EQUITY RESEARCH PAPER

USC University of Southern California

BROADCOM INC. (NASDAQ: AVGO)

January 8, 2026   *Marc Bou Malhab*

I. EXECUTIVE SUMMARY

Recommendation:	**BUY**
Price at Publication	**$332.50**
Base-case Target:	**$405.06**
Upside:	**~21.8%**
Valuation Range:	**$220.51 - $598.33**

I initiate coverage of Broadcom with a **Buy** rating because I believe the market is underpricing a hybrid franchise that combines:

- *AI / Semiconductor upside:*

I model a sharp step-up in Products revenue, driven by Broadcom's positioning in custom AI accelerators and networking silicon, which supports consolidated revenue growth from **$63.87B** in *FY2025A* to **$88.63B** in *FY2026P* and **$114.51B** in *FY2027P*.

- *Software quality and margin support:*

Infrastructure Software improves earnings quality through recurring enterprise revenue and high gross margins, which helps stabilize consolidated profitability even as the semiconductor business remains cycle sensitive.

- *FCF and deleveraging:*

I project unlevered free cash flow growing from **$35.58B** in *FY2026P* to **$95.14B** by *FY2035P*, which is a major driver of both the DCF outputs, and the balance-sheet improvement embedded in my valuation.

Broadcom is not a no-risk AI momentum story. My base case depends on aggressive near-term Products growth (including **50.0%** year-over-year growth in *FY2026*), continued software execution following VMware integration, and margin resilience across a changing mix. Customer concentration and supply-chain concentration remain central risks, but I believe the current setup offers an attractive risk/reward at today's price.

Exhibit 1: *Valuation Summary*

Methodology	Implied Value	vs. Current	Weight
Exit Multiple Method (EMM)	$598.33	79.90%	35%
EV/EBITDA Comps	$341.01	2.60%	35%
Perpetuity Growth Method (PGM)	$220.51	-33.70%	20%
EV/Revenue Comps	$321.84	-3.20%	10%
Blended Target Price	$405.06	21.80%	100%

Exhibit 2: *AVGO 6-Month Price Performance*
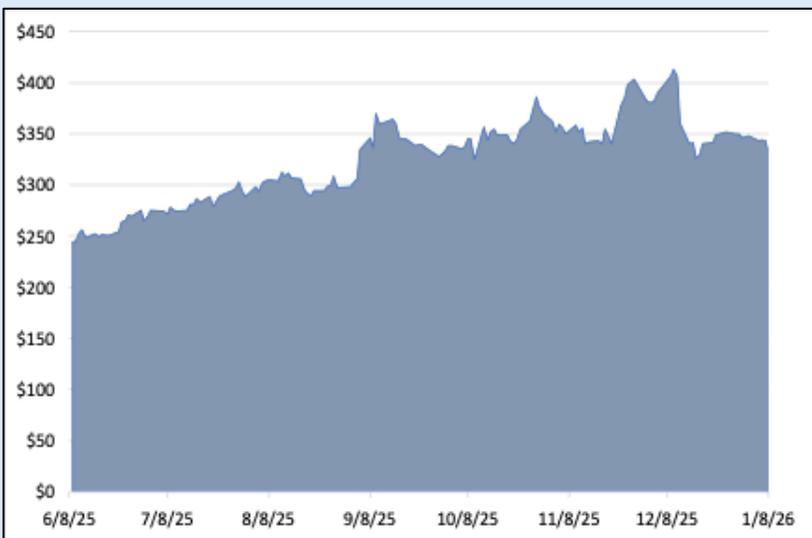
II. INVESTMENT THESIS

My investment thesis for Broadcom rests on three interconnected pillars, each of which I believe the market is currently undervaluing:

AI Custom Silicon Leadership with Structural Demand Visibility

The first pillar of my thesis is Broadcom's positioning in AI infrastructure, particularly through custom silicon and networking-related semiconductor products. Broadcom's 10-K directly ties its semiconductor portfolio to AI data center infrastructure and large-scale data movement across network environments. That matters because my model does not rely on a vague "AI halo"; it assumes a specific growth path in the semiconductor-facing business.

