Broadcom Inc.

NASDAQ: AVGO | Semiconductors and infrastructure software | 1 November 2026

Verdict	Watchlist (unchanged)	**Price (30 Oct close)**	$326.08
Weighted fair value	$339.41 (+4.1%)	**Base case**	$342
Range of interest	$285-300	**Investment Score**	71.0 / 100 (was 73.0)
Technical read (chart only)	Confirms	**Fiscal 2027 consensus EPS**	$19.47 (16.7x)

The Support Has Terms, and They Are Narrower Than a Guarantee

Broadcom's 8-K of 27 October puts numbers on the residual value support behind the $63bn Anthropic compute financing. Broadcom's maximum potential liability is about $43bn on an undiscounted basis, reached only once all the AI racks are deployed. The amount grows as racks are delivered and shrinks as the customer pays its leases. If the customer defaults, Broadcom pays the difference between 72.5% of the lease amounts still owed and what the racks fetch when sold. The company describes a payment as a low-probability contingency. This is a shortfall cover on hardware value, not a promise to repay the loans in full, and its advance rate is lower than the 85% on the earlier backstop of up to $29bn.

The terms do not shrink the headline. Together with the earlier backstop, Broadcom stands behind up to about $72bn of one customer's leases, plus up to $42bn of convertible notes that may be issued to it. That is about 1.3 times the $54.7bn annual free cash flow implied by the third quarter. What the filing changes is the likely size of a loss in a default, and the bear case below is smaller for that reason.

Verdict: Watchlist, unchanged, from fundamentals. Technical read (chart only): Confirms. The stock is in a downtrend below its 50 and 200-day averages; watch for a close back above the 50-day near $353 and then a higher low. The weighted fair value is $339.41, +4.1% against the price, and the base case is $342. The name becomes interesting at $285-300, where the base case pays 14% to 20%.

1. Do the published levels still hold?

The last report, on 27 October, named $285-305 as the range of interest with the shares at $329.17. They rose to $351.81 on 28 October after a broker upgrade and the financing news, then fell 5.5% to $326.08 on 30 October, when a chip index lost 7.2% after Intel's guidance and heavy AI spending at Alphabet and Amazon unsettled the sector. The stock has not reached the range. The range still makes sense, with the top trimmed to $300: at $300 the base case of $342 pays 14%, and at $285 it pays 20%, which is the margin a reader should want while Broadcom carries this much customer risk. The 52-week low of $289.96 sits inside it. No cut-loss or take-profit is published while the rating is not a Buy.

2. Company developments

Items from 20 October to 1 November 2026 that bear on what Broadcom earns or how it competes. The High item is the disclosed terms of the residual value support on the Anthropic financing.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Terms of the residual value support	8-K filed 27 Oct (event 26 Oct)	Maximum potential liability about $43bn undiscounted on full deployment; pays 72.5% of lease amounts owed less rack sale proceeds; rises with deliveries, falls with lease payments; accounting not stated	Company: a low-probability contingency. Our stress loss in the bear case: below	High
$63bn Anthropic compute financing	Announced 26 Oct	Bank of America, Citi and Morgan Stanley arrange the first lien, Blackstone the second; an SPV buys Broadcom racks and leases them to Anthropic; deliveries from 2027	Reported: first lien about $43.5bn; the CEO stepped in and Broadcom accepted higher rates and wider guarantees to close it	High

