

Broadcom Inc.

NASDAQ: AVGO | Semiconductors and infrastructure software | 27 October 2026

Verdict	Watchlist (unchanged)	Price (26 Oct close)	\$329.17
Weighted fair value	\$337.60 (+2.6%)	Base case	\$342
Range of interest	\$285-305	Investment Score	73.0 / 100 (was 78.8)
Technical read (chart only)	Confirms	Fiscal 2027 consensus EPS	\$19.43 (16.9x)

Broadcom Now Stands Behind Anthropic's Chips

On 26 October Bank of America, Blackstone, Citi and Morgan Stanley announced a \$63bn financing for AI compute built on Broadcom accelerators and networking for Anthropic. A new special purpose vehicle will buy the equipment and lease it to Anthropic, with deliveries from calendar 2027. Broadcom provides residual value support to that vehicle for an amount equal to the first-lien portion of the financing, reported at about \$43.5bn, or 69% of the total. The question that has held the rating at Watchlist through October was whether Broadcom would end up guaranteeing a large share of its customers' financing. For the Anthropic package, the answer is now yes.

The same week brought the other side of the ledger. Anthropic's prospectus puts rent under its Broadcom lease arrangements at about \$161.2bn over the lease lives, excluding interest, and describes those leases as non-cancellable except on default. Demand for the chips is therefore contracted for years. The risk has moved from whether the chips sell to whether a loss-making customer keeps paying and what the hardware is worth when the leases end.

Verdict: Watchlist, unchanged, from fundamentals. Technical read (chart only): Confirms. The chart is in a breakdown below its 200-day average, so a reclaim of \$337.80 and then the 50-day near \$355 comes before any entry. The weighted fair value is \$337.60, +2.6% against the price, down from \$380 in the last report, and the base case is \$342. The range of interest is \$285-305, 15 to 16 times base fiscal 2027 earnings.

1. Do the published levels still hold?

The last report, on 17 October, named \$305 (about 16.1 times fiscal 2027 base earnings) as the price at which the name becomes interesting, and said a disclosure that Broadcom keeps and guarantees little of the Anthropic and OpenAI packages would restore a Buy. The shares have fallen from \$328.75 to a low of \$320.23 on 23 October and closed at \$329.17; they have not reached \$305. The disclosure went the other way. The level still makes sense, and it now sits at the top of the range rather than as a single price, because the base case is lower: 18 times \$19.00 rather than 21 times, which reflects an obligation that is now signed rather than possible.

2. Company developments

Items from 10 October to 27 October 2026 that bear on what Broadcom earns or how it competes. One new item is High: the signed Anthropic financing with Broadcom's residual value support.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
\$63bn Anthropic compute financing	Announced 26 Oct (bank and company release)	SPV buys Broadcom XPUs and networking and leases them to Anthropic; deliveries from 2027; Broadcom provides residual value support equal to the first lien, reported at about \$43.5bn	Reported: Broadcom accepted higher interest rates and the CEO intervened to close it (24-26 Oct)	High
Anthropic lease obligations and IPO	Prospectus filed 26 Oct	Rent under Broadcom lease arrangements about \$161.2bn over the lease lives, excluding interest; non-cancellable except on default	Listing reported for November	High

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Earlier Anthropic commitments	Disclosed in Broadcom 10-Q, 10 Sep	Backstop up to about \$29bn on the first XPV tranche; convertible notes up to \$42bn may be issued to Broadcom if needed; nothing drawn as reported	None	High
Financing for OpenAI's accelerator	Reported 7 Oct; no terms since	Package of more than \$50bn reported; structure and Broadcom's share not disclosed	None	High
Chief executive on capital constraints	12 Oct	Hock Tan said capital is the biggest constraint on AI growth and reaffirmed about \$230bn of AI revenue in fiscal 2028	Management target	Medium
European Commission VMware inquiry	Information gathering, Oct	No formal investigation opened	None	Medium
Q4 fiscal 2026 results	Expected 10 Dec	Guided revenue about \$34.8bn, AI revenue \$21.7bn	Consensus Q4 EPS about \$3.83	Medium

Bank of America, Blackstone, Citi and Morgan Stanley release with Broadcom, 26 Oct 2026; Anthropic registration statement, 26 Oct 2026; Broadcom Form 10-Q, 10 Sep 2026; Reuters and WSJ, 26 Oct 2026.

2a. High item: residual value support on the \$63bn package

What is known. The structure is announced fact: the vehicle buys Broadcom systems with committed first-lien loans arranged by the three banks and second-lien money from Blackstone, and leases them to Anthropic. Broadcom supports the residual value up to the first-lien amount. The split of about \$43.5bn first lien is reported, not announced, and the terms of the support (how a shortfall is measured, when it is paid) are not public. **Why it matters.** The support turns Broadcom from a chip seller into a party that absorbs a fall in the hardware's value if leases end early or the equipment is worth less at maturity. With the earlier backstop of up to about \$29bn and up to \$42bn of notes, Broadcom's possible exposure to one customer is larger than a year of its free cash flow, which ran at \$13.7bn in the third quarter. **Precedent.** Chipmakers have given value guarantees before; the scale here is new, and rating agencies have said repeated deals of this kind would raise risk.