In my model, the Products segment grows **50.0%** in *FY2026* and **36.0%** in *FY2027* before fading over time. That growth profile is aggressive, but it is the primary engine behind my revenue step-up from **$44.87B** in *FY2025A* to **$67.27B** in *FY2026P* and **$91.49B** in *FY2027P*. This is a core underwriting assumption, not a side case. If AI-related demand normalizes faster than expected or customer programs ramp more slowly, the valuation would be pressured.

VMware Integration Creates a Durable, High-Margin Software Franchise

The second pillar of my thesis is that Broadcom's Infrastructure Software segment can improve consolidated earnings quality by adding recurring enterprise software revenue with structurally higher margins than the semiconductor business.

My model reflects this by underwriting slower but steadier software growth (for example, **12.0%** in *FY2026* and **10.0%** in *FY2027*, then fading gradually) alongside very strong software gross margin assumptions. I view this segment mix as a key reason the model sustains consolidated EBITDA margins in the low-**50%** range while scaling revenue materially over time.

Cash Flow Conversion and Balance Sheet Improvements

The third pillar of my thesis is Broadcom's ability to convert operating scale into free cash flow and use that cash flow to reduce leverage. In my model, unlevered free cash flow increases from **$35.58B** in *FY2026P* to **$47.29B** in *FY2027P*, with cumulative **10**-year UFCF of roughly **$718B**. This is one of the main reasons my blended valuation remains above the current market price despite meaningful spread across valuation methods.

This part of the thesis is supported by Broadcom's demonstrated cash generation profile, but I do not simply annualize unusual, reported tax outcomes or assume near-term capex conditions persist unchanged. I normalize the tax rate and underwrite a more realistic capex profile over time rather than extrapolating a best-case year. Overall, my thesis is not that Broadcom is risk-free, but that its combined semiconductor + infrastructure software model can support a higher intrinsic value than the current share price under a reasonable base case.

Exhibit 3: Revenue Scale & Deleveraging Path
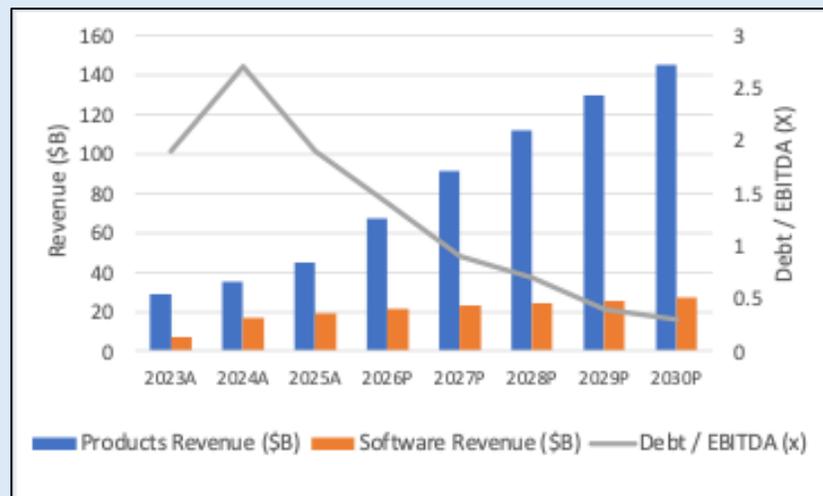
III. VARIANT PERCEPTION

In my view, the market is giving Broadcom credit for high-quality semiconductor execution and incremental VMware upside, but it may still be underweighting the value of a scaled platform that combines AI-linked semiconductor growth with high-margin infrastructure

software. My variant view is not that the risks are misunderstood; it is that the **earnings and cash flow durability of the combined model** may be underappreciated.