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Anthropic listing	Prospectus filed 26 Oct	Rent under Broadcom lease arrangements about $161.2bn over the lease lives, excluding interest; non-cancellable except on default	Reported: roadshow from the week of 9 November	High
Earlier Anthropic commitments	Broadcom 10-Q, 10 Sep	Backstop up to about $29bn at 85% of amounts owed less rack value; convertible notes up to $42bn may be issued to Broadcom; none issued at 2 Aug	Anthropic does not expect notes to be sold before its listing (reported)	High
Financing for OpenAI's accelerator	Reported 7 Oct; no terms since	Package of more than $50bn reported; Broadcom's share not disclosed	None	High
Marvell in talks to buy Lumentum	Reported 29 Oct	Talks reported; no agreement announced	Would give a custom-silicon rival in-house lasers	Medium
VMware: NTT DOCOMO and FedEx	Announced 19 and 20 Oct	Ten-year VMware Cloud Foundation deal with DOCOMO; continued FedEx agreement; values not disclosed	None	Low
European Commission VMware inquiry	Information gathering	No formal investigation opened	None	Medium
Q4 fiscal 2026 results	Expected about 10 Dec, not yet announced	Guided revenue about $34.8bn, AI semiconductors $21.7bn, operating margin about 66%	Management guidance	Medium

Broadcom Form 8-K, 27 Oct 2026; financing release, 26 Oct 2026; Broadcom Form 10-Q, 10 Sep 2026; Reuters, 27 Oct 2026; WSJ, 26-27 Oct 2026; Bloomberg, 29 Oct 2026; Broadcom news releases, 19-20 Oct 2026.

2a. High item: the residual value support, now with terms

What is known. Announced fact: the 8-K, filed under Item 2.03 as an off-balance-sheet obligation, sets Broadcom's possible payment at 72.5% of the outstanding lease amounts less the value of the racks when sold, with a maximum of about $43bn undiscounted once all racks are deployed. After a default the remedies are to assume the lease, sell the racks back to the seller at a fixed price under certain conditions, or arrange a sale. The filing does not name the customer or the lenders, states no term, and says nothing about how the support is recorded. Reported, not confirmed by the company: the first lien is about $43.5bn of the $63bn, and Broadcom accepted higher rates and wider guarantees to close the deal. The 27 October report used the reported first-lien figure; the formula and the amortising profile are new.

Why it matters. Custom accelerators are the core of Broadcom's growth: AI semiconductors were $16.7bn of $29.6bn revenue in the third quarter, and management expects Anthropic to be its largest accelerator customer in 2027. The support means part of that revenue is sold into a structure Broadcom stands behind. **What success and failure look like.** Success is Anthropic listing, paying its leases and the exposure running down as payments come in; the first hard data are the listing in November and the annual report in December, which should show how the support is carried. Failure is a missed lease payment while accelerator resale values are falling as new generations ship.

Economics and sizing. In the base case nothing is drawn and the support costs Broadcom nothing in earnings; any payment would be a one-time loss rather than a cut to recurring profit. The bear case assumes a default after full deployment, racks that fetch 45% of the lease amounts owed, and a 50% chance of that default within the bear case. On the 8-K formula that gives a loss of $16.3bn on the new support and $13.6bn on the earlier backstop, or $15.0bn after the probability, $3.03 a share over 4.937bn diluted shares (our calculation; the notes are treated as a loan that is repaid). The 27 October report deducted $5.29 a share on a flat share of the full amounts; the formula supports a smaller figure. **Precedent.** Chipmakers have backed equipment values before, but not at this scale against one customer.

Input	Value	Basis
Base fiscal 2027 EPS	$18.00	Our estimate, below the $19.47 consensus
Diluted shares	4.937bn	Q3 fiscal 2026 non-GAAP diluted count

Input	Value	Basis
Maximum, new support / earlier backstop	$43bn / $29bn	8-K, 27 Oct; 10-Q, 10 Sep
Coverage rate, new / earlier	72.5% / 85%	Of lease amounts owed, less rack proceeds
Rack proceeds in a default	45% of amounts owed	Our assumption
Chance of default within the bear case	50%	Our assumption
Bear-case deduction	$3.03 a share	Our calculation

Inputs for the sizing; assumptions are this report's.

