

BROADCOM INC.

Equity Research • Independent Investment Analysis | Semiconductors & Infrastructure Software | NASDAQ: AVGO • Fiscal Q3 2026 results, reported 2 September 2026

RECOMMENDATION BUY Reaffirmed — not upgraded. The prior report's upgrade test had two limbs; one was met.	12-MONTH TARGET RANGE \$500 – \$560 Probability-weighted fair value \$463	INVESTMENT SCORE 76.5 / 100 Up from 74.5. Financials and valuation +1 each; technicals –2.
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Price (Sep 2, 2026 close)	After-hours (7:59pm ET)	Market Cap	52-Week Range
\$367.24	\$364.23	\$1.75 T	\$287.17 – \$495.00
Q3 Revenue	Q3 Adj. EPS	Q3 Free Cash Flow	Q4 Revenue Guidance
\$29.59 B (+86%)	\$3.32 (+96%)	\$13.67 B (46% of rev.)	\$34.8 B (+93%)
FY26E P/E (adj., derived)	FY27E P/E (adj., derived)	FY28E P/E on mgmt. floor	Net Debt
31.6x	19.8x	12.2x	\$35.4 B
Dividend / Yield	Shares Out.	Consensus Target	Next Earnings
\$2.60 / 0.71%	4.76 B	\$525.97 (49 analysts)	Dec 9, 2026 (AMC)

Scope note. This report was prepared before the first regular trading session following the release. Broadcom reported after the close on 2 September and the last closing price available is that same session's \$367.24, which predates the announcement. The after-hours print of \$364.23 is used to characterise the initial reaction, but the market's considered response is not yet observable and the technical section below therefore describes a chart drawn entirely before the news.

Investment Thesis

Broadcom's fiscal third quarter was the strongest in the company's history on every line that matters, and the shares fell roughly 6% in the minutes after it was published. Both statements are true and the gap between them is the whole of this report. Revenue of \$29.59 B rose 86% year on year against a \$29.43 B consensus; non-GAAP operating income of \$20.10 B rose 92% to a record 67.9% of revenue; non-GAAP earnings of \$3.32 beat the \$3.24 consensus and grew 96%; free cash flow of \$13.67 B reached 46% of revenue. AI semiconductor revenue of \$16.7 B tripled year on year and was 56% of the group, up from 49% one quarter earlier. What the market reacted to was the one number that came in light: fourth-quarter revenue guidance of approximately \$34.8 B against a \$35.0 B consensus, a shortfall of 0.6%.

The shares then recovered most of that fall during the conference call, and the reason is the single most important disclosure of the quarter. Management put multi-year numbers on the record for the first time: AI semiconductor revenue of approximately \$115 B in fiscal 2027 and \$230 B in fiscal 2028, with Hock Tan stating that supply has been secured for both. He then went further than Broadcom has ever gone on earnings, saying the company is *"very much on target to exceed \$30 in earnings per share in fiscal 2028"*. At Tuesday's close of \$367.24 that is 12.2 times a company-stated earnings floor two fiscal years out. Nothing in the press release carried that number. It exists only in the transcript, and an investor who read the 8-K and stopped would have concluded that Broadcom had missed.

The previous edition, published on 17 August at \$392.43, set an explicit upgrade test: the September results would need to show fiscal 2027 AI revenue tracking above \$100 B *with gross margin intact*. Exactly half of that has happened. The AI number arrived at \$115 B, comfortably clear of the bar. Gross margin did not hold: 75.0% in the third quarter against 77.1% in the second and 78.4% a year ago, with fourth-quarter consolidated gross margin guided to roughly 73%. The dilution is structural rather than cyclical, because custom accelerators carry far more bought-in memory than the merchant silicon they are displacing, and management was explicit that it will continue. Operating margin holds at 66% only because revenue is growing about six times faster than operating expense. That is a real and impressive form of leverage, and it is also a form that cannot be repeated indefinitely. The rating is therefore reaffirmed at Buy rather than raised, on the terms

the previous report set for itself.

Two things did improve materially and are worth stating plainly because they were risks in the last edition. The balance sheet is transformed: net debt fell from \$45.3 B to \$35.4 B in a single quarter as cash rose to \$24.0 B and \$5.6 B of long-term debt was retired, leaving net leverage near 0.6 times annualised operating income. And the effective tax rate, flagged last time as an unrealised headwind at 3.81%, has now largely normalised — the non-GAAP rate was 16.0% this quarter against 14.0% a year ago, and guided to 16% for the year on the global minimum tax. Earnings grew 96% while absorbing a 200 basis point rise in the tax rate. The quality of the print is not in question.