1) AI custom silicon upside may be framed too narrowly

A major debate in Broadcom's valuation is how much AI-related semiconductor growth is durable versus cyclical. In my view, Broadcom's opportunity should not be assessed only through a merchant GPU lens. My underwriting assumes Broadcom benefits from customer demand for custom silicon and networking infrastructure tied to AI workloads, which creates a different growth path than a pure GPU-centric framing.

This matters because my model's near-term revenue ramp is driven primarily by the semiconductor-facing business. If investors discount that growth as short-lived before evidence of normalization appears, the stock can trade below the intrinsic value implied by my base case.

2) Infrastructure Software may be undervalued as a margin and cash flow stabilizer

My model does not treat Infrastructure Software as a side business or simple acquisition add-on. I underwrite it as a core part of Broadcom's consolidated earnings quality through recurring enterprise revenue and strong margin contribution. That is an important difference because valuation can look very different depending on whether software is treated as a stabilizer to the consolidated model or just an incremental growth line.

In practical terms, my software assumptions support margin durability and cash conversion, which matter directly to both the DCF outputs and my weighting of EV / EBITDA relative to EV / Revenue.

3) Deleveraging may be underappreciated in the current setup

Broadcom's leverage profile is a real underwriting consideration, and I do not dismiss it. However, my model implies a faster deleveraging path driven by organic cash generation than what I believe is fully reflected in the current valuation. If Broadcom delivers on revenue, margins, and cash conversion, balance-sheet improvement should become more visible over time and can support valuation resilience even if growth expectations normalize.

Overall, my variant perception is not built on a single bullish assumption. It is based on the interaction of semiconductor growth, software margin support, and free cash flow conversion within one platform.

IV. UNDERWRITING CONDITIONS

I am underwriting this BUY recommendation on the following conditions, each of which I view as likely but explicitly monitor as core assumptions.

1) Hyperscale AI capital expenditure remains elevated through at least FY2027:

My Products revenue growth assumptions of **50%** in *FY2026* and **36%** in *FY2027* require continued AI infrastructure buildout by major cloud providers at or near current levels. A meaningful slowdown in hyperscale capex driven by macro pressure, model efficiency gains, or a shift toward merchant silicon would impair this outlook.

2) VMware subscription conversion proceeds on schedule:

I model Infrastructure Software growth of **12%** in *FY2026*, reflecting continued migration from perpetual

licenses to subscription. Large scale enterprise software transitions typically span three to five years. Competitive pressure from Nutanix, containerization trends, customer pricing resistance, or execution missteps could slow the growth trajectory.

3) Products gross margins remain at or above 73%:

I hold Products gross margins at **73%**, consistent with *FY2025* reported margins of **73.5%**. Risks include wafer cost inflation from TSMC, pricing pressure as customers consolidate suppliers, or adverse mix shifts within the semiconductor portfolio.

4) No large acquisition alters the capital structure:

The model assumes no new acquisitions and steady debt reduction. While management has historically created value through M&A, a sizable transaction would raise leverage and introduce integration risk, potentially delaying the deleveraging central to my thesis.

5) Effective tax rate normalizes to 16.5%:

FY2025 reflected a net tax benefit of **$397 million** and an effective rate of approximately **negative 1.7%**, driven by discrete items. I normalize the tax rate at **16.5%** across the forecast horizon, consistent with long term guidance and the company's domicile structure.

V. BUSINESS PROFILE

Broadcom Inc. is a global technology company that designs, develops, and supplies semiconductor and infrastructure software solutions. The company operates through two reportable segments: Semiconductor Solutions and Infrastructure Software.

Semiconductor Solutions (70.2% of FY2025 Revenue)

The Semiconductor Solutions segment generated **$44.8 billion** in *FY2025*, up **28.3%** year over year, driven by accelerating AI related semiconductor demand. The segment designs analog and digital semiconductor devices across data center, networking, broadband, wireless, and industrial markets.

