Ed Faritov, CFA

Issue date	8 Nov 2026
Valuation date	6 Nov 2026
Sector	Semiconductors and software
Company	Broadcom
Ticker / currency	AVGO / USD
Close	293.69
Benchmark	Nasdaq-100
Investor	Global institutional
Active rating / target	Not assigned
Conditional V_0	413.76
Conditional 12m value	459.13
12m total return	57.3%
Common market cap	1,402.1bn

Broadcom business model and valuation after the market decline

Broadcom offers two different ways to earn from computing. Custom chips and merchant networking remove bottlenecks for large platforms; infrastructure software helps enterprises run the applications and equipment they already depend on. Its investment case rests on winning the next design and renewal after funding the engineering and capacity needed to keep that position.

Broadcom's upside depends on winning the next AI generation. At $293.69 on 6 November, the central case offers 57.3% prospective total return: $459.13 on 6 November 2027 plus $2.86 of forecast dividends. But a lower initial AI path leaves only 1.0% prospective return. Paid deployments and repeat orders must establish which path the business can deliver before that valuation gap becomes an actionable investment case. No active recommendation or public target is assigned.

The timing risk is central. Designs and software can change before buildings, power connections and financed equipment earn back their cost. Broadcom can win the first custom-chip order while its customer loses confidence in the next generation. Halving later AI growth and raising internal capital intensity lowers value to $302.08, close to the current quote.

This note explains what each product does, who buys it, who competes for the order and which manufacturing and memory partners make delivery possible. The main text compares these franchises and their investment consequences. Selected product illustrations are in Appendix A; valuation calculations and evidence limitations are in Appendix B. The valuation cutoff remains 6 November 2026.

Contents

1. Broadcom sells the infrastructure that makes computing useful 3
2. Five forces 3
3. Revenue has to survive the next order and renewal 5
4. PEST 6
5. Faster technology puts the next generation at risk 6
6. What the November 6 price buys 7
7. Employee claims and customer financing compete for the cash 9
8. Repeat orders decide the investment case 10
Appendix A. Selected illustrations of product types and dynamics within 12
A.1. Custom accelerators monetise the customer's own architecture 12
A.2. Ethernet earns a second place in the same computing budget 14
A.3. The customer can mix architectures and suppliers 15
A.4. The rest of silicon follows different replacement cycles 15
A.5. VMware sells control over an enterprise's own computing 16
A.6. Mainframe, cybersecurity and storage networks broaden the software base 18
A.7. Asset-light still requires physical capacity and engineering 19
Appendix B. Valuation basis and supporting calculations 20
B.1. A fully dated valuation and return calculation 20
B.2. Employee claims and customer financing calculations 21
B.3. Evidence and remaining conditions 22
Appendix C. Sources and definitions 22

1. Broadcom sells the infrastructure that makes computing useful

Broadcom earns money by removing expensive bottlenecks in other companies' technology. Its chips process information, connect processors and move data; its software lets organisations operate and protect the computing they already own. A customer pays because an unreliable connection, an idle accelerator or an interrupted business application can cost much more than the component or licence that prevents the problem. That is the common economic thread across a portfolio that otherwise appears unusually diverse.

The company reports two segments. Semiconductor solutions generated $36.9bn of FY2025 revenue and infrastructure software $27.0bn, together $63.9bn. These are the financial boundaries investors can measure. AI accelerators, Ethernet, wireless and storage are product families within semiconductors; VMware, mainframe tools and cybersecurity are parts of infrastructure software. Brocade's Fibre Channel storage-networking business also sits in infrastructure software, despite selling physical equipment. Product labels should therefore explain the business without being mistaken for separately reported profit centres. Broadcom FY2025 Form 10-K, filed 18 December 2025.

The two segments reach customers differently. A semiconductor programme normally starts with an equipment maker or large computing customer choosing a component for a system; shipments follow when that system enters production. Software starts with an organisation choosing an operating platform or specialist tool, then paying for use, updates and support over its contract. Both businesses benefit when Broadcom becomes embedded in a customer's operations. The relevant test is whether the next product generation or renewal preserves that position at an attractive cost, rather than whether the current installation is difficult to remove.

Table 1: Semiconductors generated $20.8bn of Q3 revenue while software earned the higher reported segment margin

USD bn	FY24 sales	FY25 sales	Q3 FY26 sales	YoY	Q3 profit	Margin
Semiconductor solutions	30.1	36.9	20.8	127.4%	12.8	61.3%
Infrastructure software	21.5	27.0	8.8	29.0%	7.3	83.7%
Unallocated expenses	—	—	—	—	-4.1	—
Consolidated Broadcom	**51.6**	**63.9**	**29.6**	**85.5%**	**16.0**	**53.9%**

Sources: FY2025 Form 10-K Note 13 and Q3 FY2026 Form 10-Q segment tables. Segment profit excludes SBC, acquired-intangible amortisation and other unallocated costs; the final row reconciles to GAAP operating profit. Q3 ended 2 August 2026.

Custom accelerators earn development and shipment revenue from customer-specific designs; Ethernet can earn content around several computing architectures. Established connectivity follows device and network replacement cycles, while enterprise software depends on useful deployment and renewal. The product map below compares who buys each franchise, the alternatives available to that buyer and the capacity Broadcom must secure. Detailed examples and the original product illustrations are in Appendix A.

2. Five forces

Broadcom's competitive position follows the buying decision. A customer chooses a system, an implementation partner and an operating platform; these choices need not all go to the same company. A durable advantage requires repeat content after the first design and an attractive return after the engineering, customer support and employee claims needed to retain it.

Product-level competition changes the source of pricing power. A custom-chip customer can change its implementation partner; a phone maker qualifies filters and connectivity chips separately; an enterprise can renew VMware or fund a migration. Manufacturing is equally uneven: most semiconductor

production is outsourced, while proprietary radio-frequency filters and selected optical processes retain internal fabrication. Software is developed and supported rather than manufactured.

Table 2: Product franchises face different buyers, rivals and production requirements

Product type	Brands and examples	Customers / contract model	Main competitors / substitutes	Production model
Custom AI accelerators [P01–P06]	XPU platform; Google TPU, Meta MTIA, OpenAI Jalapeño (customer chip names).	Google: development/supply; Meta/OpenAI: multi-generation collaborations. Anthropic: TPU capacity through Broadcom.	Marvell custom ASICs; customer engineering teams; NVIDIA GPUs are a substitute architecture.	Broadcom implementation; external wafer/packaging capacity.*
Ethernet networking [P01, P06–P10]	Tomahawk, Jericho, Trident switches; Thor NICs.	Meta (end user), Arista (OEM); design-ins and component orders.	NVIDIA Spectrum/ConnectX; Cisco Silicon One.	Mostly outsourced CMOS and assembly/test.*
Optical interconnect [P01, P11–P12]	Taurus DSP; Davisson co-packaged optics; lasers.	Optical-module makers and system OEMs; qualification and component orders.	Marvell Ara/Nova DSPs; alternative optical architectures.	Mixed: external CMOS; selected lasers fabricated internally.*
Wireless: cellular RF and local connectivity [P01, P08, P13–P16]	FBAR filters; Wi-Fi/Bluetooth chips; BCM43840 Wi-Fi 8 radio.	Apple: disclosed multi-year RF/connectivity agreement. Phone/access-point OEMs: design-ins.	RF: Skyworks (including Qorvo). Wi-Fi: Qualcomm FastConnect and Dragonwing; MediaTek Filogic.	Internal FBAR fabrication; mostly outsourced Wi-Fi CMOS.*
Broadband access [P01, P17–P20]	BCM3390 cable-modem and BCM68850 fibre-gateway chips.	Gateway/set-top-box OEMs serving cable/fibre operators; design-ins and chip orders.	MaxLinear Puma (cable); MediaTek/Airoha gateway platforms.	Mostly outsourced CMOS and assembly/test.*
Server/ storage connectivity [P01, P21–P26]	PEX PCIe switches; MegaRAID/HBA 9600; Emulex Fibre Channel adapters.	Server/storage OEMs and distributors; qualified components/adapters and shipment orders.	Microchip Switchtec/Adaptec SmartRAID; Marvell QLogic (host adapters).	Mostly outsourced CMOS and assembly/test.*
Private-cloud software [P01, P27–P30]	VMware Cloud Foundation: vSphere, vSAN, NSX.	Enterprises/service providers; per-core subscriptions and support, direct or through partners.	Nutanix AHV; Red Hat OpenShift Virtualization; public cloud is a substitute.	Broadcom software development; no wafer fabrication.
Mainframe/ enterprise software [P01, P31–P33]	CA heritage: WatchTower observability; Automic workload automation.	Banks, insurers, government and large enterprises; enterprise licences, support and renewals.	BMC AMI (mainframe); BMC Control-M (automation).	Broadcom software development; no wafer fabrication.
Enterprise cybersecurity [P01, P34–P36, P39]	Symantec; Carbon Black; Symantec CBX.	Enterprise security teams; subscriptions/licences and support, including channel sales.	Microsoft Defender for Endpoint; CrowdStrike Falcon (endpoint security).	Broadcom software development/cloud delivery; no fabrication.
Storage-network equipment [P01, P37–P38]	Brocade X8 directors and G820 Fibre Channel switches.	Enterprise SAN buyers via OEMs, including Dell Connectrix; equipment plus support/software.	Cisco MDS; Ethernet storage is an architectural substitute.	Physical hardware; current factory split not disclosed by line.

