

Broadcom Inc (AVGO US)

Buy: Not as good as we hoped, but thesis unchanged

Equities
Semiconductors & Equipment

United States

- ◆ 2QFY26 results in line, but 3QFY26 guidance not enough for a beat and raise
- ◆ No significant increase in FY27 backlog with the narrative shifting towards FY28 momentum
- ◆ Maintain Buy with an unchanged target price of USD600

2QFY26 in line, but 3QFY26 guidance not enough for a beat: Broadcom's 2QFY26 revenue of USD22.2bn was in line with guidance, our estimate and consensus of USD22bn. AI revenue of USD10.8bn was also largely in line with guidance, our estimate and consensus of USD10.7bn. 3QFY26 revenue guidance of USD29.4bn modestly beat consensus of USD28.3bn but was below our estimate of USD30.7bn. 3QFY26 GM guidance of 74% (down 3% q-o-q) was in line with our estimate of 74.4% but below consensus of 75.1%. More importantly, 3Q2FY26 AI revenue guidance of USD16.0bn was below our estimate of USD19.1bn and not enough to beat consensus of USD16.3bn, while infrastructure software revenue guidance of USD8.9bn provided a bigger beat versus our estimate and consensus of USD7.4bn and USD7.6bn, respectively. Unlike in the previous quarter when Broadcom had a clear beat driven by AI networking, there was no beat and raise on overall AI revenue from either its ASIC or AI networking revenue this time.

No significant increase in FY27 backlog, but upside potential remains: Broadcom remained bullish on its FY27 outlook, even though it did not significantly raise its FY27 order backlog beyond USD100bn, which it did last quarter (versus a previous USD73bn) mainly due to upside to the AI networking backlog. There were also no new incremental ASIC customer announcements. We expect Anthropic and Open AI to start ramping up in FY26e and still see upside potential to FY27e AI revenue as our FY26-27e estimates of USD60.0bn and USD140.4bn remain 6% and 18% above consensus of USD56.5bn and USD118.9bn, respectively.

Shift towards FY28 momentum with diversification away from CSP capex: Broadcom also looked to shift the narrative towards more bullish FY28 AI revenue momentum, especially on back of the SPV platform to deploy 20GW of compute capacity. Led by its recent US36bn SPV deal with Apollo, Broadcom is now shifting the narrative of incremental demand away from self-funded CSP capex and cash flow generation towards infrastructure scaling projects.

Maintain Buy and target price of USD600: We lower our FY26e EPS estimate by 1% to reflect the weaker guidance but keep our FY27e EPS estimate unchanged. We maintain our rounded target price of USD600, based on an unchanged target FY27e PE multiple of 28x applied to our unchanged FY27e EPS estimate of USD21.45, implying c25% upside from the current share price. We maintain our Buy rating. We believe the strong ASIC ramp-up and upside to AI networking revenue can help Broadcom re-rate towards our target PE multiple. See page 5 for **key downside risks**.



MAINTAIN BUY

TARGET PRICE (USD) **600.00** PREVIOUS TARGET (USD) **600.00**

SHARE PRICE (USD) **479.23** UPSIDE/DOWNSIDE **+25.2%**

(as of 03 Jun 2026)

MARKET DATA			
Market cap (USDm)	2,268,995	Free float	98%
Market cap (USDm)	2,268,995	BBG	AVGO US
3m ADTV (USDm)	9,006	RIC	AVGO.N

FINANCIALS AND RATIOS (USD)				
Year to	10/2025a	10/2026e	10/2027e	10/2028e
HSBC EPS	6.82	12.14	21.45	28.74
HSBC EPS (prev)	6.82	12.32	21.45	28.64
Change (%)	0.0	-1.4	0.0	0.3
Consensus EPS	6.67	11.27	18.54	24.30
PE (x)	70.2	39.5	22.3	16.7
Dividend yield (%)	0.5	0.6	0.6	0.7
EV/EBITDA (x)	67.5	34.3	17.4	12.0
ROE (%)	45.3	57.1	59.3	47.8