What the price assumes. At 16.7 times consensus fiscal 2027 EPS the shares trade far below Broadcom's own history for a business growing this fast, so the market already discounts the customer and funding risk. The 30 October fall was sector-wide and the 8-K does not explain it. **Effect on this report.** The terms lift the Risk score by a point and support a base multiple of 19 times rather than 18. Without any support obligation the weighted value would be about $340; with it, $339.41. The verdict is Watchlist either way: the item limits the multiple and the bear case, but the base case pays only about 5% at the current price with or without it. **Still unknown.** The accounting, the term, how fast the exposure amortises, and whether Broadcom gives similar support on the OpenAI package.

3. Business and financials

Q3 fiscal 2026 (to 2 Aug)	Value	Year on year
Revenue	$29.6bn	+86%
Semiconductor solutions	$20.8bn	+127%
of which AI semiconductors	$16.7bn	+221%
Infrastructure software	$8.8bn	+29%
Non-GAAP diluted EPS	$3.32	+96%
Non-GAAP operating margin	67.9%	+2.4 pts
Free cash flow	$13.7bn	46% of revenue
Cash / total debt	$24.0bn / about $59.4bn	Net debt about $35.4bn
Remaining performance obligations	$179.2bn	About 25% within 12 months

Broadcom Q3 fiscal 2026 results release, 2 Sep 2026, and Form 10-Q, 10 Sep 2026; net debt is our calculation.

Broadcom runs two businesses. Custom AI accelerators and networking for a handful of very large buyers now drive most of the growth, and VMware-led infrastructure software provides a high-margin recurring base that keeps adding long contracts, including a ten-year deal with NTT DOCOMO in October. The non-GAAP gross margin fell to 75.0% from 78.4% as lower-margin systems grew, but operating margin rose because costs grew more slowly than revenue. Fourth-quarter guidance calls for revenue of about $34.8bn, AI semiconductors of $21.7bn and an operating margin near 66%. Net debt of about $35bn is small against the cash flow; the contingent commitments to Anthropic are the larger balance-sheet item.

4. Growth drivers

Driver	Status	Likelihood	Impact
Anthropic deployments from 2027	Financed, leased, non-cancellable except on default	High	High
OpenAI custom accelerator	1.3 GW planned for 2027 (management); financing reported, terms unknown	Medium	High
Other hyperscaler accelerator programmes	Ongoing; customers' spending under investor pressure	Medium	Medium
AI networking	Shipping; rival optics consolidation reported	High	Medium
VMware Cloud Foundation renewals	Ongoing; EC inquiry pending	Medium	Medium

Company disclosures to 1 Nov 2026; likelihood and impact are this report's assessments.

5. Valuation at $326.08

Case	Fiscal 2027 EPS	P/E	Deduction	Value
Bull	$19.47	24x	-	$467
Base	$18.00	19x	-	$342
Bear	$14.50	16x	$3.03	$229

Our calculation. Consensus fiscal 2027 EPS $19.47 and fiscal 2026 $11.67 (S&P; Global consensus, 30 Oct 2026); the price is 16.7x fiscal 2027 and 27.9x fiscal 2026.

Earnings are the right base for a business with a 46% free-cash-flow margin, and fiscal 2027, which ends in October 2027, is the first year that carries the Anthropic deployments. The base case takes EPS of $18.00, about 8% under consensus, because deliveries are paced by financing and the week's results from Alphabet, Amazon and Intel showed customers' AI budgets under pressure from investors. It pays 19 times: below what Broadcom has commanded in the past, because part of its balance sheet now stands behind customers that do not yet make money, but a turn above the last report's 18 times, because the disclosed support covers a shortfall in hardware value rather than the loans. The result is $342. The last report reached the same base value from EPS of $19.00 at 18 times. The weighted value is $339.41, against $337.60 in the last report.

The macro variables that matter here. The first is the cost and availability of credit, because Broadcom's largest new programmes are funded by leases and private credit rather than customers' own cash. The Federal Reserve held its target range at 3.75% to 4% on 28 October, with two members voting for a hike, and the ten-year Treasury yield ended the week near 4.94% after touching 5.05%; lenders reportedly needed higher rates to close the Anthropic deal. The second is investors' tolerance for AI capital spending at Broadcom's customers, which turned sharply lower in the last week of October as Alphabet and Amazon reported heavy cash outflows. Core PCE inflation of 3.1% leaves little room for easier money.