Sources: product-map references P01–P39 in Appendix C. Examples are selective; named programmes do not disclose uniform prices or minimum purchases. *The manufacturing model applies group policy, without assigning a foundry to every part. CMOS denotes standard silicon fabrication; FBAR is a proprietary filter process. OEMs make equipment; NICs are network adapters; DSPs process optical signals. Brocade hardware is reported within infrastructure software.

Table 3: Broadcom competes for retained content at each customer decision

Force	Buying decision and evidence	Model consequence
Buyer power	Large customers own workloads and architecture; about half of 9M sales came from five end customers	Programme wins do not guarantee retained price or later growth
Supplier power	Advanced wafers and packaging have long qualification cycles; TSMC concentration is high	Capex, engineering and shipment timing can move together
Rivalry	NVIDIA sells a full platform and Ethernet; Marvell has disclosed Google ecosystem business	A growing AI budget can be divided among more suppliers
Substitution	GPUs, custom chips, in-house implementation and software efficiency solve overlapping needs	Lower cost per useful task can expand demand or delay hardware spending
Entry barriers	Reusable engineering, software tools, qualification and support take time; customers can still internalise work	R&D is an ongoing cost of keeping content, not a one-off sunk advantage

Sources: primary product-map references above and detailed disclosures in Appendix A. This is strategic inference; AI-specific market shares and profit margins are not disclosed.

The disclosed semiconductor and software profit pools are evidence that customers currently pay for useful differentiation. They do not establish separate AI-chip margins, an unchanging renewal rate or permanent bargaining power. In the model, reducing the semiconductor contribution margin by five percentage points changes value by the amount shown in the factor matrix; a narrower supplier price cut is not automatically a five-point group-margin loss.

3. Revenue has to survive the next order and renewal

Broadcom's economics combine reusable engineering with products and contracts that must continue winning. A custom chip can spread platform engineering over more generations; merchant networking can spread a design across more buyers; a software platform can spread development and support over a large installed base. These are reasons for operating leverage. They are not evidence that development or support can fall indefinitely while capability improves. A more complete AI rack also includes purchased content, so faster revenue growth can coexist with a lower percentage margin.

Software deserves particular care because the word subscription describes the commercial arrangement without fixing the accounting pattern. A contract can provide a right to use delivered software, ongoing support and services, with cash paid at inception or in instalments. Support is recognised over the period of service. Broadcom's FY2024 policy explains that contracts cancellable for convenience are accounted for as daily contracts, producing revenue over time. Removing that right can change when licence revenue is recognised even though the customer pays over a longer period. Broadcom FY2024 Form 10-K, revenue recognition policy.

That distinction is already material. The Q3 FY2026 filing attributes part of software growth to additional licence revenue from non-terminable contracts and says the majority of new software contracts no longer contain termination-for-convenience provisions. It also reports $11.9bn of contract assets at 2 August 2026: revenue recognised ahead of invoicing. This is a group balance, not a VMware-only receivable. Revenue, invoicing, cash collection and eventual renewal therefore answer different questions. The investor needs all four to judge whether stronger reported software profit represents a more valuable customer relationship. Broadcom Q3 FY2026 Form 10-Q, filed 10 September 2026.

The same discipline applies to AI capacity announcements. Gigawatts describe the scale of intended deployment, while Broadcom's revenue depends on the equipment delivered, its content, pricing, timing and contractual role. Google-linked capacity supplied to Anthropic can be part of the same economic chain, so counting both announcements as unrelated demand would overstate the opportunity. The decisive evidence is the progression from a working design to qualified production, delivered systems,

paid invoices and a subsequent generation or renewal. That is the bridge from technological relevance to money for each Broadcom share.

4. PEST

Policy, power availability and customer financing can change where infrastructure is built and which suppliers can serve it. Technology determines how much useful work a given fleet can deliver. Their financial effect depends on whether demand expands, equipment is redeployed, orders are delayed or money is permanently lost.

Table 4: The capital payback period can outlast the technology it finances

Factor	Transmission to the business	Measurable consequence
Political	Export rules and procurement policies can split eligible customers and suppliers	Addressable orders, pricing and customer mix; no unverified loss probability inserted
Economic	Power, finance and construction can lag chip design; equipment resale values can fall	Shipment timing, capex, working capital and guarantee exposure
Social	Usefulness, trust and customer adoption determine paid AI usage; enterprises value reliable applications	Usage/renewals can rise or fall independently of announced capacity
Technological	Software efficiency, faster generations and hardware alternatives change cost per useful task	Retained component content, replacement interval and later revenue growth

Sources: disclosed company programmes and financing terms; transmission to model inputs is analyst inference. No Treasury comparison chart or causal stock-market attribution is implied.

No probability or date is assigned to Chinese hardware parity. Better Chinese models do not prove it. The conditional hardware scenarios below test the direction of exposure through procurement and retained economics, rather than treating a software benchmark as a demonstrated silicon market share.

5. Faster technology puts the next generation at risk

Software and chip designs can change faster than buildings, grid connections and customer contracts can be completed and repaid. That mismatch makes the duration of useful cash generation less secure. Broadcom may receive a strong first wave of custom-chip and network orders while its customer's return on the installed system deteriorates. Faster replacement is valuable only if the next buyer can finance it, deploy it profitably and keep paying Broadcom.

Software improvements that run on an existing compatible fleet can lower the cost of useful computation immediately. The operator may use the saving to reduce service prices, increase usage, retain margin or postpone equipment purchases. A new accelerator requires purchase, integration and deployment first. An efficient replacement can bring an order forward, then extend the useful life of that new fleet and reduce the following replacement wave. These are different paths through customer capital expenditure.

The investment consequence is more variable orders, greater pressure to prove retained content and a shorter period in which each engineering programme can earn back its cost. Broadcom's own factories are only one part of the capital at risk: supplier reservations, development spending, customers' financed equipment and the residual-value guarantees can transmit the same demand error to shareholder cash. A customer capex slowdown need not translate one for one into Broadcom revenue because custom-silicon share and network content can rise; both must be demonstrated.

Table 5: Efficiency changes the quantity and timing of equipment purchases through several distinct routes

Conditional stage	Orders and capital spending	Broadcom revenue, margin and cash
Compatible software improves	More useful work from installed equipment; usage may absorb the saving or defer new orders	Networking and next-generation orders depend on incremental demand; no automatic product-price benefit

Conditional stage	Orders and capital spending	Broadcom revenue, margin and cash
A new efficient architecture deploys	Initial equipment purchase and integration precede savings; shorter cycle can strand prior systems	Broadcom may win first orders, then face a weaker replacement wave and more R&D
Chinese hardware is sufficient domestically	Local purchasing can shift without an exportable global stack	Regional competition and lost eligible content; software benchmarks alone do not prove this stage
External services compete on price	Delivered API/hosting alternatives pressure the price of useful computing	Customer revenue per task may fall before equipment budgets adjust; financing quality matters
A reproducible hardware/software stack scales globally	Customers gain an alternative procurement path with support and reliable deployment	More contested programme wins, pricing and interconnect content; test duration and margins jointly

Source: analyst scenarios, not observed Chinese chip parity or assigned probabilities. Revenue, price, utilisation and retained margin do not each receive the same efficiency saving in full.

The operational matrix keeps the first two AI revenue years unchanged, then tests how much later growth must survive. The lower-growth case is not a claim that efficiency necessarily destroys spending. Growing usage, constrained electricity and the ability to redirect capital can offset it. The same saving is allocated once: a lower customer cost cannot be fully credited again to higher usage, operator margin, Broadcom pricing and Broadcom free cash flow.