Sizing. In the base case Anthropic pays and nothing is drawn. The bear case deducts \$5.29 a share: 40% of the \$43.5bn support and 30% of the \$29bn backstop, over 4.937bn diluted shares (own calculation; the notes are treated as a loan that is repaid). **What the price assumes.** At 16.9 times consensus fiscal 2027 EPS, the market already applies a discount to Broadcom's history; it does not price a loss on the support. **Effect on this report.** The item lowers the base multiple to 18 times from the 21 times the last report used, lifts the bear case to 30% and cuts the Financial Strength score. Without it the weighted value would be about \$346; with it \$337.60. The verdict is Watchlist either way, but the support is why the range of interest stays near \$305 rather than moving up with the contracted demand.

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%
Free cash flow	\$13.7bn	46% of revenue
Cash / total debt	\$24.0bn / about \$59.4bn	

Broadcom Q3 fiscal 2026 results release, 2 Sep 2026; total debt is the sum of short and long-term debt on the balance sheet.

Broadcom is 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. Fourth-quarter guidance calls for revenue of about \$34.8bn, with AI semiconductors at \$21.7bn, and a non-GAAP operating margin near 66%. The company paid a \$0.65 quarterly dividend. Management has pointed to about \$230bn of AI revenue in fiscal 2028; the consensus for fiscal 2027 is about \$174bn of revenue and EPS of \$19.43, with more analysts cutting than raising over the past month.

4. Growth drivers

Driver	Status	Likelihood	Impact
Anthropic deployments from 2027	Financed and contracted	High	High
OpenAI custom accelerator	Financing reported, terms unknown	Medium	High
Other hyperscaler XPU programmes	Ongoing	High	Medium
VMware Cloud Foundation pricing	Ongoing; EC inquiry pending	Medium	Medium

Company disclosures to 27 Oct 2026; likelihood and impact are this report's assessments.

5. Valuation at \$329.17

Case	Fiscal 2027 EPS	P/E	Deduction	Value
Bull	\$22.00	22x	-	\$484
Base	\$19.00	18x	-	\$342
Bear	\$16.50	13x	\$5.29	\$209

Own calculation. Consensus fiscal 2027 EPS \$19.43 (49 analysts, range \$17.47-22.44); price equals 16.9x consensus.

Earnings are the right base for a business with a 46% free-cash-flow margin. The base case takes fiscal 2027 EPS of \$19.00, a little under consensus because estimate revisions have turned down, and pays 18 times. That is below the 21 times the last report used: the support obligation and the earlier commitments put part of Broadcom's balance sheet behind two customers that do not yet make money, and a multiple should carry that. The result is \$342 a share. At 16.9 times consensus, the shares are close to fair value.

The macro variables that matter here. The cost and availability of credit, because the largest new programmes are now financed by leases and private credit rather than customers' own cash: the ten-year Treasury yield closed at 5.00% on 23 October after the Federal Reserve raised rates in September, and lenders reportedly needed higher rates to complete this deal. The second is enterprise IT spending for VMware, which is less cyclical and has held up with retail sales and jobs data mixed in September.

6. Sentiment

Indicator	Reading	Read
Broker actions	Bernstein Buy, \$575 (26 Oct); Tigress initiated at Buy, \$600 (22 Oct); BNP Paribas cut its target to \$540 from \$715 (14 Oct)	Ratings positive, targets falling at the margin
Estimate revisions	Fiscal 2027 EPS: 26 analysts lowered, 13 raised in 30 days; average little changed	Slight downward drift
Insiders	Form 4 filings by a director and an officer and Rule 144 notices in September	Routine selling
Institutional positioning	Mixed, moderate confidence	See below

Broker actions as reported to 26 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, concentrated in one large holder, with more managers cutting than adding. 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	Residual value support of about \$43.5bn, a backstop of up to \$29bn and up to \$42bn of notes tied to Anthropic.
Customer concentration	Medium	High	A few AI buyers, two of them loss-making labs, drive most growth.
Hardware value at lease end	Medium	High	Accelerator values can fall fast as new generations ship.
Funding cost	Medium	Medium	Private credit demanded higher rates to close this deal.
VMware regulation	Low	Medium	A formal EC case would hit the software cash engine.
Estimate cuts	Medium	Medium	Revisions have turned down for fiscal 2027.

Probability and severity are this report's assessments.