What is in question is the structure underneath the demand. Broadcom is helping to finance two of the customers it expects to be its largest by 2028. The AI XPV platform built with Apollo and Blackstone closed its first \$35 B tranche in June for Anthropic's one-gigawatt deployment, and is designed to enable more than 20 gigawatts for Anthropic and OpenAI by the end of 2028. Asked directly on the call what the maximum off-balance-sheet exposure looks like across future tranches, the chief financial officer declined to answer: *"I cannot give you an overarching look at what is the max and what each one is going to look like."* That is a fair position for a company not ready to announce terms. It is also the single question a credit-focused holder most needs answered, it was the proximate cause of Bank of America's bond downgrade last month, and it went unanswered on the day the company asked investors to underwrite a \$230 B revenue line.

Analytical Framework — What Drives Returns Over 1–2 Years

Five variables govern shareholder returns over the next eight quarters, unchanged in identity from the previous edition but sharply changed in weight. First, whether the newly published fiscal 2027 and 2028 AI revenue figures convert, which is now a testable claim rather than an aspiration. Second, gross margin as the mix shifts toward memory-heavy custom accelerators, promoted this cycle from a watch item to a confirmed and quantified headwind. Third, the scale and terms of the vendor financing underwriting that demand, and whether it is read as an enabler or a contingent liability. Fourth, customer concentration across just six accounts, four of which management describes as the ones that matter. Fifth, the multiple, which has now compressed for six consecutive months against rising estimates and is the variable that has done the most damage to holders this year.

1. The Quarter Against Expectations, and Against Last Quarter's Guidance

Measure	Q3 FY26 actual	Consensus / prior	Read-through
Revenue	\$29.59 B (+86%)	\$29.43 B cons.	Beat by 0.5%; the smallest part of the story
Non-GAAP EPS	\$3.32 (+96%)	\$3.24 cons.	Beat by 2.5%, achieved through a 200bp higher tax rate
Non-GAAP operating income	\$20.10 B (+92%)	—	Record 67.9% margin, up 240bp year on year
Non-GAAP gross margin	75.0%	74% guided	Beat own guide, but down 210bp sequentially
AI semiconductor revenue	\$16.7 B (+221%)	—	56% of group, up from 49% in Q2; +54% sequentially
Infrastructure software	\$8.75 B (+29%)	—	ARR growth 15%; Q4 guided flat at ~\$8.7 B
Free cash flow	\$13.67 B	—	46% of revenue despite a \$3.3 B working-capital drain
Q4 revenue guidance	\$34.8 B (+93%)	\$35.0 B cons.	Miss by 0.6% — the proximate cause of the fall
Q4 gross margin guidance	~73%	75% in Q3	Structural mix dilution, stated as ongoing
FY26 AI revenue	\$58 B guided	\$56 B prior guide	Raised; FY26 total revenue lands at ~\$105.9 B
FY27 AI revenue	\$115 B	>\$100 B prior	Raised, and supply described as secured
FY28 AI revenue	\$230 B	No prior figure	First time disclosed; with a >\$30 EPS target

Consensus figures are as reported by TheFly on the day of the release. Fiscal 2026 revenue of \$105.9 B is the sum of \$71.09 B reported through three quarters and the \$34.8 B guided, and matches the \$106.0 B consensus carried in the previous edition to within a tenth of a percent. Segment and margin figures are from the company's 2 September earnings release and its non-GAAP reconciliation tables.

Two features of this table deserve more attention than the headline beat. The first is that the fourth-quarter guide, which caused a six percent drawdown, is a rounding error: \$200 M on \$35 B, from a company that has beaten its own gross-margin guidance again this quarter and raised its own full-year AI number twice. The market is not pricing a 0.6% shortfall. It is pricing the absence of the upside surprise it had come to expect, in a stock that has returned about 6% year to date while the broader chip complex has risen roughly 60%. That underperformance is now nine months old and is itself information: the market has been discounting Broadcom's AI revenue, not extrapolating it, for most of 2026.

The second is the arithmetic gap between the gigawatt figures and the revenue figures, which one analyst on the call was alone in pressing. Adding the deployment commitments management disclosed — one gigawatt of Ironwood to Anthropic in 2026, five more in 2027 and ten in 2028, 1.3 gigawatts of Jalapeño to OpenAI in 2027 rising above five in 2028, three gigawatts across three generations of Meta's MTIA through 2028, plus Google — gives roughly thirty gigawatts over fiscal 2027 and 2028. Against \$345 B of guided AI revenue across those two years, that implies about \$11 to \$12 B of Broadcom content per gigawatt, while Tan separately puts content at \$20 to \$30 B per gigawatt. Asked to reconcile the two, he did so honestly and importantly: not all thirty gigawatts will reach production inside those two fiscal years, and the revenue guidance rather than the gigawatt count is the commitment. *"We believe with a pretty high degree of confidence, we will ship \$350 billion of AI semiconductors to these customers in the next two years."* Anyone anchoring a valuation on the gigawatt headlines is counting roughly twice what the company has actually guided to.