52-WEEK PRICE (USD)



Source: LSEG IBES, HSBC estimates

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Issuer of report: The Hongkong and Shanghai Banking Corporation Limited

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Financials & valuation: Broadcom Inc

Buy

Financial statements

Year to	10/2025a	10/2026e	10/2027e	10/2028e
Profit & loss summary (USDm)				
Revenue	63,887	109,132	190,591	254,344
EBITDA	34,259	65,914	124,328	167,986
Depreciation & amortisation	-8,775	-9,221	-14,485	-18,567
Operating profit/EBIT	25,484	56,693	109,843	149,419
Net interest	-3,210	-3,129	-3,104	-3,104
PBT	22,729	53,415	105,339	145,715
HSBC PBT	22,729	53,415	105,339	145,715
Taxation	397	-7,381	-14,747	-20,400
Net profit	23,126	46,034	90,592	125,315
HSBC net profit	33,728	60,045	106,034	142,041
Cash flow summary (USDm)				
Cash flow from operations	27,537	67,869	121,615	167,211
Capex	-623	-1,160	-2,025	-2,703
Cash flow from investment	-580	-1,220	-2,085	-2,763
Dividends	-11,142	-12,678	-14,072	-15,620
Change in net debt	-9,260	-50,249	-101,735	-145,106
FCF equity	26,914	66,710	119,590	164,509
Balance sheet summary (USDm)				
Intangible fixed assets	130,074	121,453	108,111	91,070
Tangible fixed assets	2,530	3,090	3,972	5,148
Current assets	31,573	88,351	201,997	356,525
Cash & others	16,178	66,427	168,162	313,267
Total assets	171,092	219,869	321,115	459,838
Operating liabilities	24,664	25,680	27,611	29,190
Gross debt	65,136	65,136	65,136	65,136
Net debt	48,958	-1,291	-103,026	-248,131
Shareholders' funds	81,292	129,052	228,368	365,512
Invested capital	123,335	120,786	118,307	110,285

Ratio, growth and per share analysis

Year to	10/2025a	10/2026e	10/2027e	10/2028e
y-o-y % change				
Revenue	23.9	70.8	74.6	33.5
EBITDA	46.0	92.4	88.6	35.1
Operating profit	89.3	122.5	93.8	36.0
PBT	129.2	135.0	97.2	38.3
HSBC EPS	40.2	78.0	76.6	34.0
Ratios (%)				
Revenue/IC (x)	0.5	0.9	1.6	2.2
ROIC	28.1	46.1	88.6	125.2
ROE	45.3	57.1	59.3	47.8
ROA	15.7	24.9	34.5	32.8
EBITDA margin	53.6	60.4	65.2	66.0
Operating profit margin	39.9	51.9	57.6	58.7
EBITDA/net interest (x)	10.7	21.1	40.1	54.1
Net debt/equity	60.2	-1.0	-45.1	-67.9
Net debt/EBITDA (x)	1.4	-0.0	-0.8	-1.5
CF from operations/net debt	56.2	-	-	-
Per share data (USD)				
EPS Rep (diluted)	4.77	9.44	18.57	25.68
HSBC EPS (diluted)	6.82	12.14	21.45	28.74
DPS	2.42	2.67	2.97	3.29
Book value	17.25	27.19	48.12	77.02

Valuation data

Year to	10/2025a	10/2026e	10/2027e	10/2028e
EV/sales	36.2	20.7	11.3	7.9
EV/EBITDA	67.5	34.3	17.4	12.0
EV/IC	18.7	18.7	18.2	18.3
PE*	70.2	39.5	22.3	16.7
PB	27.8	17.6	10.0	6.2
FCF yield (%)	1.2	2.9	5.3	7.3
Dividend yield (%)	0.5	0.6	0.6	0.7