8. Scorecard

Criterion	Score	Weight	Change	Basis
Business Quality		9/10 15%	unchanged	Custom AI silicon leadership plus a recurring software base with 46% FCF margins.
Financial Strength		7/10 15%	-2 vs last report	Strong cash generation, but a signed support obligation of about \$43.5bn adds to earlier commitments.
Competitive Advantage		9/10 15%	unchanged	Leading custom accelerator and networking franchise; VMware lock-in.
Management		7/10 10%	-1 vs last report	Execution remains strong; the balance sheet is increasingly used to underwrite customers.
Growth Potential		9/10 15%	unchanged	Contracted Anthropic demand and a guided path to about \$230bn of AI revenue in fiscal 2028.
Valuation		6/10 20%	-1 vs last report	16.9x consensus fiscal 2027 EPS, close to the weighted value.
Risk (10 = lowest risk)		3/10 10%	+1 vs last report	Funding for Anthropic is now closed and contracted, but Broadcom carries more of the hardware risk.

Scored 1-10, where 10 is always best, including Risk. Investment Score 73.0 / 100 (weights 15/15/15/10/15/20/10); previous report 78.8.

Factor weights changed on 18 October 2026, so part of the change in the Investment Score reflects the new weights.

9. Scenarios

Case	Probability	FY2027 revenue	EPS x P/E	Value
Bull. Deployments run ahead, margins hold, the OpenAI package places with outside lenders and the support is never drawn.	25%	about \$185bn	\$22.00 x 22	\$484
Base. The guided path is delivered with deployments paced by financing; Anthropic lists and pays its leases.	45%	about \$170bn	\$19.00 x 18	\$342
Bear. A lab's funding falters or hardware values fall, deployments slip and part of the support and backstop is paid.	30%	about \$145bn	\$16.50 x 13	\$209
Weighted	100%			\$337.60

Own calculation; bear value is net of a \$5.29 deduction for support and backstop losses.

The bull case needs both lab customers to fund their programmes on time; Anthropic's listing makes that more likely for one of them. The base case follows the company's guidance with some slippage. The bear case carries 30% because Broadcom now carries value risk on the hardware it sells, and two of its largest customers burn cash.

10. Recommendation

Watchlist, unchanged. Contracted demand from Anthropic is a strength, and the business remains one of the best in semiconductors. The signed support obligation means a reader buying Broadcom now also buys part of the residual risk on Anthropic's hardware, and the price of 16.9 times consensus earnings does not leave room for that. The name becomes interesting at \$285-305, 15 to 16 times base fiscal 2027 earnings. The verdict is unchanged; it now rests on a guarantee that exists rather than one that might. 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 \$285-305	Better
The terms of the residual value support show a narrow trigger or a low expected payout	Better
Q4 results on 10 Dec show AI revenue near the guided \$21.7bn with margins intact	Better
Anthropic completes its listing	Better
Broadcom guarantees a large share of the OpenAI package as well	Worse
The support or backstop is drawn, or the notes are issued before Anthropic lists	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 26 October 2026 close

Verdict: Watchlist, from fundamentals. Technical read (chart only): Confirms. The chart is in a breakdown, with a new 60-day closing low of \$321.68 on 23 October, a close below the 200-day average and a falling 50-day. Watch for a close back above \$337.80 and then a higher low; a reclaim of the 50-day average near \$355 would be the first repair.

Indicator	Value	Reading
Price of record	\$329.17	26 Oct close
20-day SMA / EMA	\$347.69 / \$343.05	Price 5.3% / 4.0% below
50-day SMA / EMA	\$355.48 / \$356.15	Price 7.4% / 7.6% below
100-day SMA / EMA	\$372.97 / \$365.71	Price 11.7% / 10.0% below
200-day SMA / EMA	\$367.81 / \$363.27	Price 10.5% / 9.4% below
RSI(14)	39.6	Neutral, weak
MACD (12,26,9)	-9.09, signal -6.64	Below signal
ATR(14)	\$11.20	3.4% of price
Volume, 20-day vs 50-day	21.5m vs 23.9m	Participation fading
Support / resistance	\$320.23 (23 Oct low) / \$355.48 (50-day)	52-week range \$289.96-495.00

Daily bars to 26 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 \$329.17. Broadcom's demand is better secured than a month ago, and its business is among the strongest in the sector. The biggest concern is that it now stands behind the value of the hardware it sells to a customer that loses money, on a scale larger than a year of free cash flow. That signed support is the High development behind this report, and it is why the price of interest stays at \$285-305. Clear, narrow terms on the support, or Anthropic's listing and steady payments, would improve the case.

Sources

Bank of America, Blackstone, Citi and Morgan Stanley with Broadcom, \$63bn financing release, 26 Oct 2026 (investors.broadcom.com)

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This report is for informational use only and is not financial advice. Figures are as of 27 October 2026 unless stated.