2. Business, Industry and Competitive Position

Broadcom runs two segments. Semiconductor Solutions, 70% of revenue this quarter and growing 127% year on year, spans custom AI accelerators, AI and datacentre networking, broadband, wireless, storage and industrial. Infrastructure Software, 30% of revenue and growing 29%, is built around VMware and sold as subscription bundles at a 94% segment gross margin and an 84% operating margin. The software business is the ballast: it grows slowly, converts almost everything to cash, and funds the research spending that makes the semiconductor business possible.

The competitive position in custom silicon strengthened during the quarter in ways that are specific rather than rhetorical. Broadcom shipped Google's Ironwood TPU v7 in volume to both Google and Anthropic and began production shipments of the next-generation TPU v8i, which management says it delivered ahead of a competing MediaTek programme that started earlier. It shipped Jalapeño, OpenAI's first custom accelerator. A long-term agreement with Google covering future TPU generations and networking was characterised as worth multiple tens of billions of dollars annually over several years. On the networking side, Tomahawk 6 is deployed at essentially every AI hyperscaler including those not buying Broadcom accelerators, Tomahawk Ultra is in early scale-up deployment using open Ethernet rather than proprietary interconnect, and Tomahawk 7 — the industry's first 200 terabit-per-second switch — has taped out. AI networking revenue grew more than 2.5 times year on year and management expects it to grow as fast as accelerators over the next few years.

The competitive threat is the mirror image of the opportunity. Reuters read the light fourth-quarter guide as a signal that competition could hamper gains from custom processors, and the concern is not unreasonable: Nvidia's merchant GPUs remain the default, Marvell competes directly in custom silicon, and every hyperscaler that co-designs a chip has an incentive to bring more of that design in-house over time. Broadcom's defence is technical and, on the evidence of this quarter, holding — SerDes, chip-to-chip interconnect, HBM and SRAM integration, advanced packaging, and a record of taking TPUs from definition to production without a respin. Tan's claim that a co-designed accelerator beats a general-purpose GPU on the workload it was designed for, at less than half the cost, is now supported by OpenAI's own public statement that Jalapeño outperforms Grace Blackwell Ultra on performance per watt, latency and throughput for its workloads.

3. Financial Analysis — the Quarter, and the Quality of It

Line	Q3 FY26	Q2 FY26	Q3 FY25	Comment
Revenue	\$29,591 M	\$22,187 M	\$15,952 M	+33% sequentially, +86% year on year
Non-GAAP gross margin	75.0%	77.1%	78.4%	Mix dilution from XPU memory content
Non-GAAP operating margin	67.9%	67.3%	65.5%	Record; opex grew 22% against revenue +127% in semis

Line	Q3 FY26	Q2 FY26	Q3 FY25	Comment
GAAP diluted EPS	\$2.68	\$1.91	\$0.85	Gap to non-GAAP is \$0.41 SBC and \$0.41 amortisation
Non-GAAP diluted EPS	\$3.32	\$2.44	\$1.69	+96% year on year
GAAP effective tax rate	14.3%	8.1%	21.7%	Rising toward statutory; a headwind, not a flatterer
Non-GAAP effective tax rate	16.0%	—	14.0%	Global minimum tax; guided ~16% for FY26
Operating cash flow	\$14,197 M	\$10,493 M	\$7,166 M	+98% year on year
Change in working capital	−\$3,283 M	−\$2,572 M	—	A drain on cash, not a source of it
Free cash flow	\$13,665 M	\$10,262 M	\$7,024 M	46% of revenue
Cash and equivalents	\$23,975 M	\$19,628 M	\$10,718 M	+\$4.3 B sequentially
Total debt	\$59,419 M	\$65,047 M	—	\$5.6 B of long-term debt retired in the quarter
Net debt	\$35,444 M	\$45,419 M	—	Roughly 0.6x annualised operating income
Stock-based compensation	\$2,019 M	\$2,092 M	\$2,322 M	6.8% of revenue; falling as a share

Source: Broadcom's 2 September 2026 earnings release, condensed consolidated statements and GAAP-to-non-GAAP reconciliation tables. Working capital, net debt, tax rates and the EPS bridge are the analyst's own calculations from those statements, not company-presented measures. Q2 non-GAAP EPS is derived as \$12,074 M of non-GAAP net income over 4,940 M diluted shares.