6. What the November 6 price buys

Broadcom has a credible route to compound cash generation. Customer-designed accelerators create repeated implementation work; merchant Ethernet gives it content around several computing architectures; infrastructure software monetises technology embedded in critical operations. These businesses can spread engineering over a larger revenue base. The investment depends on preserving that content through subsequent designs and renewals, after funding the development and customer commitments needed to keep winning.

At $293.69, the central operating path produces a current value of $413.76 per share and a conditional value of $459.13 on 6 November 2027, excluding $2.86 of forecast dividends. The resulting total return is 57.3%, against an 11.7% required shareholder return. That is substantial prospective compensation if the underlying growth and profit assumptions hold. It is not a conclusion created by the lower share price alone: changing the AI trajectory can remove almost all that prospective return.

The central path assumes AI revenue of $115.0bn in FY2027 and $230.0bn in FY2028, followed by further growth. The pair remains secondary-attributed; the primary recording has not been verified, so it is not presented as confirmed management guidance. The fully recalculated $100.0bn/$132.0bn alternative lowers current value to $265.71 and the twelve-month total return to 1.0%. The difference is $148.05 per share. The economic question is whether named customer programmes convert into the scale and repeated orders required by the higher path.

The duration of the franchise matters even if those first two years arrive. With $115.0bn and $230.0bn unchanged, halving subsequent AI growth from FY2029 reduces current value to $305.87 and the conditional twelve-month return to 16.3%. Holding AI revenue flat after FY2028 lowers current value to $232.29 and the return to −11.7%. These cases show why a successful chip launch and a valuable long-term shareholding are different milestones: the shareholder pays for many subsequent years of productive investment.

The current price can be reproduced with FY2027–FY2031 AI revenue growth rates at 72.0% of the central path's rates, while later growth, margins and other assumptions remain fixed. This is one conditional explanation of the price, rather than a measured analyst consensus or a unique forecast implied by the market. Lower margins, greater funding needs or a different cost of capital can produce

other explanations. The important comparison is whether the customer evidence supports a cash-flow path materially better than the one the investor is paying for.

Table 6: The selected valuation requires AI revenue to reach $230.0bn in FY2028

Selected path estimates	FY26E	FY27E	FY28E	FY29E
Revenue, USD bn	105.9	167.3	286.3	345.3
AI semiconductor revenue, USD bn	57.6	115.0	230.0	285.2
Non-AI semiconductor revenue, USD bn	16.6	17.4	18.3	19.0
Infrastructure software revenue, USD bn	31.7	34.9	38.0	41.1
GAAP operating income, USD bn	54.2	93.4	163.1	195.6
GAAP net income, USD bn	43.5	69.6	125.1	151.3
Company free cash flow, USD bn	48.6	80.6	136.5	170.2
Owner-cash proxy, USD bn	42.3	77.0	123.0	150.7
Capital expenditure, USD bn	2.4	2.5	4.3	5.2
GAAP EPS, USD	8.81	14.10	25.34	30.63
Economic EPS before PPA, USD	10.42	15.51	26.52	31.58
Dividend per share, USD	2.60	2.86	3.15	3.46

Source: full model. FY26 ended 1 Nov 2026 but was unreported at the cutoff. All four columns are estimates. The 115.0 / 230.0bn AI anchors remain secondary-attributed, not verified management guidance. Company FCF excludes capex; owner proxy also funds new future awards.

The earnings path combines a sharp custom-chip ramp with repeat networking content and continued software growth. Reusable engineering supports the economics only if each generation retains useful content; purchased silicon, packaging and system components still require funding. The slower-growth and higher-capital cases below test whether enough of that cash reaches the shareholder.

Table 7: The lower initial AI path leaves only 1.0% prospective total return

Full operating rerun	V_0	12m value	12m TSR	Ke
Selected AI path 115.0 / 230.0bn	$413.76	$459.13	57.3%	11.7%
Alternative AI path 100.0 / 132.0bn	$265.71	$293.82	1.0%	11.7%
Half FY29 onward AI growth	$305.87	$338.66	16.3%	11.7%
Flat AI revenue after FY28	$232.29	$256.50	-11.7%	11.7%
Half later growth plus 2.0% capex	$302.08	$334.43	14.8%	11.7%
Same operating stress plus 5.0% ERP	$277.50	$309.08	6.2%	12.4%

Source: accompanying model, valuation date 6 Nov 2026; forecast D12 $2.86 in each displayed case. No probabilities assigned. V_0 and conditional 12-month values are not active public targets. Base upper/lower return boundaries are 21.655% / 1.655%.

The decision boundaries make the consequence clear. At the base required return, the upper twelve-month return boundary is 21.7% and the lower boundary 1.7%. The central case exceeds the upper boundary; the lower initial AI path falls below the lower one; halved later growth lies between them. These are conditional return tests. Business-quality qualification, the evidence behind the central forecast and completion of the research review remain necessary before activating a recommendation. The same central forecasts produce a conditional three-year exit value of $555.82 and a 24.6% annualised return including dated quarterly dividends. That longer-horizon result shares the same operating assumptions and is not independent evidence for them.

Figure 1: Slower later growth and higher capital intensity reduce value to $302.08

6 Nov 2026 | Close $293.69

	Flat AI after FY28	Half later growth	Selected later growth
Capex 1.3%	$233.43	$307.39	$415.83
Capex 1.5%	$232.29	$305.87	$413.76
Capex 2.0%	$229.43	$302.08	$408.59

Joint boundary: $302.08 vs $413.76; change -$111.68/share

Source: dated Broadcom model, 6 November 2026. Every cell is a complete formula replay; V_0 in USD/share. Blue outline identifies the selected input.

Figure 2: Halving later AI growth costs $107.89 per share versus $5.17 for the capex stress

6 Nov 2026 | Close $293.69

	First input	Second input	Third input
Capex 1.3 / 1.5 / 2.0%	$415.83 Δ +2.1	$413.76 Δ +0.0	$408.59 Δ −5.2
SBC 5.5 / 6.5 / 8.0%	$421.93 Δ +8.2	$413.76 Δ +0.0	$401.51 Δ −12.3
Later AI growth 0 / 0.5 / 1x	$232.29 Δ −181.5	$305.87 Δ −107.9	$413.76 Δ +0.0
ERP 4.5 / 4.75 / 5.0%	$413.76 Δ +0.0	$394.68 Δ −19.1	$377.14 Δ −36.6
Semi margin -5 / 0 / +5pp	$377.08 Δ −36.7	$413.76 Δ +0.0	$450.45 Δ +36.7
Extra R&D 0 / 1.0 / 2.0bn	$413.76 Δ +0.0	$412.25 Δ −1.5	$410.74 Δ −3.0

V0 change shown below every cell; blue outline marks each selected input

Source: dated Broadcom model, 6 November 2026. Every cell is a complete formula replay; V_0 in USD/share. Blue outline identifies the selected input.

Valuation discounts the remaining operating cash flows and a normalised terminal business to 6 November 2026, after debt, contingent customer-financing exposure and existing employee claims. The forecast uses an 11.7% required shareholder return, an 11.4% weighted capital cost and 3.0% terminal growth. These assumptions and the dated return calculations are set out in Appendix B.

7. Employee claims and customer financing compete for the cash

Employee awards and customer financing reduce what is available to ordinary shareholders. Existing employee rights share in the value; future awards require an economic compensation cost even when the accounting expense is noncash. Financing commitments can also become cash calls if equipment

loses value, at the same time that customer orders weaken. The detailed allocation and accounting treatment are in Appendix B.

The new residual-value programme has a $43.0bn contractual ceiling. A full net loss, replacing the selected $2.2bn haircut, reduces current value by a further $8.27 per share. That standalone valuation stress excludes the timing of a liquidity shortfall and any simultaneous loss of orders; a payment before equipment recoveries could require borrowing or share issuance. The cash risk must therefore be monitored alongside deployment economics.

Table 8: A full new-programme net loss reduces equity value by a further $8.27 per share

Conditional case	V_0	Change to selected V_0
Selected claim $2.2bn	$413.76	$0.00
Replace with full $43.0bn net loss	$405.49	$-8.27
Half later growth + 2.0% capex; selected claim retained	$302.08	$-111.68

Source: full model. The full-loss replacement is $40.9bn incremental to the already deducted $2.2bn (unrounded calculation $40,850m). It excludes a simultaneous order shock and the timing of any liquidity shortfall. The last row changes operations, not the claim.