Key product categories include:

- **Custom AI Accelerators XPUs** co designed with hyperscale cloud customers for training and inference workloads.
- **Networking Semiconductors** including Tomahawk and Jericho switch ASICs, PHYs, and custom serializer deserializers for data center fabrics.
- **Enterprise Storage Connectivity** including Fibre Channel host bus adapters, RAID controllers, and SAS SATA controllers.
- **Broadband and Wireless** including cable modem SoCs, DSL PON, set top box chips, Wi Fi access point silicon, and Bluetooth GPS solutions.

The segment operates on a fabless model, outsourcing wafer fabrication primarily to TSMC and other foundry partners, enabling high capital efficiency. Products gross margin expanded to **73.5%** in *FY2025*, reflecting favorable AI mix and scale leverage.

Infrastructure Software (29.8% of FY2025 Revenue)

The Infrastructure Software segment generated **$19.0 billion** in *FY2025*, up **14.6%** year over year, driven by VMware's first full year of contribution and continued license to subscription conversion.

The segment includes:

- **VMware** virtualization and cloud infrastructure software spanning compute vSphere, networking NSX, storage vSAN, and hybrid cloud management VCF.
- **Legacy Franchise Software** including mainframe and distributed software from CA Technologies,

enterprise security from Symantec, and SAN management from Brocade FC Networking.

Software gross margins recovered to **90.8%** in *FY2025* after dipping to **85.3%** in *FY2024* during the VMware transition. The segment generates highly recurring revenue with minimal incremental capital requirements and is the primary driver of Broadcom's free cash flow margin.

Broadcom's revenue nearly doubled from *FY2023* to *FY2025*, increasing from **$35.8 billion** to **$63.9 billion**, driven by the VMware acquisition and AI silicon demand.

Exhibit 4: Revenue Segment Mix (FY2023-2025)

This mix is central to my valuation work. The

Segment	FY2023A	FY2024A	FY2025A	% of Rev (FY25)
Semiconductor Solutions	$28.9B	$35.0B	$44.8B	70.20%
Infrastructure Software	$6.9B	$16.6B	$19.0B	29.80%
Total Revenue	$35.8B	$51.6B	$63.9B	100.00%

semiconductor business drives much of the near-term upside in my model, while the software business helps support margin durability and cash flow conversion. That combination is why I view Broadcom's business profile as more than a collection of product lines. It is the core reason the company can screen like a growth name in some periods, a cash compounder in others, and a hybrid of both in my base case.

VI. INDUSTRY ECONOMICS

Broadcom should be analyzed as a hybrid of semiconductor infrastructure and enterprise infrastructure software, because each side of the business has different economics and a different role in the valuation.

Semiconductor Economics

The semiconductor side of Broadcom drives much of the upside in my model, but it also carries the execution and cycle risk that makes the stock sensitive to near-term results.

Broadcom's semiconductor economics are attractive when the company is aligned with major platform transitions, and AI infrastructure is currently the most important one. That said, this is still a business shaped by customer program ramps, product timing, and supply-chain execution, not a straight-line growth annuity.

- **Platform-driven upside:** When Broadcom is embedded in hyperscale roadmaps, the revenue opportunity can scale quickly and materially.
- **Concentration risk is real:** Large customer exposure can accelerate growth, but it also increases sensitivity to order timing and spending shifts.
- **Execution matters more at scale:** During rapid ramps, margin outcomes and cash conversion depend heavily on mix, pricing discipline, and supply availability.

Infrastructure Software Economics

The infrastructure software side improves the quality of the consolidated model by contributing more recurring revenue, stronger margins, and better cash conversion characteristics.

In my underwriting, the software segment matters less because it creates headline hypergrowth and more because it supports durability. It adds a more recurring earnings stream that can offset some of the volatility that investors typically assign to semiconductor-heavy names.

- **Recurring revenue profile:** Enterprise software revenue tends to be more predictable than semiconductor product demand.
- **Higher margin structure:** Software margins can support consolidated profitability even when semiconductor mix shifts.