The most important line in that table is the one no headline mentioned. Free cash flow of \$13.67 B was achieved while working capital consumed \$3.28 B — receivables rose \$2.86 B and other current balances a further \$2.68 B as the AI ramp scaled. Cash generation of this quality is the opposite of the pattern that flatters many fast-growing hardware businesses, where a large share of reported operating cash flow turns out on inspection to be customer prepayments or supplier float. Here the working-capital movement is a headwind that earnings absorbed. Combined with a 200 basis point rise in the effective tax rate, the 96% EPS growth is clean on both counts.

Capital allocation continues to favour deleveraging over buybacks, which is the right call at this multiple. Across three quarters the company has retired \$10.5 B of debt, paid \$9.28 B of dividends and repurchased \$8.45 B of stock, while cash rose \$7.8 B. Capital expenditure remains trivial at \$532 M in the quarter, though it is guided to \$1.4 B in the fourth as Broadcom builds its own substrate capacity in Singapore and more than triples indium phosphide laser capacity. That is a small number in absolute terms and a meaningful signal in strategic ones: the company is buying its way out of the supply bottlenecks it named twice on the call.

4. Management — Guidance Accuracy, and One Deflection

Guidance accuracy is one of the few genuinely testable measures of a management team, and Broadcom's record this quarter is good. Consolidated gross margin was guided to 74% and delivered 75%. The full-year AI revenue figure was guided to \$56 B in June and delivered as \$58 B. Operating margin was held at the level indicated. Against that, the fourth-quarter revenue guide came in \$200 M below where the sell side had modelled it, and management chose not to close that gap with a rounder number — a small point in favour of their conservatism rather than against it, given Tan's own framing that *"whatever I tell you guys go out and print a bigger number"* and that the company deliberately guides below what it believes it can ship.

The mark against is the financing disclosure. Asked by Melius for the maximum off-balance-sheet exposure across the backstop agreements, given the first tranche carried roughly \$29 B of maximum exposure, the chief financial officer said there was nothing to announce and that each future structure would be tailored. Asked separately by TD Cowen whether the ten gigawatts for Anthropic and five for OpenAI in 2028 would mostly be financed through the same platform, the answer was that it would be evaluated case by case. Both answers are defensible and neither is informative. An investor asked on 2 September to capitalise a \$230 B fiscal 2028 revenue line was not told what contingent liability sits behind it. That is the single largest gap in the disclosure and the reason the Management score does not rise alongside the operating

record.

5. Growth Drivers

Driver	Horizon	Likelihood	Impact	Assessment
FY27 AI revenue of \$115 B delivered	12–15 months	High	Very high	Supply described as secured; demand said to exceed the outlook
Anthropic scales to largest XPU customer	2027–2028	Medium-high	Very high	5 GW of TPU v8i in 2027, line of sight to 10 GW in 2028
OpenAI second-generation XPU tapes out	2027	Medium-high	High	Successor to Jalapeño approaching tape-out; third generation in development
Meta MTIA across three generations	Through 2028	High	Medium-high	3 GW of line of sight; production shipments begin in Q4
Tomahawk 7 and Ultra networking attach	2027–2028	High	Medium-high	First 200T Ethernet switch taped out; Ultra adoption ahead of plan
Singapore substrate fab eases bottleneck	FY27 onward	Medium-high	Medium	Directly addresses the constraint management named twice
VMware Private AI Cloud and repatriation	2027+	Medium	Medium	Software ARR +15%; a genuine second act, but small against AI
FY28 EPS above \$30 achieved	24–30 months	Medium	Very high	Internally consistent with \$230 B AI revenue at a 66% operating margin

Likelihood and impact are the analyst's judgements, not company or consensus figures. The fiscal 2028 EPS line is checked against management's own inputs: \$230 B of AI revenue plus roughly \$19 B of non-AI semiconductors and \$38 B of software, at the 66% operating margin management says it can sustain and a 16% tax rate, yields about \$31 per share on 5.0 B diluted shares. The target is arithmetically coherent with the revenue trajectory; the question is the trajectory, not the conversion.

6. Risk Assessment

Risk	Type	Probability	Severity	Change this quarter
Vendor financing exposure not quantified; each tranche adds to the cap	Financial	Medium	High	Worse — CFO declined to size it on the call
Gross margin dilution from memory-heavy XPU mix	Operational	High	Medium	Worse — now confirmed and guided to continue at ~73%
Customer concentration across six accounts, four material	Competitive	High	High	Unchanged; disclosure improved, exposure did not
Land, power and shell constraints delay deployment	Operational	Medium	High	Named twice by the CEO as the binding constraint
Anthropic and OpenAI are pre-IPO and unrated counterparties	Financial	Medium	High	Unchanged; Anthropic IPO would improve it materially
Hyperscaler brings XPU design fully in-house	Competitive	Low-medium	Very high	Unchanged; Google agreement extends the moat
Substrate, HBM and leading-edge wafer supply	Operational	Medium	Medium	Better — Singapore substrate capacity from FY27
Consensus FY27 revenue sits above the company's own implied total	Valuation	Medium	Medium	New — see the valuation section
Balance-sheet leverage	Financial	Low	Low	Better — net debt \$45.3 B to \$35.4 B in one quarter
Effective tax rate normalisation	Financial	Low	Low	Largely retired — non-GAAP rate now 16%