The full-loss case is a valuation deduction, not a liquidity forecast. A guarantee payment can precede equipment recoveries and could force borrowing or issuance. Weaker customer demand can simultaneously reduce orders and collateral value. The joint operating matrix therefore cannot be described as already including a credit shock; a separate combined downside must change both operating cash and the additional claim. Old programme ceilings are not summed as though they were three separate recognised debts. Tax classification of some forecast working-capital and long-term cash items remains unverified; the book retains explicit assumptions rather than treating the uncertainty as zero economic exposure.

8. Repeat orders decide the investment case

The next useful observations are commercial. A working accelerator is early evidence; customer deployment and repeat orders confirm the mechanism; reported revenue and cash show whether it reaches the shareholder. The following checkpoints distinguish these stages without treating a new announcement as a completed sale.

Table 9: Paid deployment and renewal cash decide whether the selected growth path survives

Checkpoint	What would strengthen the case	What would require a lower operating path
Next FY2026 results; release date unconfirmed at the cutoff	Reconcile the completed year to the $105.9bn revenue and $57.6bn AI estimates, then assess the actual FY2027 outlook	A disclosed shipment or customer schedule inconsistent with the central path; replace estimates with reported results before retaining the valuation
OpenAI deployment by 31 December 2026	Customer confirmation that Jalapeño enters its compute infrastructure, followed by evidence of useful production operation	A delay or qualification problem; revise deployment timing rather than treating the original gigawatt plan as revenue
FY2027, ending 31 October 2027	Paid deployment and reported progress consistent with the $115.0bn AI path	Evidence supporting the $100.0bn initial-year alternative; paired with $132.0bn in FY2028, that branch gives only 1.0% prospective twelve-month return
FY2028, ending 29 October 2028, and the following programme generation	The $230.0bn AI trajectory supported by continued content and orders beyond the first ramp	A shorter franchise: halving FY2029-onward growth reduces prospective return to 16.3% even if the first two annual anchors hold

Checkpoint	What would strengthen the case	What would require a lower operating path
Every software renewal and subsequent cash report	Customers deploy useful VCF capability, renew, and pay invoices as recognised revenue converts to cash	Contract changes lift licence recognition while underlying retention or collections weaken; test software growth and working capital together
Every material new AI financing arrangement	Delivery, customer payment and funding terms support the profit retained from the larger system sale	More residual-value exposure or customer weakness accompanied by weaker orders; a standalone credit-loss stress does not capture both effects

Sources: OpenAI deployment plan, company reporting and declared research assumptions. The fiscal results release date was unconfirmed at the cutoff.

The dated customer checkpoint comes from OpenAI's 25 August 2026 deployment plan. The software checkpoint follows the distinction between licence recognition, billing and contract assets in Broadcom's Q3 FY2026 Form 10-Q. Annual financial thresholds are research assumptions, not customer commitments or published company guidance.

Broadcom's disclosed ecosystem gives the central path a plausible mechanism. It does not establish a monopoly: Meta's new Ethernet platform has Broadcom and NVIDIA variants, and Google also has a disclosed custom-products relationship with Marvell. Investors should therefore track which components Broadcom retains in the next system, alongside the size of the overall AI budget. The case weakens if spending expands but the company captures less economic value from each deployment. Meta's engineering disclosure, 12 October 2026, Marvell's Google agreement, filed 19 August 2026.

Broadcom's strongest asset is its ability to earn again when a customer builds the next system. Custom-chip implementation, merchant networking and embedded enterprise software give it several routes to that repeat business. At $293.69, the central path offers 57.3% prospective total return, but the lower initial AI path leaves only 1.0%. The investment case therefore stands or falls on paid deployments, retained content and cash conversion through successive generations. We would not underwrite the central case from capacity announcements alone. The next decisive evidence is the FY2027 outlook, production deployment and follow-on orders; until it supports the higher path, the $459.13 conditional twelve-month value remains a scenario rather than a public target.

Appendix A. Selected illustrations of product types and dynamics within

These selected illustrations expand the product map and Five Forces discussion. They describe how particular products work, the roles of disclosed customers and partners, and how programmes develop. They are not separate reported profit centres or a complete catalogue.

Table 10: Four buying decisions sit inside two reported segments

Product business	Buyer and reason to pay	How the economics repeat
Custom accelerators	Very large compute customers need an efficient processor for their own workloads	Development work leads to production shipments; the next design must be won again
Ethernet and interconnect	Cloud operators and equipment makers need expensive processors to exchange data without waiting	Merchant components can sell around custom chips and GPUs; content and next-generation selection matter
Non-AI semiconductor products	Phone, broadband, storage and industrial equipment makers need connectivity and reliable control	Design wins recur with equipment production and replacement cycles
Infrastructure software	Enterprise IT teams and service providers need to operate and secure existing applications and hardware	Licences, support and renewals monetise deployment; recognition and cash collection differ

Sources: linked company product disclosures and FY2025 Form 10-K. These are business categories, not four separately reported profit pools.

A.1. Custom accelerators monetise the customer's own architecture

Custom AI chips let a very large customer optimise hardware around the work it actually performs. Training builds a model; inference runs that model to answer requests. A platform serving enormous numbers of similar requests can justify designing an accelerator around its own models, memory needs and software. The prospective saving comes from completing more useful work with the available electricity, equipment and engineering budget. A general-purpose GPU remains attractive when flexibility, development tools and a faster deployment matter more than tailoring every part of the system.

Broadcom's role is to make this custom route practical at industrial scale. The customer can retain the architecture and the software that differentiate its service, while Broadcom contributes silicon implementation, connectivity, reusable building blocks, packaging and production engineering. The division of work varies by contract. OpenAI's 24 June 2026 Jalapeño announcement is unusually explicit: OpenAI designed the architecture around its language-model workloads; Broadcom supplies implementation and networking expertise; Celestica contributes board, rack and system integration. This is a co-development relationship with distinct responsibilities. It does not transfer ownership of the customer's model or make Broadcom the author of the whole computing platform. OpenAI and Broadcom unveil Jalapeño, 24 June 2026.

Broadcom can reuse engineering across generations even when the finished chip is unique. Its 3.5D XDSiP platform joins multiple pieces of silicon so that computing, memory and network connections can develop at different speeds. The commercial point is that a customer need not rebuild every interface each time it changes a computing block. On 26 February 2026, Broadcom announced shipments of a 2nm custom compute system-on-chip for Fujitsu using this platform. That is evidence of delivery on a particular programme; the same release describes broader XPU shipments from the second half of 2026 as a forward plan. Broadcom's Fujitsu shipment announcement, 26 February 2026.

The disclosed customer programmes show several routes to revenue. Broadcom and Google agreed to develop and supply future Tensor Processing Units, Google's custom AI accelerators, alongside networking and other rack components through up to 2031. Anthropic is also to obtain access through Broadcom to approximately 3.5 gigawatts of next-generation TPU capacity beginning in 2027; the filing

explicitly makes consumption dependent on Anthropic's continued commercial success. Meta's 14 April 2026 announcement describes co-development of successive MTIA accelerators, an initial commitment above one gigawatt and a roadmap extending through 2029. OpenAI's original ten-gigawatt collaboration targets deployments from the second half of 2026 through 2029. These are programme and capacity disclosures. They do not disclose the same contractual terms or establish an annual dollar price for Broadcom's content. Broadcom's Google/Anthropic Form 8-K, 6 April 2026, Meta partnership, 14 April 2026, OpenAI collaboration, 13 October 2025.

A working chip strengthens this case more than a capacity announcement. OpenAI's August 2026 tests reported 1.5–1.9 times as much AI work per watt at peak throughput across three public models, together with lower response latency, against its chosen comparison systems. Those measurements support the proposition that tailoring an accelerator can be useful. They use published chip power ratings for normalisation, and do not establish the acquisition cost, electricity consumption or return on investment of an entire deployed data centre. Initial deployment remained planned for year-end 2026. Better model software from any country likewise does not establish parity between the chips on which different operators run it; that requires a matched hardware, workload, power and cost comparison. OpenAI's Jalapeño performance results and methodology, 25 August 2026.

For Broadcom shareholders, the attraction is repeated silicon and networking content across successful generations. The vulnerability is equally specific: a customer can change the implementation partner, reserve more of the work for its own team, alter the architecture or postpone deployment. Customer ownership of the architecture is compatible with a durable Broadcom relationship, but it also gives the customer bargaining power. A long roadmap becomes valuable only when designs qualify, production ramps and the customer keeps ordering.

Broadcom can also earn non-recurring engineering fees for custom development. Its accounting policy recognises most such fees as development progresses. The cited programme announcements do not disclose fee splits or unit prices, so repeated shipments remain the central commercial opportunity. Broadcom FY2025 Form 10-K, revenue recognition policy.