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	10/2025a	Governance Indicators	10/2025a
GHG emission intensity*	2.9	No. of board members	9
Energy intensity*	10.0	Average board tenure (years)	8.6
CO ₂ reduction policy	Yes	Female board members (%)	22.2
Social Indicators		10/2025a	
Employee costs as % of revenues	NA	Board members independence (%)	77.8
Employee turnover (%)	4.1		
Diversity policy	Yes		

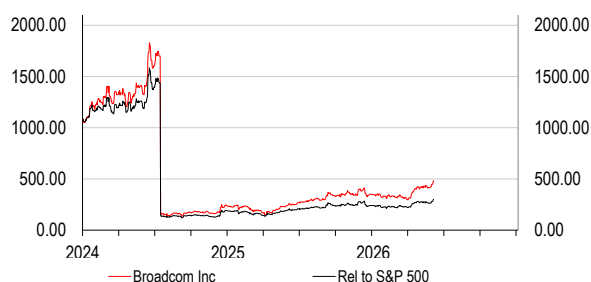
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (USD)	479.23	Free float	98%
Target price (USD)	600.00	Sector	Semiconductors
RIC (Equity)	AVGO.N	Country/Region	United States
Bloomberg (Equity)	AVGO US	Analyst	Frank Lee
Market cap (USDm)	2,268,995	Contact	+852 2996 6916

Price relative



Source: HSBC

Note: Priced at close of 03 Jun 2026

Exhibit 1: Broadcom 2QFY26 results summary

(USDm)	2QFY26a	Guidance	Result vs Guidance	2QFY26e	Result vs HSBCe	Cons	Result vs Cons	1QFY26a	q-o-q	2QFY25a	y-o-y
AI revenue	10,800	10,700	1%	10,700	1%	10,700	1%	8,400	29%	4,400	145%
Semiconductor solutions	15,009	14,800	1%	14,800	1%	14,838	1%	12,515	20%	8,408	79%
Infrastructure software	7,178	7,200	0%	7,200	0%	7,231	-1%	6,796	6%	6,596	9%
Revenue	22,187	22,000	1%	22,000	1%	22,000	1%	19,311	15%	15,004	48%
q-o-q	15%	14%	0%	14%	0%	14%	0%	7%	0%	1%	0%
Adj Gross Profit	17,109	16,940	1%	16,970	1%	16,950	1%	14,868	15%	11,911	44%
Adj GM	77.1%	77.0%	11bp	77.1%	-2bp	77.0%	6bp	77.0%	12bp	79.4%	-227bps
Adj Op income	14,928			14,770	1%	14,758	1%	12,826	16%	9,793	52%
Adj OPM	67.3%			67.1%	15bp	67.1%	20bp	66.4%	86bp	65.3%	201bps
Adj EBITDA	15,244	14,960	2%	15,189	0%	15,160	1%	13,128	16%	10,001	52%
Adj EBITDA margin	68.7%	68.0%	71bp	69.0%	-33bp	68.9%	-20bp	68.0%	72bp	66.7%	205bps
Adj Net income	12,074			12,058	0%	11,837	2%	10,185	19%	7,787	55%
Adj EPS (USD)	2.44			2.43	0%	2.39	2%	2.05	19%	1.58	55%

Source: Company data, Visible Alpha consensus estimates, HSBC estimates

Key takeaways from the 2QFY26 earnings call

2QFY26 results

- ◆ Revenue of USD22.2bn (up 15% q-o-q and up 48% y-o-y) was in line with guidance of USD22.0bn, driven by strength in AI semiconductor solutions
- ◆ Within semiconductor solutions, AI revenue was USD10.8bn, up 29% q-o-q
- ◆ 60% of AI revenue was driven by custom silicon, while 40% was driven by networking
- ◆ Total semiconductor solutions revenue was USD15.0bn, up 20% q-o-q
- ◆ Infrastructure software revenue was USD7.2bn, up 6% q-o-q
- ◆ Non-GAAP gross margin of 77.1% was up 12bp sequentially, in line with guidance
- ◆ Non-GAAP operating margin of 67.3% was up 86bp sequentially
- ◆ Non-GAAP EPS was USD2.44, up 19% q-o-q