Risk	Type	Probability	Severity	Change this quarter
VMware regulatory and security overhang	Regulatory	Medium	Medium	Unchanged; EU inquiry and the July vCenter exploit persist
Single-foundry dependence on TSMC	Operational	Low	High	Unchanged

Two risks improved decisively this quarter and two worsened. Leverage and tax normalisation, both flagged in the previous edition, are now largely retired. Against them, the financing exposure remains unsized by the company itself and the margin dilution has moved from a projection to a guided fact. The net effect on the risk profile is close to neutral, which is why the Risk score is held rather than moved — but the composition of the risk has shifted from the balance sheet, where it was measurable, to contingent obligations, where it is not.

7. Valuation

At \$367.24 Broadcom trades at 46.9 times trailing GAAP earnings of \$7.83, 31.6 times derived fiscal 2026 non-GAAP earnings of \$11.63, and 19.8 times derived fiscal 2027 earnings of \$18.52. Enterprise value is roughly \$1.78 trillion against a \$1.75 trillion market capitalisation. The trailing multiple is irrelevant for a business whose largest segment is guided to double twice; the forward multiple is the only one that carries information, and the useful exercise is to test the price against management's own published trajectory rather than against the sell side's.

Basis	Earnings	Multiple at \$367.24	Source and caveat
Trailing GAAP	\$7.83	46.9x	Reported; distorted by amortisation of VMware intangibles
FY26 non-GAAP (derived)	\$11.63	31.6x	Analyst calculation from nine-month actuals plus Q4 guidance
FY27 non-GAAP (derived)	\$18.52	19.8x	Analyst calculation from the company's \$115 B AI guide
FY27 non-GAAP (consensus)	\$19.53	18.8x	S&P Global consensus as at 28 July; above the derived figure
FY28, management's stated floor	>\$30.00	<12.2x	Hock Tan on the 2 September call; not a company financial measure
FY28 at a 20% haircut	\$24.00	15.3x	Analyst sensitivity, not a company or consensus figure

The fiscal 2027 derivation assumes \$115 B of AI semiconductor revenue as guided, roughly \$18 B of non-AI semiconductors growing at the 5% rate management indicated, roughly \$35.5 B of infrastructure software, a 66% operating margin, \$2.4 B of net interest and a 16% tax rate on 4.95 B diluted shares. It yields about \$168.5 B of total revenue. That is worth stating plainly, because it sits roughly 3% below the \$173.5 B consensus the previous edition carried. The headline AI number is a raise against the prior "greater than \$100 B"; built into a full profit-and-loss account, it is not obviously a raise against where the street already stood. That, rather than the \$200 M fourth-quarter miss, is the more durable explanation for why price targets have been trimmed this week — J.P. Morgan from \$580 in late July to \$500, TD Cowen to \$475, while Jefferies held \$550 and Mizuho \$530.

Set against that, the fiscal 2028 anchor is genuinely new information and it is the reason the valuation score improves. A chief executive stating on a public call that his company is on target to exceed \$30 of earnings per share two fiscal years out is a commitment of a different order from a sell-side model. At 12.2 times that figure, and still under 16 times a 20% haircut to it, Broadcom is not expensive on any reading of management's own numbers. The stock is expensive only if those numbers are wrong. That is a cleaner and more falsifiable statement of the bull case than the previous edition could make, and it converts the debate from "is the multiple justified" to "is the trajectory real" — which is the question an investor can actually track quarter by quarter.

Macro drivers. The variable that matters for Broadcom is not the policy rate's effect on end demand, which for Google, Meta and Amazon is funded from operating cash flow and is largely rate-insensitive over a two-year view. It is the cost of the capital structure that finances the customers Broadcom expects to be its two largest by 2028. The AI XPV platform is designed to fund more than 20 gigawatts for Anthropic and OpenAI, and every tranche after the first \$35 B is priced off a curve that has moved sharply against it: the ten-year Treasury touched 4.814% on 2 September, its highest since

November 2023, and the July FOMC held at 3.50%–3.75% by nine votes to three with all three dissenters wanting a *higher* rate. Chair Warsh's Jackson Hole remarks on 28 August moved September hike odds to 57.5% from 35.4%. A rising long end does not slow Broadcom's shipments this quarter. It raises the cost of the structures that underwrite the 2027 and 2028 numbers, and it does so at precisely the moment those numbers became the valuation case. The second driver is hyperscaler capital expenditure itself, which remains robust — but the distinction between customers who fund from cash flow and customers who fund from capital markets is the one that determines how much the first driver matters.

