margin, the 16% tax rate and the $20 billion bear-case backstop loss are ABiS assumptions. All discounted cash flow, earnings power, economic value added and Monte Carlo values come from our model, with assumptions saved for re-running. Our pre-set calibration rule labels a price between 1.15 and 1.5 times the top of the range Expensive. Post-earnings reactions use adjusted closes and the house window convention. We could not obtain segment operating margins, purchase obligations, the 10-Q risk factors, customer concentration, the June backstop's confirmed maximum or any OpenAI guarantee terms, because only part of the 10-Q was retrievable. This is historical and model-based analysis and is not investment advice.

Inputs: price $347.01 (13 November 2026 close, Yahoo Finance), risk-free 5.10%, beta 1.90, equity risk premium 4.5%, WACC 16.0%, terminal growth 3.0%.

Disclaimer: not investment advice. ABiS Capital Research is not a licensed adviser, and nothing here is a recommendation to buy or sell any security.

Sources

Industry appendix: semiconductors; saas. Sources and timestamps: Broadcom Q3 FY2026 results release (8-K Exhibit 99.1, 2 September 2026) and call transcript (Motley Fool, 2 September 2026); Broadcom 10-Q for the quarter ended 2 August 2026 and 8-Ks dated 6 April and 26 October 2026 (SEC EDGAR, retrieved 13 November 2026); Yahoo Finance prices, financial statements, analyst data, peer multiples and earnings calendar (retrieved 13 November 2026); FRED DGS10 (12 November 2026); Damodaran country risk premiums (5 January 2026); Bloomberg via Yahoo Finance on the $63 billion Anthropic vehicle (26 October 2026); Fortune on Anthropic's prospectus (4 November 2026); Computing and Implicator on Anthropic's compute commitments (November 2026); The Next Web and FourWeekMBA on the Anthropic IPO (November 2026); Crypto Briefing, BigGo and Business Model Analyst on the OpenAI financing (October 2026); MarketBeat, TIKR and Invezz on the Rothschild & Co Redburn downgrade (13 November 2026); TIKR on Macquarie (June 2026); 24/7 Wall St. on consensus (2 October and 13 November 2026); Bloomberg, Motley Fool and 24/7 Wall St. on Nvidia's CEO change (12 November 2026); Trefis, Heygotrade and FX Leaders on the 9 and 10 November sessions; Kalkine, Finimize and The Star on the 5 November sell-off; Kucoin and Indmoney on the June 2026 results reaction; TrendForce and Counterpoint Research on MediaTek and ASIC share; Verdict and heise on the CISPE complaint (March–July 2026).

DISCLOSURES

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