- **Low incremental capital intensity:** This supports free cash flow conversion and strengthens the deleveraging case over time.

Why this matters:

The valuation debate changes depending on whether Broadcom is viewed as a cyclical semiconductor name, a software cash compounder, or a hybrid of both.

That is exactly why I use a blended valuation framework. If I value Broadcom only on top-line AI excitement, I risk overstating durability. If I value it only as a mature software-like compounder, I risk understating semiconductor upside. My model reflects a hybrid underwriting approach because the company's economics are being driven by both engines at the same time.

VII. HISTORICAL PERFORMANCE

Historical performance matters in this case because my forecast is ambitious in the near term, and I need to show what is grounded in demonstrated economics versus what depends on forward execution. I use history less as a prediction and more as a calibration tool.

Broadcom's reported history supports the idea that this is a high-margin, cash-generative business, but the comparability of recent periods needs to be handled carefully because the business mix has changed materially over time. That is exactly why I do not rely on a simple trend extrapolation. Instead, I use history to anchor the model's starting conditions and then underwrite a forward path based on segment economics.

In my model, the base year starts from revenue of **$63.9B** in *FY2025A*, EBITDA of **$34.92B**, EBIT of **$26.15B**, and net income of **$23.12B**. I treat these as the starting financial anchors, not as a full statement that all recent

conditions will persist unchanged. The key takeaway from the base year is that Broadcom already operates at a scale and margin profile that gives management significant flexibility if growth remains durable.

I also think historical analysis is most useful when it answers a specific question: what does Broadcom need to prove for my forecast to be reasonable? In this case, the answer is not "grow fast once." It is sustaining strong operating leverage, preserving margins across a changing mix, and continuing to convert earnings into cash while managing leverage. That is the historical lens I use before moving into the forecast section.

Exhibit 5: Historical Financial Summary (FY2023-2025)

Metrics	FY2023A	FY2024A	FY2025A
Revenue ($B)	35.80	51.60	63.90
Gross Profit ($B)	26.80	39.50	50.20
Gross Margin	74.70%	76.50%	78.60%
EBITDA ($B)	20.30	25.30	34.90
EBITDA Margin	56.60%	49.00%	54.70%
Net Income ($B)	14.10	5.90	23.10
Oper. Cash Flow ($B)	18.10	20.00	27.50
CapEx ($M)	452.00	548.00	623.00
Total Debt ($B)	39.20	67.60	65.10

VIII. FORECAST AND MODEL IMPLICATIONS

My forecast implies that Broadcom can scale materially from the *FY2025A* base while maintaining strong margins and cash conversion, which is the core reason my intrinsic value is above the current share price.

Metric	FY2025A	FY2026P	FY2028P	FY2030P	FY2035P
Revenue ($B)	63.90	88.60	136.00	171.90	232.20
YoY Growth	23.90%	38.70%	18.80%	10.80%	4.40%
EBITDA ($B)	34.90	46.70	72.00	91.60	123.30
EBITDA Margin	54.70%	52.70%	52.90%	53.30%	53.10%
Net Income ($B)	23.10	29.50	53.80	74.10	109.60
UFCF ($B)	n/a	35.60	57.20	71.60	95.10
Total Debt ($B)	65.10	63.20	47.20	29.80	7.70
Debt/EBITDA	1.9x	1.4x	0.7x	0.3x	0.1x

As shown above, the forecast implies that Broadcom's growth profile normalizes over time while EBITDA margins remain resilient and leverage declines materially as UFCF scales.

Revenue Forecast

The model is primarily a near-term execution call on the revenue ramp, especially in the semiconductor-facing business.

I project total revenue increasing from **$63.94B** in *FY2025A* to **$88.63B** in *FY2026P* and **$114.51B** in *FY2027P*, reaching **$232.15B** by *FY2035P*. The early years are front-loaded by strong Products growth, followed by a gradual normalization as the business scales and the base gets larger.