6. Sentiment

Indicator	Reading	Read
Broker actions	DA Davidson upgraded to Buy, target $400 (27 Oct); Barclays Buy, $500 (28 Oct); Rosenblatt Buy, $600 (27 Oct); KeyBanc and Bernstein Buy, $575; Tigress initiated at Buy, $600 (22 Oct)	Positive
Consensus	51 analysts: 41 Strong Buy, 8 Buy, 2 Hold; average target $530	Far above the price
Insiders	Director Form 4 in late September; no officer filings since	No signal
Trading	Volume on 30 Oct of 36.5m shares, well above the 20-day average of 22.2m	Heavy selling on the sector day
Institutional positioning	Mixed, moderate confidence	See below

Broker actions as reported to 31 Oct 2026; consensus from S&P; Global, 30 Oct 2026.

Institutional positioning reads Mixed, as of 30 June 2026, filings through 19 August 2026: reported holdings show a small net reduction over four quarters, almost all of it from one large holder, with more managers cutting than adding, and the read leans cautious. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure. It predates the financing news and does not change the verdict.

7. Risks

Risk	Probability	Severity	Comment
Customer financing exposure	Medium	High	Support of up to $43bn and a backstop of up to $29bn, both on Anthropic's leases, plus up to $42bn of notes.
Customer concentration	Medium	High	A few AI buyers, two of them loss-making labs, drive most growth.
Hardware value after a default	Medium	High	The support pays the gap between 72.5% of amounts owed and rack resale value.

Risk	Probability	Severity	Comment
AI spending pullback	Medium	High	Investors punished heavy AI spending at Alphabet and Amazon in late October.
Funding cost	Medium	Medium	Lenders reportedly demanded higher rates to close the Anthropic deal.
Competition in custom silicon and optics	Medium	Medium	Marvell's reported Lumentum talks would deepen a rival's optics.
VMware regulation	Low	Medium	A formal EC case would hit the software cash engine.

Probability and severity are this report's assessments.

Risk scores 4 out of 10 on a scale where 10 is lowest risk. The list above describes a high-risk setup for a business of this quality, driven by customer concentration and contingent commitments, and the score agrees with it.

8. Scorecard

Criterion	Score	Weight	Change	Basis
Business Quality	8/10	15%	-1 vs last report	Leading custom silicon and recurring software, but a growing share of AI revenue is sold into structures Broadcom supports.
Financial Strength	7/10	15%	unchanged	Net debt about $35bn against $13.7bn of quarterly free cash flow; contingent commitments of up to $72bn plus $42bn of notes, as before.
Competitive Advantage	8/10	15%	-1 vs last report	Leading accelerator and networking franchise; rivals are consolidating optics and the balance sheet is used to win deals.
Management	7/10	10%	unchanged	Execution and guidance delivery strong; aggressive use of the balance sheet for customers.
Growth Potential	9/10	15%	unchanged	AI revenue +221% with a guide of +236%; $179bn of contracted obligations.
Valuation	6/10	20%	unchanged	16.7x consensus fiscal 2027 EPS, about 4% below the weighted value.
Risk (10 = lowest risk)	4/10	10%	+1 vs last report	The support pays only a shortfall below 72.5% of amounts owed and runs down with lease payments.

Scored 1-10, where 10 is always best, including Risk. Investment Score 71.0 / 100 (weights 15/15/15/10/15/20/10); previous report 73.0.