3QFY26 outlook

- ◆ Revenue is expected to be USD29.4bn, implying 33% q-o-q growth
- ◆ Semiconductor solutions revenue is expected to be USD20.5bn
- ◆ Within semiconductor solutions, AI revenue is expected to grow to USD16.0bn, and non-AI revenue is expected to be grow by a low single digit q-o-q to USD4.5bn
- ◆ Infrastructure software revenue is expected to be USD8.9bn
- ◆ GM is expected to contract q-o-q to 74%
- ◆ Non-GAAP operating margin is expected to be 67%
- ◆ Adjusted EBITDA margin is expected to be 68%

Others

- ◆ During 2QFY26, management had bookings worth USD30bn for AI semiconductors against the USD10.8bn the company shipped
- ◆ Management guided FY26 AI revenue to be cUSD56bn and FY27 AI revenue to exceed USD100bn

Exhibit 2: HSBC estimate changes and comparison with consensus

(USDm)	HSBC (New)			HSBC (Old)			New vs Old			Consensus			HSBC vs Cons		
	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e
ASIC revenue	41,856	100,224	144,302	46,018	100,224	144,302	-9%	0%	0%	37,379	81,375	125,536	12%	23%	15%
AI networking revenue	18,145	40,162	56,714	19,321	40,162	56,714	-6%	0%	0%	19,074	37,479	47,446	-5%	7%	20%
AI semi revenue	60,000	140,386	201,016	65,339	140,386	201,016	-8%	0%	0%	56,453	118,853	172,982	6%	18%	16%
Non-AI semi revenue	17,370	17,707	18,583	16,995	17,707	18,583	2%	0%	0%	16,889	17,613	18,782	3%	1%	-1%
Semiconductor solutions	77,371	158,093	219,599	82,335	158,093	219,599	-6%	0%	0%	73,565	133,929	184,439	5%	18%	19%
Infrastructure software	31,761	32,498	34,746	29,038	32,498	34,746	9%	0%	0%	29,586	32,311	33,937	7%	1%	2%
Sales	109,132	190,591	254,344	111,372	190,591	254,344	-2%	0%	0%	102,795	165,536	222,963	6%	15%	14%
- y-o-y change	71%	75%	33%	74%	71%	33%				61%	61%	35%			
Adjusted gross profits	82,020	137,901	180,064	83,394	137,901	180,064	-2%	0%	0%	78,175	122,332	158,166	5%	13%	14%
- Adjusted GM	75.2%	72.4%	70.8%	74.9%	72.4%	70.8%				76.0%	73.9%	70.9%			
Adjusted operating profits	73,807	128,086	167,946	75,035	128,086	167,946	-2%	0%	0%	69,284	111,870	145,333	7%	14%	16%
- Adjusted OPM	67.6%	67.2%	66.0%	67.4%	67.2%	66.0%				67.4%	67.6%	65.2%			
Adjusted net income	60,045	106,034	142,041	61,078	106,348	141,955	-2%	0%	0%	55,769	91,508	120,234	8%	16%	18%
Adjusted EPS (USD)	12.14	21.45	28.74	12.32	21.45	28.64	-1%	0%	0%	11.27	18.54	24.30	8%	16%	18%
- y-o-y change	78%	77%	34%	81%	74%	33%				66%	64%	31%			