Margin and Earnings Forecast

My upside case is not just a growth call; it is a growth-plus-margin durability call.

I model consolidated EBITDA margins staying in the low-**50%** range across most of the forecast period. EBITDA increases from **$34.86B** in *FY2025A* to **$46.14B** in *FY2026P* and **$61.53B** in *FY2027P*, eventually reaching **$123.28B** in *FY2035P*. EBIT follows a similar trajectory, rising from **$22.26B** in *FY2025A* to **$34.52B** in *FY2026P*, **$48.23B** in *FY2027P*, and **$111.97B** in *FY2035P*.

If Broadcom delivers the revenue ramp but margins compress more than I assume, the valuation will still come down materially. That makes margin discipline and segment mix just as important as top-line growth.

Cash Flow and Deleveraging

Free cash flow compounding and deleveraging are central to the valuation, not secondary outputs.

I project unlevered free cash flow increasing from **$35.58B** in *FY2026P* to **$47.29B** in *FY2027P*, reaching **$95.11B** by *FY2035P*. Cumulative 10-year UFCF in the model is roughly **$718B**. That level of cash generation supports both the DCF outcomes, and the deleveraging path embedded in my equity value bridge.

If cash conversion weakens meaningfully, the valuation becomes much harder to defend even if revenue remains strong. In practical terms, capex discipline, margin resilience, and software execution are valuation drivers in this model.

What does this mean for the stock:

The forecast supports valuing Broadcom as more than a standard cyclical semiconductor name, but it also implies *high sensitivity to execution in the early years.*

That combination is why I use a blended valuation framework rather than relying on a single DCF output or a single multiple. The upside is meaningful in my base case, but so is the importance of monitoring whether the early-year operating assumptions are being delivered.

IX. VALUATION FRAMEWORK

I use a blended valuation framework because Broadcom's business mix and forecast profile produce a wide range of reasonable outcomes depending on the method, and a single-method target would overstate precision.

Because my valuation methods produce enterprise value estimates, the net debt assumptions in my model directly affect the equity value bridge and per-share target price,

making deleveraging a valuation driver rather than only a risk consideration.

Valuation Output Summary

Exhibit 7: Valuation Summary

Methodology	Implied Value	vs. Current	Weight
Exit Multiple Method (EMM)	$598.33	79.90%	35%
EV/EBITDA Comps	$341.01	2.60%	35%
Perpetuity Growth Method (PGM)	$220.51	-33.70%	20%
EV/Revenue Comps	$321.84	-3.20%	10%
Blended Target Price	$405.06	21.80%	100%

Blended Framework Rationale

Broadcom's valuation is highly sensitive to terminal assumptions, margin durability, and how the market values a hybrid AI semiconductor + infrastructure software model.

That sensitivity shows up clearly in my model through the spread between methods. The DCF outputs do not converge tightly, and the comp-based methods also imply a wide range depending on whether the market is emphasizing revenue growth or earnings quality. I do not view that dispersion as a flaw by itself. I view it as a realistic reflection of the uncertainty around long-duration economics in a business with strong current growth and real execution risk.

Using a blended framework lets me preserve the upside from the long-term cash flow case while avoiding overreliance on any single assumption set.

DCF Dispersion and Terminal Sensitivity

The spread between my EMM and PGM outcomes highlights that terminal assumptions matter just as much as near-term execution in valuing Broadcom. EMM produces the higher outcome in my framework because it places more weight on sustained margin strength and long-run cash flow durability, while PGM provides a more conservative long-duration check through a

terminal growth approach. I do not force these methods to converge into a single "precise" DCF answer; instead, I use them to bracket intrinsic value under different terminal frameworks and then balance them with market-based methods.