8. Scenario Analysis

Scenario	Prob.	FY27 revenue	FY27 adj. EPS	Multiple	Fair value	Path
Bull	28%	~\$178 B	~\$19.60	30x	\$588	Demand converts above the secured-supply floor; margin holds; financing structure read as an enabler
Base	50%	~\$168.5 B	~\$18.45	26x	\$480	Guidance delivered as stated; multiple stable; no backstop called
Bear	22%	~\$138 B	~\$14.00	19x	\$265	Land, power and shell delays push deployment right, or a lab's financing fails to clear; margin to 62%

Probabilities sum to 100%. The bear fair value is derived as 19 times \$14.00, less \$7.25 B of modelled backstop loss — a 25% loss rate on the \$29 B contractual cap disclosed for the first tranche — spread across 4.76 B shares, giving \$264.48 and rounded to \$265. The probability-weighted fair value is \$463, approximately 26.0% above the 2 September close, against \$456 and 16.3% at the previous review. These are analytical estimates from the stated inputs, not price predictions and not company figures. The sell-side distribution remains extremely wide, which is itself evidence that the outcome is genuinely uncertain.

9. Market Sentiment and Positioning

Indicator	Reading	Interpretation
Analyst consensus	Strong Buy across 49 analysts	Unchanged through the year-long de-rating
Average price target	\$525.97 (+43.2% from spot)	Implied upside widened chiefly because the price fell
Post-print target actions	J.P. Morgan \$500 (from \$580 in July); TD Cowen \$475; Jefferies \$550 held; Mizuho \$530 held	Targets being trimmed even as the AI guidance rose — consistent with the derived FY27 total
Immediate price reaction	–6% at 16:17 ET on the release, recovered during the call, –0.8% by 19:59 ET	The transcript, not the press release, is what stabilised the stock
Year-to-date performance	About +6% against roughly +60% for the chip complex	Nine months of underperformance on rising numbers; the market is discounting, not extrapolating
Credit view	Bank of America cut the bonds to market weight in August over the XPV guarantees	Unresolved; the call gave the credit desk nothing new to work with
Institutional and insider	Institutions ~80% of shares; insiders ~1.1% and persistent net sellers	Programmatic; Druckenmiller's full exit was widely reported into the print
News flow (moomoo digest and search)	Net mixed — uniformly bullish ratings coverage against negative price action	The research feed and the tape are saying different things, which is the tension in this name

The most informative line is the third. Sell-side targets are coming down while the company's own multi-year revenue guidance is going up, and both moves happened in the same forty-eight hours. That is not incoherent: it is what happens when a headline raise on one line implies a full-year total slightly below where models already sat. It also means the \$525.97 average target lags the revisions by construction and should drift lower over the coming week as the remainder of the 49 analysts publish.

10. Technical Setup

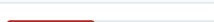
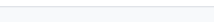
Indicator	Value	Reading	Versus 17 Aug report
Price (2 Sep close)	\$367.24	Pre-announcement	\$392.43 (–6.4%)

Indicator	Value	Reading	Versus 17 Aug report
SMA 20	\$384.99	Price 4.6% below	Was 1.9% below
SMA 50	\$384.58	Price 4.5% below — support lost	Was 0.6% above
SMA 100	\$398.59	Price 7.9% below	Was 0.3% below
EMA 20 / EMA 50	\$377.10 / \$386.79	Price below both	Was below both
SMA 200	Not computed	Series of 100 sessions is too short	Third-party figure was \$369.30
RSI (14)	42.1	Weak but not oversold	46.2
MACD (12,26,9)	−7.94 / signal −6.74	Histogram −1.20; bearish and widening	Was −0.91
ATR (14)	\$12.66 (3.4%)	Volatility easing from August levels	\$16.01 (4.1%)
Volume 20d / 50d	20.2 M / 21.4 M	2 Sep traded 38.9 M, 1.8x the 50-day	18.4 M / 24.7 M
Structural low	\$350.06 on 26 August	The prior \$355 stop was breached intraday	Was \$357.80, 17 July
Range since mid-April	\$350.06 – \$495.00	Price sits 25.8% below the June high	—

Indicators are computed directly from a 100-session daily OHLCV series covering 13 April to 2 September 2026. The 200-day average is not computed because the retrievable series is too short; no substitute figure is presented for it. All values predate the earnings release.