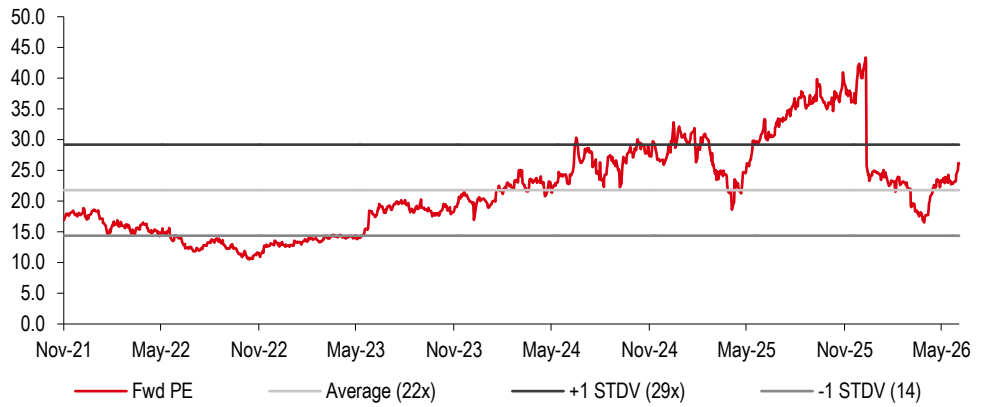
Source: Visible Alpha consensus estimates, HSBC estimates

Exhibit 3: Broadcom quarterly and annual P&L

(USDm)	FY25a	1QFY26a	2QFY26e	3QFY26e	4QFY26e	FY26e	1QFY27e	2QFY27e	3QFY27e	4QFY27e	FY27e	FY28e
Sales	63,887	19,311	22,187	30,381	37,253	109,132	43,052	46,126	49,447	51,966	190,591	254,344
- y-o-y	24%	29%	48%	90%	107%	71%	123%	108%	63%	39%	75%	33%
- q-o-q		7%	15%	37%	23%		16%	7%	7%	5%		
Gross profits	43,294	13,157	15,415	20,872	25,771	75,215	29,544	31,755	34,107	35,856	131,261	174,224
Gross margin	68%	68%	69%	69%	69%	69%	69%	69%	69%	69%	69%	68%
- y-o-y	33%	30%	51%	95%	110%	74%	125%	106%	63%	39%	75%	33%
- q-o-q		7%	17%	35%	23%		15%	7%	7%	5%		
Operating profits	25,484	8,563	10,788	16,116	21,226	56,693	24,522	26,511	28,622	30,188	109,843	149,419
OP margin	40%	44%	49%	53%	57%	52%	57%	57%	58%	58%	58%	59%
- y-o-y	89%	37%	85%	174%	183%	122%	186%	146%	78%	42%	94%	36%
- q-o-q		14%	26%	49%	32%		16%	8%	8%	5%		
Net income	23,126	7,349	9,310	12,592	16,783	46,034	20,121	21,831	23,646	24,993	90,592	125,315
- y-o-y	292%	34%	88%	204%	97%	99%	174%	134%	88%	49%	97%	38%
- q-o-q		-14%	27%	35%	33%		20%	8%	8%	6%		
Net margin	36%	38%	42%	41%	45%	42%	47%	47%	48%	48%	48%	49%
EPS (USD)	4.77	1.50	1.91	2.58	3.44	9.44	4.12	4.47	4.85	5.12	18.57	25.68
- y-o-y	286%	32%	86%	203%	98%	98%	174%	134%	88%	49%	97%	38%
- q-o-q		-14%	27%	35%	33%		20%	8%	8%	6%		
Non-GAAP												
Gross profit	50,245	14,868	17,109	22,572	27,471	82,020	31,204	33,415	35,767	37,516	137,901	180,064
Gross margin	78.6%	77.0%	77.1%	74.3%	73.7%	75.2%	72.5%	72.4%	72.3%	72.2%	72.4%	70.8%
Operating profit	41,997	12,826	14,928	20,445	25,608	73,807	28,987	31,040	33,220	34,839	128,086	167,946
Operating margin	65.7%	66.4%	67.3%	67.3%	68.7%	67.6%	67.3%	67.3%	67.2%	67.0%	67.2%	66.0%
EBITDA	43,004	13,128	15,244	20,869	26,013	75,255	30,519	32,523	34,650	36,229	133,921	177,897
EBITDA margin	67.3%	68.0%	68.7%	68.7%	69.8%	69.0%	70.9%	70.5%	70.1%	69.7%	70.3%	69.9%
Net income	33,728	10,185	12,074	16,721	21,066	60,045	23,885	25,660	27,545	28,945	106,034	142,041
EPS (USD)	6.82	2.05	2.44	3.38	4.26	12.14	4.83	5.19	5.57	5.86	21.45	28.74
- y-o-y	40%	29%	55%	100%	118%	78%	135%	112%	65%	37%	77%	34%
- q-o-q		5%	19%	38%	26%		13%	7%	7%	5%		