Exhibit 8A: EMM Sensitivity (Implied Share Price, WACC × Exit EV / EBITDA)

WACC / EMM Multiplier	43.8x	45.8x	47.8x	49.8x	51.8x
8.00%	395.70	403.13	410.41	418.00	425.44
8.50%	393.14	400.57	407.85	415.44	422.88
9.00%	390.68	398.11	405.40	412.99	420.43
9.50%	388.33	395.76	403.49	410.64	418.08
10.00%	387.07	393.51	400.79	408.39	415.83

Exhibit 8B: PGM Sensitivity (Implied Share Price, WACC × Terminal Growth)

WACC / Terminal Growth	2.0%	2.5%	3.0%	3.5%	4.0%
8.00%	406.41	408.57	411.07	414.03	417.56
8.50%	403.85	405.91	408.30	411.12	414.49
9.00%	401.40	403.36	405.65	408.34	411.56
9.50%	399.05	400.92	403.11	405.68	408.76
10.00%	396.79	398.59	400.67	403.13	406.07

Exhibit 8A and *Exhibit 8B* make that sensitivity explicit. In both tables, the base-case outputs land tightly around my target price (EMM at **$405.40** using **9.0%** WACC and a **47.8x** exit multiple; PGM at **$405.65** using **9.0%** WACC and **3.0%** terminal growth), which gives me confidence that the blended valuation is not dependent on a single terminal input. At the same time, the ranges show why method dispersion is real: small changes in WACC

and terminal assumptions can move intrinsic value meaningfully, particularly under the EMM framework.

This bracketing approach is especially important for Broadcom because investor sentiment can swing between AI-driven growth enthusiasm and skepticism around normalization. I view the sensitivity work as a disciplined way to reflect that uncertainty while still grounding the target in a coherent base case.

Relative Valuation Weighting

I assign more weight to *EV / EBITDA* because my thesis depends more on earnings quality, margin durability, and cash conversion than on top-line growth alone.

EV / Revenue is still useful as a market-based reality check, especially in periods when investor focus is concentrated on AI growth and revenue acceleration. But in Broadcom's case, a revenue multiple can understate value if the company continues to convert growth into strong margins and free cash flow.

EV / EBITDA is not perfect, but it better reflects the economics of a business where the software mix and operating discipline materially affect valuation outcomes. That makes it a stronger comp-based anchor in my framework.

Comp Set Selection and Weighting Rationale

I used a multi-stage peer selection process for relative valuation rather than applying a simple average across a broad semiconductor peer group. I first identified a broader 5-company universe of relevant semiconductor names (**Nvidia, AMD, Qualcomm, Marvell Technology, and Intel**) and reviewed their operating and valuation profiles relative to Broadcom.

From that initial universe, I selected the 3 companies most comparable to Broadcom based on overall closeness across key metrics in my comp table, *including revenue growth, EBITDA margin, trading multiples, and balance-sheet profile*. The final comp set I used for valuation is:

- **Nvidia** is included for AI infrastructure relevance, especially data center demand and AI-related investor positioning. It is an outlier on growth and valuation, but still important for framing how the market values scaled AI semiconductor exposure.
- **Qualcomm** is included as a profitability and cash-generation anchor for a large-scale semiconductor platform. Its mix differs from Broadcom's, but it helps ground the comp set in margin quality and mature operating economics.
- **AMD** is included for its relevance to semiconductor growth, data center exposure, and fabless-model valuation. It helps balance the comp set between AI-growth sensitivity and broader operating comparability.

After selecting the final **3** comps, I weighted the peers based on **comparability proximity** (i.e., the names whose overall financial and valuation profile was closest to Broadcom received higher weight in my comp-based outputs). I used this approach because Broadcom's business mix and profitability profile do not map evenly to all semiconductor peers, and a simple equal-weight average would introduce unnecessary noise.

I apply the comparability-weighted *EV / EBITDA* and *EV / Revenue* multiples from the final 3-comp set to my model's forward operating metrics to generate market-based enterprise value estimates, which I then convert to per-share equity values within the same valuation framework.

EMM Weighting Rationale

I give *EMM* a meaningful weight because the upside case in my model is fundamentally an earnings and cash flow durability case, not just a short-cycle multiple expansion story.