The programme earns an economic profit only if revenue covers purchased silicon, packaging, system content and continued engineering, including employee compensation, with a return on invested capital. Reusing design blocks can improve that return. Buying more third-party content for each complete rack can reduce the margin percentage even when total profit rises; greater revenue alone does not establish more profit for each share.

Table 11: The same AI programme has several economic roles and must be counted once

Party	Disclosed role	What the disclosure does not prove
Google	Customer/co-developer for future TPU and associated rack components through up to 2031	No disclosed annual Broadcom content price per gigawatt
Meta	MTIA co-development, initial commitment above 1GW, roadmap through 2029; buys network alternatives too	No exclusive Broadcom claim on Meta AI spending
OpenAI	Owns workload architecture/software; Broadcom implements silicon and networking	Planned deployment is not collected revenue
Anthropic	Compute user in Google/Broadcom chain and equipment-financing customer relationship	Not independent additive demand when it uses the same capacity
Celestica	Boards, racks and system integration on Jalapeño	Not the customer architecture owner or Broadcom wafer foundry
Fujitsu	Named 2nm 3.5D compute-chip customer with a disclosed shipment	One delivered programme does not establish the value of all XPUs

Sources: Google/Anthropic 6 April 8-K, Meta 14 April release, OpenAI 24 June announcement and Broadcom 26 February Fujitsu release, linked in the text. Relationships have different contractual scopes.

A.2. Ethernet earns a second place in the same computing budget

An AI accelerator is productive only when it receives data quickly enough. Training divides a task among many processors, which must repeatedly exchange results. If they wait for the network, an expensive installed system produces less useful output. Broadcom sells Ethernet chips and connections that reduce this waiting. This gives it an opportunity beyond its custom accelerator customers: a cluster built around another vendor's processors can still use Broadcom networking.

Three distances explain the portfolio. Scale-up connects accelerators within a tightly coupled system or group of racks. Scale-out connects many such systems into a much larger cluster. Scale-across links clusters or facilities when power, land and buildings prevent everything fitting on one site. The differences matter because a very short, highly synchronised connection and a link across a metropolitan area face different delays, traffic bursts and failure risks. Broadcom's October 2026 OCP disclosure presents Tomahawk, Tomahawk Ultra, Jericho, Thor network adapters, PCIe components and optics as parts of this wider opportunity. Broadcom's OCP portfolio announcement, 8 October 2026.

Tomahawk is the high-capacity switching engine that directs traffic between ports. Tomahawk 6 doubles its predecessor's total switching capacity to 102.4 terabits per second. The useful outcome is more network capacity per device and the possibility of connecting a large cluster through fewer layers of switches. Broadcom announced initial shipments in June 2025 and production-volume shipments in March 2026. Its launch materials describe compatibility with different Ethernet endpoints, which is central to the merchant model: an equipment maker can build around the silicon while choosing its own system and software design. Tomahawk 6 launch, 3 June 2025, production-volume announcement, 12 March 2026.

Jericho addresses a different problem: keeping traffic moving predictably when networks become larger and distances increase. Its buffering holds bursts of data rather than immediately dropping them; traffic management and encryption help move that data between facilities. Broadcom's August 2025 Jericho4 release describes transport over distances above 100 kilometres and names Nokia's 7250 IXR routers as one implementation. Thor is the connection at the server end: the network interface card moves data between the host system and Ethernet. Broadcom introduced the 800-gigabit Thor Ultra in October 2025. A switch and an adapter are complementary purchases, with qualification and availability determining how much of the connection Broadcom captures. Jericho4 announcement, 4 August 2025, Thor Ultra announcement, 14 October 2025.

Optics add another source of content when electrical connections become too power-hungry or too short-reaching. Optical signal-processing chips, lasers and receivers convert and recover the signal carried by fibre. Co-packaged optics bring the optical connection closer to the switching chip, reducing the electrical distance inside the equipment. Broadcom's March 2026 OFC material also shows the transition to faster optical lanes and PCIe Gen6 connections. These technologies can reduce the system's power and component count, but a customer's engineering saving does not disclose Broadcom's selling price or margin. Broadcom's OFC technology portfolio, March 2026.

The route to the buyer includes a substantial equipment ecosystem. Broadcom's October 2026 OCP release names Accton/Edgecore, Celestica, Delta and Micas among exhibitors demonstrating Tomahawk-based equipment. Such companies turn silicon into serviceable switches and racks, adding power, cooling, boards, enclosures and software. A joint demonstration establishes technical collaboration; it does not establish how many systems were sold or identify every end customer. The investor should track volume shipments and deployment evidence alongside announced partnerships. Broadcom's OCP partner demonstrations, 8 October 2026.

A.3. The customer can mix architectures and suppliers

Broadcom competes at several decision points within the same data centre. NVIDIA offers an integrated route combining accelerators, its software environment, NVLink connections within tightly coupled systems and its own Ethernet or InfiniBand networking. NVIDIA's NVLink Fusion also allows custom silicon to connect into its ecosystem. That means a customer considering a custom accelerator need not choose an entirely Broadcom-based network, while an NVIDIA accelerator deployment need not give NVIDIA every surrounding component. Broadcom's opportunity depends on the specific architecture and qualification outcome. NVIDIA NVLink Fusion announcement, 18 May 2025, NVIDIA's Rubin platform announcement, January 2026.

Meta supplies a concrete example of this bargaining position. Its October 2026 IceCube platform has variants using Broadcom Tomahawk6C and NVIDIA Spectrum-6 silicon, both running Meta's FBOSS software. The same disclosure describes a shipping Ethernet scale-up system for MTIA 300 using Tomahawk 5 and a planned denser system on Tomahawk6C. Broadcom therefore participates in a genuine customer architecture, while a common software layer preserves an alternative supplier. Openness can expand the market for Ethernet and make an individual supplier's position more contestable at the same time. Meta's OCP engineering disclosure, 12 October 2026.

Marvell competes with custom design and interconnect technologies, including advanced packaging, high-speed interfaces and optical signal processing. Its August 2026 filing confirms a Google agreement covering products attached to the TPU ecosystem, including inference accelerators and several kinds of controller. That is evidence of another disclosed commercial relationship within the same ecosystem; it does not by itself establish that Marvell replaces Broadcom on Google's core TPU programme. It also demonstrates why a single customer's AI expenditure cannot be allocated wholly to one chip supplier. Marvell FY2026 Form 10-K, filed 11 March 2026, Marvell Form 8-K, filed 19 August 2026.

The internal team is another alternative. A large customer already owns the workload, controls its software and can spread development costs across a large fleet. It will outsource where external engineering, reusable intellectual property, manufacturing coordination or speed is worth the supplier's return. Broadcom must repeatedly demonstrate that this division of labour is better than adding staff or changing partners. The defence is strongest where multiple difficult tasks must work together on schedule; it weakens if interfaces become easier to substitute or the customer can move more implementation work in-house without delaying production.

A.4. The rest of silicon follows different replacement cycles

Broadcom's established connectivity businesses give the company exposure to phones, offices, broadband networks and storage equipment as well as AI. Their buyers have different budgets and replacement cycles. A new access point or cable gateway is sold because coverage, reliability or service capacity needs improvement; a storage controller is chosen because data must be moved and protected. Treating this collection as one residual growth rate would conceal the actual commercial choices.

Wireless combines two distinct jobs. Radio-frequency filters separate cellular frequency bands so that transmissions can coexist; Wi-Fi and Bluetooth chips provide local connectivity. Apple's May 2023 agreement specifically covers Broadcom's radio-frequency components, including FBAR filters, and wireless connectivity components, with manufacturing activity in Fort Collins. It verifies a named relationship and the importance of specialised manufacturing, rather than the content of every future Apple device. In enterprise and home networking, Broadcom's new Wi-Fi 8 platforms combine radios with processing and switching; the February 2026 enterprise announcement describes early-access sampling. That stage should be distinguished from a mature installed revenue stream. Apple's Broadcom agreement, 23 May 2023, Broadcom's enterprise Wi-Fi 8 platform, 3 February 2026.

Competition in local wireless connectivity includes Qualcomm's FastConnect client chips and Dragonwing infrastructure platforms, announced in March 2026. Their integration of multiple connectivity functions illustrates the customer's choice: buy separate high-performing components or a more integrated platform that reduces board space and engineering work. The investment issue is the component content and return Broadcom retains on each new device design. A general claim that wireless demand is growing cannot answer whether Broadcom keeps that design. Qualcomm's Wi-Fi 8 portfolio, 2 March 2026.