The chart has deteriorated materially since the previous edition and one development requires the trade plan to be reset rather than reaffirmed. On 26 August the stock traded to an intraday low of \$350.06, below the \$355 stop the previous report had published, before closing at \$355.59. The stop was not violated on a closing basis, but the swing low it was anchored to — \$357.80 from 17 July — no longer exists as the structural floor. That is a genuine change in the reference level, not a case for loosening a stop that is merely uncomfortable, and the distinction matters: the anchor moved, so the stop moves with it. Price is now below the twenty, fifty and hundred-day averages and both short exponential averages, with MACD negative and still widening. Support runs \$350, then the low \$340s. Resistance is \$377 at the twenty-day exponential average, then the \$385 cluster where the twenty and fifty-day simple averages have converged, then \$400. Technicals inform timing only and do not override the fundamental view.

11. Scorecard

Component	Score (1–10, 10 = best)	Wt.	Chg.	Rationale
Business Quality	 9	15%	—	Dual engine intact; software funds the semiconductor franchise at 94% gross margin
Financial Strength	 9	15%	+1	Net debt \$45.3 B to \$35.4 B; FCF 46% of revenue against a \$3.3 B working-capital drain
Competitive Advantage	 9	15%	—	Multi-generation Google agreement; Tomahawk 7 taped out; six XPU programmes shipping
Management	 8	10%	—	Beat their own margin and AI guides; declined to size the financing backstop
Growth Potential	 9	15%	—	\$115 B and \$230 B AI lines with supply described as secured; gigawatt headlines overstate it
Valuation	 6	15%	+1	12.2x a company-stated FY28 EPS floor; FY27 multiple essentially unchanged
Risk (10 = lowest risk)	 4	10%	—	Leverage and tax risk retired; financing exposure unsized and margin dilution confirmed
Technical Setup	 3	5%	−2	Below every average; MACD widening; the prior stop was touched intraday on 26 August

Scored 1–10, where 10 is always best, including Risk. Bar length follows the score, so a longer bar is the better outcome on every row without exception. Weighted investment score: 76.5 / 100, up from 74.5 on 17 August. Three components moved: Financial Strength and Valuation each rose a point on the balance sheet and the fiscal 2028 anchor respectively, while Technical Setup fell two points as the last remaining moving-average support was lost. The previous report used this same direction convention and its Risk score entered its composite uninverted, so the two totals are directly comparable and no restatement was required.

12. Recommendation — BUY (Moderate Conviction, Reaffirmed)

The quarter changed the investment case in one direction and the trade plan in the other. On the fundamentals the case is stronger than it has been at any point in this coverage: the balance sheet de-levered by \$10 B in a quarter, the tax headwind has been absorbed, and management has put a falsifiable multi-year earnings floor on the record at a price that discounts it heavily. On the chart the case is weaker, because the structural low the previous stop was anchored to no longer holds. Both are reflected below. The recommendation itself is unchanged, and it is unchanged for the reason the previous report specified in advance: its upgrade test required fiscal 2027 AI revenue above \$100 B *with gross margin intact*, and gross margin was not intact.

ENTRY (SPOT) \$367.24	IDEAL BUY RANGE \$352 – \$372	CUT-LOSS \$342	RISK / REWARD ~5.3 : 1
TAKE-PROFIT 1 \$500	TAKE-PROFIT 2 \$560	HOLDING HORIZON 12 – 24 months	POSITION SIZE 3 – 4% of portfolio

Published level	17 Aug report	This report	Reason for the change
Ideal buy range	\$365 – \$392	\$352 – \$372	Reset around the new structural low. The old band's upper half is now overhead resistance at the converged 20 and 50-day averages
Cut-loss	\$355	\$342	The \$357.80 swing low it was anchored to was superseded by \$350.06 on 26 August, which took out the old stop intraday. The anchor moved, so the stop moved; this is not a widening for comfort
Take-profit 1	\$500	\$500	Unchanged. Base-case fair value of \$480 still brackets it
Take-profit 2	\$560	\$560	Unchanged. Bull case of \$588 on \$178 B of FY27 revenue at 30x

Expected upside is 36.2% to the first target and 52.5% to the second, against 6.9% downside to the stop, giving ratios of roughly 5.3:1 and 7.6:1. Those ratios are arithmetically correct and they flatter the trade. A stop only 6.9% below spot on a stock with a 3.4% average true range and a broken moving-average structure carries a materially higher probability of being triggered than the wider stop in the previous edition did; the improvement in the ratio is bought with an increase in the chance of realising the small loss rather than the large gain. The practical instruction is to accumulate in instalments inside the band rather than committing at once, and to treat a close below \$342 as thesis-neutral risk control rather than as evidence the analysis was wrong.

What would change the view.