9. Scenarios

Case	Probability	FY2027 revenue	EPS x P/E	Value
Bull. Anthropic lists and deploys on schedule, OpenAI's package closes without new Broadcom support, consensus is met and the multiple recovers.	25%	about $180bn	$19.47 x 24	$467
Base. The guided path is delivered with deployments paced by financing; Anthropic pays its leases and the support is never drawn.	45%	about $165bn	$18.00 x 19	$342
Bear. Customers' funding falters, deployments slip, the multiple compresses, and a default triggers part of the support and backstop.	30%	about $140bn	$14.50 x 16	$229

Case	Probability	FY2027 revenue	EPS x P/E	Value
Weighted	100%			$339.41

Our calculation; the bear value is net of a $3.03 deduction for support and backstop losses. Revenue figures are our estimates; consensus fiscal 2027 revenue is about $174bn.

The bull case carries 25% because it needs both lab customers funded on time, and only Anthropic's listing is in sight. The base case carries 45% on contracted Anthropic leases, $179bn of remaining obligations and guidance Broadcom has met. The bear case carries 30% because lenders needed concessions to fund the largest programme and investors turned against AI spending in the last week of October; the narrower support terms make a bear outcome less costly, not less likely.

10. Recommendation

Watchlist, unchanged. Broadcom remains one of the strongest businesses in semiconductors, and the 8-K shows the Anthropic support is a shortfall cover rather than a full guarantee. That improves the risk picture at the margin. It does not change the arithmetic: at $326.08 the base case pays about 5%, and a reader buying now takes on up to $72bn of contingent exposure to one loss-making customer for that return. The verdict rests on the same concern as the last report, now with its size better defined. The name becomes interesting at $285-300, where the base case pays 14% to 20%. No cut-loss or take-profit is published while the rating is not a Buy.

What would change the view	Direction
The price falls into $285-300	Better
Anthropic completes its listing and the support starts to run down with lease payments	Better
The annual report shows a small recorded value for the support	Better
Q4 results, expected about 10 December, show AI revenue near the guided $21.7bn with margins intact	Better
Broadcom gives similar support on the OpenAI package	Worse
The support or backstop is drawn, or the notes are issued before Anthropic lists	Worse
Large customers cut AI capital spending plans	Worse
A formal European Commission case on VMware licensing	Worse
Further tightening of credit while long-dated yields rise	Worse

Conditions are this report's; none is a forecast.

11. Technical read

Chart as of 30 October 2026 close

Verdict: Watchlist, from fundamentals. Technical read (chart only): Confirms. The chart is in a downtrend: the 50-day average is falling and the price closed below the 200-day average within the last ten sessions. The late-October bounce reached $351.81 on 28 October, just short of the 50-day, and failed. Watch the 20-day low of $319.30 and the 60-day closing low of $321.68; a close back above the 50-day near $353 and then a higher low would be the first repair.

Indicator	Value	Reading
Price of record	$326.08	30 Oct close
20-day SMA / EMA	$345.70 / $342.24	Price 5.7% / 4.7% below
50-day SMA / EMA	$352.81 / $353.91	Price 7.6% / 7.9% below
100-day SMA / EMA	$370.69 / $363.86	Price 12.0% / 10.4% below
200-day SMA / EMA	$367.67 / $362.53	Price 11.3% / 10.1% below
RSI(14)	40.8	Neutral, weak
MACD (12,26,9)	-6.24, signal -6.47	Just above signal
ATR(14)	$12.59	3.9% of price

Indicator	Value	Reading
Volume, 20-day vs 50-day	22.2m vs 24.0m	Participation fading
Support / resistance	$319.30 (20-day low) / $352.81 (50-day)	52-week range $289.96-495.00

Daily bars to 30 Oct 2026; indicators computed by this report.

The Technical read looks only at the price chart. It does not change the verdict or the Investment Score, and only guides entry timing.

12. Final verdict

Not at $326.08. Broadcom's demand is contracted for years and its business is among the best in the sector. The biggest concern is unchanged: it now stands behind the value of the hardware it sells to a loss-making customer, on a scale larger than a year of free cash flow. The terms disclosed on 27 October, the High development in this report, make a loss smaller if one comes, which lifts the Risk score but not the verdict. The case improves at $285-300, or once Anthropic has listed and the exposure starts to run down.

Sources

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