The cellular filter decision is separate from the Wi-Fi decision. Skyworks' May 2026 filing identifies Broadcom among its competitors in analog and mixed-signal connectivity. In this part of the phone, filtering performance, power use, physical size and integration with the radio system determine the design win. A customer can change one supplier's content without replacing every connectivity component in the device. Skyworks Form S-4, filed 20 May 2026, business summary.

Wired office networks form another replacement market. Broadcom's Trident-based campus switching connects access points and other devices; physical-interface and power-delivery chips carry the connection and can supply power over the cable. The customer buys a working network from an equipment vendor, while Broadcom earns the silicon content inside it. Broadcom's enterprise access and switching platform, 3 February 2026.

Broadband chips connect an operator's access network to the customer's premises. The economics depend on service-provider upgrades and equipment qualification. Broadcom, Charter and Comcast announced joint development of unified DOCSIS chipsets in September 2024 for cable-network nodes, amplifiers and modems, allowing operators to improve existing networks. Fibre access offers another architecture, rather than the same product. MaxLinear's September 2026 Puma 9 announcement shows an alternative cable-modem platform competing on integration and upgrade cost. An operator can delay its upgrade, change the mix of cable and fibre investment, or choose another equipment platform; each changes the timing of chip demand. Broadcom/Charter/Comcast announcement, 24 September 2024, MaxLinear Puma 9 announcement, 28 September 2026.

Server and storage connections include switches that connect components inside a machine, adapters between servers and storage, and chips that manage the reading, writing and protection of data. These earn content on equipment shipments and replacements; they are not ownership of the storage media or a subscription to the data stored. Marvell's FY2026 filing describes competing custom, storage and interconnect capabilities. The commercial comparison must therefore follow the particular controller or connection being qualified, rather than rank the two companies as though all their chips were interchangeable. Broadcom FY2024 Form 10-K, product descriptions, Marvell FY2026 Form 10-K.

A.5. VMware sells control over an enterprise's own computing

VMware's economic purpose is to make a large estate of servers easier to operate. Virtualisation lets one physical server run several isolated software machines, improving utilisation and making applications easier to move or recover. A private cloud adds shared storage, networking, security, automation and a self-service operating model. Employees can obtain computing resources without every request becoming a separate hardware project, while the organisation retains control over where the resources and data reside. Hybrid cloud extends that operating model to supported external environments.

VMware Cloud Foundation, or VCF, brings these functions into an integrated platform. Its components supply computing, storage and networking alongside management and Kubernetes, which runs and coordinates containerised applications. The buying argument is operational: fewer separate systems to integrate, more consistent policies, faster deployment and a lower burden on scarce infrastructure staff. The alternative has a real cost as well: a customer may pay for a broader bundle than it previously used,

and standardising on one platform gives that supplier more influence over future commercial terms. VMware Cloud Foundation 9.1 solution overview, 2026, pages 1–2.

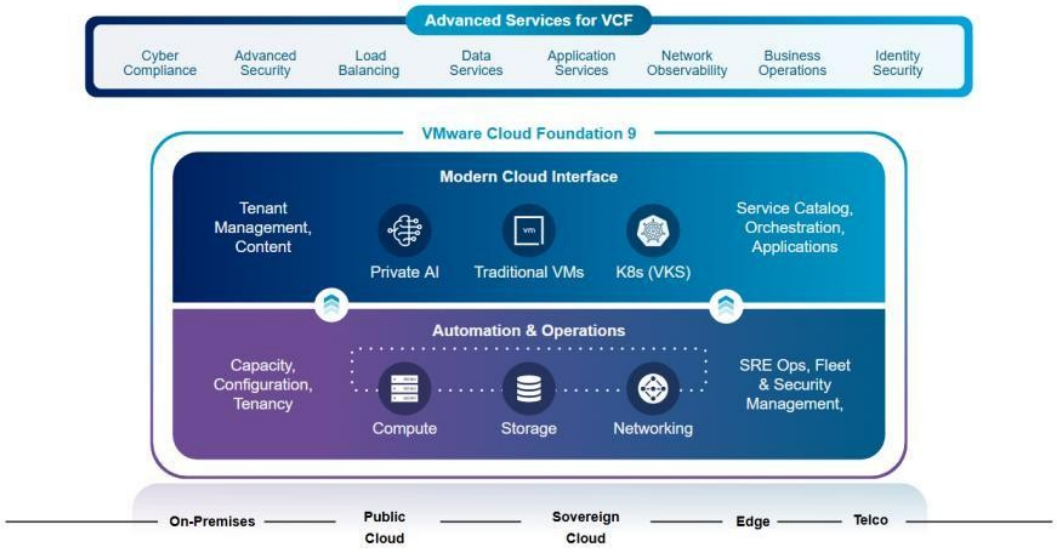
VCF 9.1, announced in May 2026, extends the proposition to production AI, security and mixed computing hardware. Its significance is the ability to run traditional applications, containers and AI services within the same governed infrastructure. Broadcom's advertised savings are based on its internal estimates or tests and should be read as capabilities to validate in a customer's configuration. A company with sensitive information or predictable, heavily used workloads may prefer its own infrastructure; a business needing rapid elasticity or specialised cloud services can reach a different answer. Private and public cloud remain workload choices rather than a universal winner and loser. Broadcom VCF 9.1 announcement, 5 May 2026.

NTT DOCOMO shows what a strategic VMware sale can contain. Broadcom's October 2026 release describes a ten-year agreement covering licences, technical assistance and maintenance, with VCF at the centre of an operating roadmap. The customer wants continuity, security, faster deployment and a common foundation for virtual machines, containers and AI. Broadcom obtains a longer relationship and opportunities to sell adjacent capabilities. The disclosed duration establishes a contractual relationship; it does not disclose the agreement's value or mean ten years of revenue and cash arrive immediately. Broadcom/NTT DOCOMO announcement, October 2026.

Switching costs protect VMware because replacement involves applications, staff skills, security rules, backup processes and operating procedures. They do not make migration impossible. Nutanix provides its own infrastructure and AHV virtualisation platform, and in October 2026 released an additional route for moving VMware virtual machines. Red Hat offers OpenShift Virtualization to run virtual machines alongside containers, with migration tooling. These are concrete alternatives for customers planning their next architecture. Their existence gives a dissatisfied buyer an exit path, even if the transition takes time and money. Nutanix Move DirectPath, 16 October 2026, Red Hat migration discussion, 24 February 2026.

For shareholders, the durable outcome is a customer that expands useful VCF deployment and renews because the platform earns its place. Higher prices can raise near-term revenue; a customer that eventually migrates takes future renewals with it. Earlier recognition of a licence instead depends on the contractual rights and recognition rules explained in Section 3. The distinction will emerge over several renewal and replacement cycles, not from one quarter's software margin.

Figure 3: VMware connects applications to a common operating platform across several deployment environments



Source: VMware Cloud Foundation solution brief, page 2 Figure 1. Original embedded diagram; no endorsement of vendor savings claims.

A.6. Mainframe, cybersecurity and storage networks broaden the software base

Broadcom's CA heritage supplies tools used to run, develop and protect large business systems. Mainframe software schedules work, manages databases and storage, controls access and helps staff diagnose failures. The customer buys continuity in applications where a failed job or interrupted transaction has an immediate business cost. Broadcom's WatchTower platform combines operating data to help teams find and resolve problems across mainframe environments. This is an opportunity to modernise the management of an installed platform, rather than a claim that the mainframe itself must be replaced. BMC's AMI development and operations tools provide a specific competing route to the same customer budget. Broadcom's mainframe portfolio, WatchTower product description, BMC AMI announcement, 8 April 2026.

Cybersecurity protects devices, information and access to applications. Symantec provides prevention, data protection and web-security capabilities; Carbon Black adds visibility into endpoint behaviour and tools to detect and respond to attacks. Broadcom's March 2026 CBX announcement combines technologies from both into a cloud-based platform aimed at security teams with limited resources. The value proposition is that a team can understand and act on connected signals without assembling and staffing many separate tools. Microsoft Defender for Endpoint is an active competing endpoint platform. The relevant measures are the protection a customer needs, deployment effort and recurring contract retention; an established security brand alone does not fix those outcomes. Symantec CBX announcement, 23 March 2026, Microsoft Defender for Endpoint release history, through October 2026.