Development	Direction	Why it matters
Fourth-quarter results confirm \$58 B of FY26 AI revenue with gross margin at or above the guided 73%	Toward Strong Buy	Would complete the second limb of the upgrade test that this quarter half-met
Broadcom quantifies its maximum aggregate backstop exposure across the XPV platform	Toward Strong Buy	Converts the largest unmeasured risk into a measured one, whatever the number
Anthropic completes an IPO and becomes a rated counterparty	Positive	Removes the credit question that drove the August bond downgrade
A sustained further rise in long-end yields alongside evidence that a financing tranche has failed to clear	Toward Watchlist	The financing structure, not end demand, is the transmission channel for rates in this name

Development	Direction	Why it matters
FY27 AI revenue guidance is cut below \$115 B, or a named XPU programme is lost	Toward Hold	The multi-year guidance is now the valuation case; withdrawing it withdraws the case
Gross margin falls below 70% without a commensurate rise in operating margin	Toward Hold	Would break the operating-leverage argument that offsets the mix dilution
A decisive close below \$342 on rising volume	Risk control	Executes the stop; re-underwrite rather than average down

13. Final Verdict

Would an investor commit their own capital to Broadcom at \$367 today? Yes, and with more conviction than at \$392 a fortnight ago, though for a different reason than the price. The reason is that the question has changed shape. For the past year the bull case rested on a consensus estimate that required two consecutive years of better than 60% revenue growth from a base above \$60 B, and the honest objection was that this was a sell-side model rather than a company commitment. On 2 September the company made the commitment: \$115 B of AI revenue in fiscal 2027 and \$230 B in fiscal 2028, supply secured for both, and earnings above \$30 per share. Those numbers may prove wrong. But they are now Broadcom's numbers, made by a chief executive with a long record of guiding below what he ships, and the stock trades at 12.2 times the earnings figure. An investor no longer has to believe an analyst; they have to decide whether they believe Hock Tan.

The single biggest concern is unchanged from the previous edition and was made sharper rather than softer by the call. Broadcom is financing the demand it books, and it will not say how much. The first tranche carries a disclosed \$29 B cap on backstop exposure; the platform is designed for more than 20 gigawatts across Anthropic and OpenAI; and when asked twice on 2 September to bound the total, the chief financial officer twice declined. If the AI build-out slows, Broadcom does not simply lose orders. It stands behind leases on hardware already delivered to two unrated, pre-profit counterparties, and those two exposures do not fail independently — they fail together, in the same scenario, for the same reason. Tan's defence is that every gigawatt his customers deploy can generate \$30 B of annual recurring revenue for them, which makes the investment rational. That is a claim about someone else's business model, offered in place of a number about his own.

What must change for the rating to rise is specific and testable within one quarter: gross margin at or above the guided 73% in the fourth quarter, which would complete the upgrade test this print half-met, or a quantified aggregate backstop figure, which would convert the largest unmeasured risk in the franchise into a measured one. What would invalidate the thesis is equally specific: a cut to the \$115 B fiscal 2027 AI line, the loss of a named XPU programme, gross margin below 70% without offsetting operating leverage, or evidence that a financing tranche has failed to clear. Held at 3–4% of a portfolio, accumulated in instalments between \$352 and \$372 rather than committed at once, with a stop at \$342 beneath the 26 August low, the risk and reward are better than at either of the two previous reviews. It remains a Buy. It is not yet a table-pounding one, and the reason it is not is that the company declined, on the day it asked the market to capitalise 2028, to say what it has guaranteed.

Disclaimer. This report is for informational and educational purposes only and does not constitute investment, legal or tax advice, or a recommendation to buy or sell any security. It was prepared from public sources and company disclosures believed reliable but not guaranteed. The price used throughout is the close of 2 September 2026 at \$367.24; because Broadcom reported after that close, no post-announcement closing price existed when this report was written, and the technical section describes a chart that predates the results. The fiscal third quarter 2026 earnings call transcript was obtained and reviewed in full, including the question-and-answer session; quotations are taken from it. Reported figures are from the company's 2 September 2026 earnings release. Fiscal 2027 and 2028 revenue and earnings expectations attributed to management are forward-looking company statements, not guarantees, and the "greater than \$30" fiscal 2028 earnings per share figure is a management target rather than a reported financial measure. Derived figures — fiscal 2026 and 2027 earnings per share, net debt, working-capital movements, effective tax rates, scenario fair values and the bear-case backstop adjustment — are the analyst's own calculations from the stated inputs and are labelled as such. Consensus estimates are third-party analyst figures. Technical indicators were computed from a 100-session daily series; the 200-day average could not be computed and no substitute is presented. Figures attributed to Bank of America are as reported by third-party media; the underlying note was not obtained. Markets involve risk of loss. Investors should conduct their own due diligence and consult a licensed financial adviser before acting.