Source: Company data, HSBC estimates

Exhibit 4: Broadcom forward PE multiple (x)



Source: FactSet

Valuation and risks

		Methodology, target price, and rating	Risks to our view
Broadcom Inc. AVGO US	Current price:	Methodology: Target PE multiple Assumptions: Target FY27e PE multiple of 28x (unchanged) applied to our FY27e EPS estimate of USD21.45 (unchanged). Our 28x target PE is based on a 5% discount to 1 SD above the three-year historical average PE. For more details on our valuation methodology see 2H26e AI revenue ramp with room for further upside , 1 June 2026. Frank Lee* frank.lee@hsbc.com.hk +852 29966916	Key downside risks <ul style="list-style-type: none"> ◆ Fewer-than-expected additional ASIC customers ◆ Weaker-than-expected ASIC pricing premium ◆ Higher-than-expected share loss in the wireless segment ◆ Slowdown in the VMware business
	Target price:		
Buy	Upside:		

Note: Priced at close of 3 June 2026.
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 Source: Bloomberg, HSBC estimates

Disclosure appendix

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Important disclosures

Equities: Stock ratings and basis for financial analysis

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From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

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For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 31 March 2026, the distribution of all independent ratings published by HSBC is as follows:

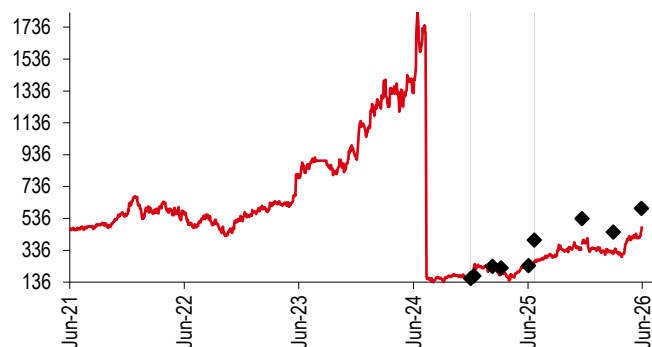
Buy	59%	(12% of these provided with Investment Banking Services in the past 12 months)
Hold	36%	(12% of these provided with Investment Banking Services in the past 12 months)
Sell	6%	(6% of these provided with Investment Banking Services in the past 12 months)

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Share price and rating changes for long-term investment opportunities

Broadcom Inc (AVGO.N) share price performance USD Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
N/A	Hold	03 Dec 2024	Frank Lee
Hold	Buy	24 Jun 2025	Frank Lee

Target price	Value	Date	Analyst
Price 1	160.00	03 Dec 2024	Frank Lee
Price 2	175.00	13 Dec 2024	Frank Lee
Price 3	235.00	10 Feb 2025	Frank Lee
Price 4	225.00	10 Mar 2025	Frank Lee
Price 5	240.00	06 Jun 2025	Frank Lee
Price 6	400.00	24 Jun 2025	Frank Lee
Price 7	535.00	23 Nov 2025	Frank Lee
Price 8	450.00	03 Mar 2026	Frank Lee
Price 9	600.00	01 Jun 2026	Frank Lee

Source: HSBC

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Disclosure checklist

Company	Ticker	Recent price	Price date	Disclosure
BROADCOM INC	AVGO.N	479.23	03 Jun 2026	7

Source: HSBC

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