Brocade Fibre Channel connects servers to shared enterprise storage over a dedicated storage network. Its customers value predictable access, management and availability for critical applications. Broadcom's November 2025 Gen 8 announcement introduced 128-gigabit platforms with security and management functions. Cisco's MDS range offers a direct competing Fibre Channel platform; Ethernet-based storage architectures create an additional substitution question when customers redesign their infrastructure. These physical products and their management software should be analysed together, while retaining Broadcom's reporting classification within infrastructure software. They are distinct from the host adapters and storage chips sold by the semiconductor segment. Brocade Gen 8 launch, 19 November 2025, Cisco MDS recommended releases, updated 6 August 2026.

These businesses diversify the source of demand but share a discipline: keep critical products useful and supported while controlling delivery costs. Harvesting an installed base can improve near-term profit; continued renewal requires product investment and service that customers still value. The consolidated software result cannot establish the profit of VCF, CA, Symantec or Brocade individually.

A.7. Asset-light still requires physical capacity and engineering

Broadcom outsources most wafer production and assembly and testing, but it is not wholly fabless. Its FY2025 filing names TSMC as an external foundry and TSMC, ASE, Foxconn, Amkor and Siliconware among assembly and testing providers. It also retains fabrication for proprietary processes, including FBAR radio-frequency filters and optical lasers. These relationships establish the disclosed manufacturing network; they do not identify the supplier or capacity allocation for every individual accelerator. Broadcom FY2025 Form 10-K, manufacturing section, filed 18 December 2025.

The scale of dependence matters more than the length of the supplier list. In the first nine months of FY2026, TSMC supplied approximately 95% of Broadcom's externally manufactured wafers; five suppliers supplied more than three-quarters of manufacturing materials. These are different denominators. The filing does not name those five suppliers or allocate them to particular accelerators, so the percentages cannot be assigned to a guessed list. A supply interruption can delay a customer programme and the related networking shipments together. Broadcom Q3 FY2026 Form 10-Q, supplier risk factors.

SK hynix separately describes an established high-bandwidth-memory relationship supporting Broadcom customer projects. This memory keeps data near an accelerator so that expensive computing does not wait for it. The disclosure establishes a real collaboration, without revealing supplier exclusivity, content value or the allocation to every production chip. SK hynix on the Broadcom partnership, 13 February 2026.

Samsung's July 2026 memorandum of understanding addresses possible collaboration across high-bandwidth memory, leading-edge foundry processes and advanced packaging. These are precisely the complementary capabilities an advanced accelerator needs. The language describes a planned collaboration. It does not establish qualified memory for a named production chip, a completed migration to a new foundry, committed shipment volumes or realised revenue. Expanding the potential supplier set can help future capacity and bargaining power, but qualification, yield and delivery determine when it becomes an economic alternative. Samsung/Broadcom MOU, 25 July 2026.

Manufacturing capacity is only one link. A saleable AI system needs working silicon, memory, packaging, boards, power, cooling and a connected data centre. Broadcom's financing collaborations seek to help customers acquire that capacity: the June 2026 platform announcement names Apollo and Blackstone and targets more than twenty gigawatts through 2028 for customers including Anthropic and OpenAI. This can expand the addressable sale from components to more complete systems. It also makes contract structure and the allocation of funding, payment and residual-value obligations more important to the profit ultimately retained. The cost and risks of the wider system must accompany the larger revenue opportunity. Broadcom/Apollo/Blackstone platform announcement, 9 June 2026.

Table 12: Supplier concentration makes programme delivery a shared operating risk

Dependency	Evidence at the cutoff	Investor consequence
TSMC wafers	About 95% of externally manufactured wafers in 9M FY26	Advanced supply and qualification constrain delivery; the figure excludes internally fabricated wafers
Manufacturing materials	Five suppliers supplied more than three-quarters in 9M FY26; unnamed	Names and shares cannot be guessed from a general supplier list

Dependency	Evidence at the cutoff	Investor consequence
Packaging and testing	Disclosed network includes TSMC, ASE, Foxconn, Amkor and Siliconware	Available wafer capacity is insufficient if packaging, yield or testing prevents shipment
Memory	SK hynix relationship disclosed; Samsung MOU is planned cooperation	A partner announcement is not qualified supply on every chip
Proprietary fabrication	Retained RF-filter and optical-laser processes	Broadcom still needs investment and process expertise; it is not wholly fabless

Sources: FY2025 Form 10-K manufacturing section; Q3 FY2026 Form 10-Q supplier-risk paragraphs; SK hynix 13 February and Samsung 25 July disclosures, linked above.

Appendix B. Valuation basis and supporting calculations

B.1. A fully dated valuation and return calculation

The reference price is $293.69, the official regular-session close on 6 November 2026 at 16:00 EST. After-hours prices are excluded. The 10-year Treasury input is 4.86%, a daily par yield observed near 15:30 EST rather than a 16:00 equity trade. A fresh 260-week close-return regression against the Nasdaq-100 gives beta 1.51167, rounded to 1.51. With the retained 4.50% equity risk premium, Ke is 11.655%; the calculated WACC is 11.361%. The risk premium and cash debt cost of 5.50% are assumptions. Nasdaq close reference, Treasury daily par yields, AVGO weekly prices, Nasdaq-100 weekly prices.

The forecast uses a complete cash-flow calculation at the valuation date. Broadcom's FY2026 ended on 1 November 2026 and its annual results were still unreported. The opening balance therefore starts from the existing nine-month actual plus fourth-quarter estimate, then projects five days of operating and investing cash and scheduled principal repayment. The resulting cash of $36.2bn and principal debt of $58.8bn are estimates at 6 November, not reported balances. No dividend is assumed paid during those five days. The disclosed fiscal rule is a 52- or 53-week year ending on the Sunday closest to 31 October. Q3 FY2026 Form 10-Q, basis of presentation.

The elapsed five-day portion of FY2027 free cash flow is removed from future cash flows. Remaining annual cash flows are discounted to their actual fiscal year-end dates on ACT/365. The year-end cash-flow convention remains conservative relative to collecting the same cash continuously. The terminal year is rebuilt at 3.0% growth, including the working capital needed to support it. This matters in the slower-growth cases: simply growing an unusually low-investment final year's cash flow would overstate the terminal stream. Terminal value is 34.6% of enterprise value.

Table 13: The current quote and all valuation outputs share a single dated basis

Valuation item	6 November 2026 basis
Price and date	$293.69; 6 Nov 2026 close
Common market cap / estimated EV	$1,402.1bn / $1,424.6bn
Common shares / valuation claims	4,774m / 4,939m
Estimated cash / principal debt	$36.2bn / $58.8bn
Ke / WACC / terminal growth	11.655% / 11.361% / 3.0%
Conditional current value V_0	$413.76
12-month value / forecast dividend	$459.13 / $2.86
Price appreciation / full TSR	56.3% / 57.3%
GAAP P/E FY27E / FY28E	20.8x / 11.6x

Valuation item	6 November 2026 basis
EV/EBITDA FY27E / FY28E	14.0x / 8.3x
Owner cash yield FY27E	5.5%
Active public recommendation / target	Not assigned

Source: full model. EV uses common market cap plus estimated dated principal debt less cash, excluding the contingent guarantee charge. EBITDA is GAAP operating profit plus physical depreciation and book acquired-intangible amortisation, with SBC still expensed. Share counts and cash/debt are not a verified 6 Nov share register or balance sheet.

The twelve-month horizon is 6 November 2027. Conditional value on that date is $V_0 \times (1 + Ke) -$ forecast dividends, or $459.13. Forecast dividends total $2.86 per share across four assumed quarterly payment dates. The latest declared quarterly dividend was $0.65; the model's 10% increase and future payment dates are forecasts, not declarations. Price appreciation is 56.3%; adding forecast dividends gives 57.3% total shareholder return. The numerical upper and lower return boundaries are 21.655% and 1.655%. A higher numerical return does not itself establish a public recommendation.

The same-model exit is dated 6 November 2029. It values the then-remaining cash flows and terminal value, deducts the modelled net debt at that date and retains the declared contingent claim. The $555.82 exit and twelve quarterly forecast dividends produce a dated annualised XIRR of 24.6%. This is a consequence of the same operating path, not an independently estimated future market multiple. Earnings growth and the multiple change multiply; their percentage contributions cannot simply be added. Cash dividends enter the dated return once.