If I underweight *EMM* too much, the framework will fail to capture the value of sustained margin strength, free cash flow compounding, and deleveraging in my base case. At the same time, I do not let *EMM* dominate the

framework because the output is highly sensitive to assumptions and the market is still pricing real uncertainty around mix, margins, and execution durability.

The result is a balanced weighting that reflects conviction in the long-term economics while respecting model sensitivity.

Blended Target Price Interpretation

The blended target of **$405.06** reflects both conviction and uncertainty, which is the most honest way to present valuation in this setup.

It preserves the upside implied by my base-case operating and cash flow assumptions, but it also forces me to acknowledge method dispersion and execution risk. In my view, that makes the target more credible than presenting the highest DCF output as the headline number or defaulting to a simple average without a weighting rationale.

X. RISKS

My risk framework is built around what can break the underwriting, not just what can go wrong in theory.

1) AI demand durability risk

Why it matters: My near-term semiconductor growth assumptions depend on sustained AI infrastructure spending and customer program ramps. If demand slows faster than I expect, the early-year revenue base in the model would be too high.

What I monitor: Semiconductor revenue cadence, customer ramp commentary, and whether growth is delayed versus cancelled.

2) Margin mix risk

Why it matters: My valuation assumes consolidated EBITDA margins remain in the low-**50%** range across most of the forecast. If AI-driven growth comes with

more margin pressure than I underwrite, the stock could de-rate even with strong revenue growth.

What I monitor: Gross margin trend, EBITDA margin trend, and management commentary on product mix versus software contribution.

3) Software execution and monetization risk

Why it matters: A core part of my thesis is that Infrastructure Software supports earnings quality and cash flow stability. If monetization, renewals, or adoption underperform, the stabilizing effect in my model weakens.

What I monitor: Software segment growth consistency, customer transition commentary, renewals, and margin contribution from Infrastructure Software.

4) Leverage and capital allocation risk

Why it matters: My model assumes multi-year deleveraging supported by strong cash generation. If operating performance weakens, capex rises faster than expected, or capital allocation shifts away from debt reduction, equity value becomes more exposed to downside scenarios.

What I monitor: Debt balances, interest burden, free cash flow conversion, and capital allocation priorities.

5) Concentration and supply-chain execution risk

Why it matters: Customer concentration and supply-chain dependence can amplify volatility, especially during periods of rapid growth when execution expectations are high. These are core underwriting risks, not side issues.

What I monitor: Customer concentration commentary, supply availability, lead times, and pricing/allocation pressure.

6) Valuation compression risk

Why it matters: Broadcom can execute operationally and still underperform if market multiples compress for

AI-exposed names or if investors shift to a more conservative view of terminal growth and margin durability.

What I monitor: Relative valuation spreads, stock reaction to results versus guidance quality, and whether investor focus is rotating from growth toward margin quality (or the reverse).

Bottom line on risk management:

I would revise the forecast and valuation if the underwriting evidence breaks, rather than defend the target price mechanically.

That discipline matters in a name where valuation dispersion is wide and the narrative can move quickly with changes in growth, margins, or capital allocation.

XI. CONCLUSION

I reiterate my **Buy** rating on Broadcom with a base-case target price of **$405.06** per share, based on a blended valuation framework that balances upside from my operating and cash flow assumptions with the execution and terminal-value sensitivity reflected in method dispersion. My thesis is that Broadcom is being undervalued as a hybrid platform combining AI-linked semiconductor growth with high-margin infrastructure software, supported by strong free cash flow generation and a multi-year deleveraging path in my model.

The key risk to my view is not a single variable, but a break in the interaction between revenue growth, margin durability, and cash conversion that underpins the base case. If Broadcom underdelivers on the near-term semiconductor ramp, software execution weakens, or deleveraging slows materially, I would revise the forecast and valuation framework rather than defend the target price mechanically. That discipline is especially important in a name where valuation outcomes are highly sensitive to execution and where method dispersion is wide.