Figure 4: The base DCF is $413.76 with 34.6% of enterprise value in the terminal period

6 Nov 2026 | Close $293.69

	g 2.0%	g 2.5%	g 3.0%	g 3.5%	g 4.0%
WACC -1.0pp	$452.58	$463.70	$476.33	$490.80	$507.54
WACC -0.5pp	$423.35	$432.60	$443.03	$454.87	$468.44
WACC 11.36%	$397.34	$405.09	$413.76	$423.54	$434.65
WACC +0.5pp	$374.04	$380.57	$387.84	$395.98	$405.16
WACC +1.0pp	$353.06	$358.60	$364.73	$371.55	$379.19

Base WACC 11.36%; g 3.0%; all 25 cells fully recalculated

Source: dated Broadcom model, 6 November 2026. Every cell is a complete formula replay; V_0 in USD/share. Blue outline identifies the selected input.

The separate-factor ranges are explicit stresses. The 1.3%–2.0% capex and 5.5%–8.0% gross stock-compensation ratios come from the retained diagnostic branches. Zero, half and selected later AI growth test duration. A 5.0% risk premium is a declared risk sensitivity, with 4.75% as an intermediate point. The five-point semiconductor margin shifts and additional annual engineering spending of $1.0bn or $2.0bn are illustrative funding pressures, not measured company guidance or statistical confidence bounds. Currency is USD throughout; no separate foreign-exchange scenario is invented. Future award settlement and current share-count uncertainty remain limitations, described below.

B.2. Employee claims and customer financing calculations

The common market capitalisation is $1,402.1bn: $293.69 multiplied by the last disclosed 4,774m common shares. The valuation allocates value over 4,939m claims, adding 165m existing employee rights. The first amount is an estimated current equity-market value using the latest disclosed share

count; the second is the declared allocation of existing rights. Treating both as one interchangeable share count would overstate common market capitalisation or omit existing claims.

Stock compensation remains an expense in GAAP earnings. The cash-flow valuation adds back the noncash charge and deducts a cash substitute for new future awards; service expense on existing rights is not also charged as a new award after those rights have been allocated in shares. Grant-date expense is a proxy for future employee compensation, not proof that buybacks will neutralise shares at the prevailing market price. No extra share-neutrality benefit is assumed. The factor matrix recalculates compensation, taxes and cash together when its rate changes.

Broadcom's $43.0bn new residual-value support can become a cash claim if financed equipment is worth less than the protected amount. The contractual ceiling is not recognised principal debt or an observed expected loss. The retained $2.2bn conditional haircut comes from 10% probability × 50% severity × $43.0bn; neither probability nor severity is measured or approved by the reader. A full $43.0bn net-loss stress replaces that haircut, using only the additional $40.9bn claim rather than double-counting the first deduction. Broadcom Form 8-K, 27 October 2026.

B.3. Evidence and remaining conditions

Products, buyers, competitors, partners and suppliers determine the operating hypotheses. Named relationships are tied to their disclosed scope and stage; programme announcements do not by themselves establish annual revenue, cash receipts or lasting margins.

The operating projections are explicit hypotheses, with a complete alternative revenue path and duration/capital stresses. Annual results, customer billings, unreported share changes and future dividend decisions have not been invented. The most consequential source limitation is the $115.0bn/$230.0bn AI revenue pair: it remains secondary-attributed with the primary replay unverified. Its $148.05 per-share difference from the lower pair changes the investment action. There is no defensible probability-weighted target while those probabilities and the quality/realisation qualification remain unestablished.

The next research decision is whether paid customer deployments, retained content and cash conversion support the stronger path through successive generations. This note provides a fully dated conditional valuation to judge that evidence. It assigns neither an active public recommendation nor a public target. The 6 November market inputs, operating hypotheses and calculations are recorded in the accompanying workbook; research review is separate from the reader's acceptance and publication authority.

Appendix C. Sources and definitions

The valuation and dated business developments use the 6 November 2026 cutoff. The latest financial reporting source is Q3 FY2026. Undated product pages identify offerings and contract categories, without establishing shipment volumes or financial results at the cutoff. The company graphic is reproduced from the VMware solution brief, page 2, Figure 1; it explains product layers and is not independent evidence of vendor cost-saving claims.

AI means artificial intelligence; custom accelerators are customer-specific processors; Ethernet is a widely used networking standard; VCF is VMware Cloud Foundation. GAAP operating income includes stock compensation and acquired-intangible amortisation; reported segment profit excludes those and other unallocated costs. The note's economic EPS removes book acquisition amortisation while retaining stock compensation under the declared tax convention. It is neither GAAP EPS nor management's adjusted EPS. Company free cash flow is operating cash less capital expenditure; the owner-cash proxy additionally funds new future employee awards.

Broadcom FY2025 Form 10-K, filed 18 December 2025

OpenAI and Broadcom unveil Jalapeño, 24 June 2026

Broadcom’s Fujitsu shipment announcement, 26 February 2026

Broadcom’s Google/Anthropic Form 8-K, 6 April 2026

Meta partnership, 14 April 2026

OpenAI collaboration, 13 October 2025

OpenAI’s Jalapeño performance results and methodology, 25 August 2026

Broadcom’s OCP portfolio announcement, 8 October 2026

Tomahawk 6 launch, 3 June 2025

production-volume announcement, 12 March 2026

Jericho4 announcement, 4 August 2025

Thor Ultra announcement, 14 October 2025

Broadcom’s OFC technology portfolio, March 2026

NVIDIA NVLink Fusion announcement, 18 May 2025

NVIDIA’s Rubin platform announcement, January 2026

Meta’s OCP engineering disclosure, 12 October 2026

Marvell FY2026 Form 10-K, filed 11 March 2026

Marvell Form 8-K, filed 19 August 2026

Apple’s Broadcom agreement, 23 May 2023

Broadcom’s enterprise Wi-Fi 8 platform, 3 February 2026

Qualcomm’s Wi-Fi 8 portfolio, 2 March 2026

Skyworks Form S-4, filed 20 May 2026, business summary

Broadcom/Charter/Comcast announcement, 24 September 2024

MaxLinear Puma 9 announcement, 28 September 2026

Broadcom FY2024 Form 10-K, product descriptions

VMware Cloud Foundation 9.1 solution overview, 2026, pages 1–2

Broadcom VCF 9.1 announcement, 5 May 2026

Broadcom/NTT DOCOMO announcement, October 2026

Nutanix Move DirectPath, 16 October 2026

Red Hat migration discussion, 24 February 2026

Broadcom’s mainframe portfolio

WatchTower product description

BMC AMI announcement, 8 April 2026

Symantec CBX announcement, 23 March 2026

Microsoft Defender for Endpoint release history, through October 2026

Brocade Gen 8 launch, 19 November 2025

Cisco MDS recommended releases, updated 6 August 2026

Samsung/Broadcom MOU, 25 July 2026

Broadcom/Apollo/Blackstone platform announcement, 9 June 2026

Broadcom Q3 FY2026 Form 10-Q, filed 10 September 2026

Product map references

P01 Broadcom FY2025 Form 10-K: business, customers, manufacturing and revenue recognition · P02 Broadcom Google/Anthropic Form 8-K · P03 Broadcom/Meta MTIA multi-generation partnership

P04 OpenAI/Broadcom Jalapeño announcement · P05 Marvell custom ASIC portfolio · P06 NVIDIA NVLink Fusion

P07 Broadcom OCP2026 portfolio · P08 Broadcom enterprise Wi-Fi8 platform · P09 Meta OCP2026 engineering disclosure

P10 Cisco Silicon One G200 datasheet · P11 Broadcom OFC2026 portfolio · P12 Marvell expanded optical DSP portfolio

P13 Apple/Broadcom agreement · P14 Skyworks completes Qorvo combination · P15 Qualcomm Wi-Fi8 portfolio

P16 MediaTek Filogic8000 announcement · P17 Broadcom BCM3390 product page · P18 Broadcom BCM68850 50GPON portfolio

P19 MaxLinear Puma9 announcement · P20 MediaTek/Airoha DeutscheTelekom gateway case study · P21 Broadcom ExpressFabric portfolio

P22 Broadcom 9600 storage adapters · P23 Broadcom Emulex HBA documentation · P24 Microchip PCIe switches

P25 Microchip Adaptec portfolio · P26 Marvell QLogic 2770 adapters · P27 VMware Cloud Foundation platform

P28 VCF specific program documentation · P29 Nutanix AHV · P30 RedHat OpenShiftVirtualization catalog

P31 Broadcom WatchTower · P32 Automic WorkloadAutomation overview · P33 BMC AMI and Control-M

P34 Symantec CBX announcement · P35 Microsoft DefenderforEndpoint · P36 CrowdStrike Falcon endpoint protection

P37 Broadcom BrocadeGen8 release · P38 Cisco MDS9000 compatibility matrix · P39 Broadcom licences and subscription purchases