

Semiconductors

Broadcom: Another beat-and-raise quarter on AI strength; AI rev growth to accelerate in FY26

Broadcom (AVGO US, NR) delivered a standout F3Q25 and raised AI revenue outlook for both F4Q25 and FY26, from an already elevated guidance (previously guided +60% YoY in FY26), confirming that the investment momentum in AI infrastructure remains intact or may even accelerate. We maintain our positive outlook for the AI supply chain.

F3Q25: Broadcom's 3Q revenue was US\$16.0bn (slightly above guidance/BBG consensus by 1.0%/0.7%), up 22%/6% YoY/QoQ, driven by AI semiconductors and VMware strength. Non-GAAP GPM was 78.4% (-100bps QoQ), largely in line, reflecting product mix shift toward XPU and wireless. Non-GAAP NP reached US\$8.4bn (+37% YoY, +8% QoQ), beating consensus by 2%, demonstrating strong operating leverage. By segment, semiconductor (57% of total sales) revenue increased 26%/9% YoY/QoQ to US\$9.2bn, while infrastructure software grew 17%/3% YoY/QoQ to US\$6.8bn. Non-GAAP NP rose by 37%/8% YoY/QoQ to US\$8.4bn, exceeding BBG consensus by 2%.

F4Q25: Mgmt. guides 4Q revenue to be US\$17.4bn, implying 24%/9% YoY/QoQ growth (semiconductor +30% YoY; software +15% YoY) and beating BBG consensus by 2%. GPM is guided down by 70bps QoQ, a mixed impact from greater wireless, XPU and software revenue. **The company continues to execute flawlessly in capturing AI infrastructure demand, underpinned by a record backlog of US\$110bn, with 50%+ semiconductor-related, providing high visibility into multi-year growth.**

■ **AI semiconductor revenue to accelerate in FY26E. AI semiconductor revenue surged by 63%/18% YoY/QoQ in F3Q25 to US\$5.2bn** (exceeding guidance of US\$5.1bn), representing 56.5% of semiconductor sales (vs. 52.4% in F2Q). XPU accounted for 65% of AI revenue (+5 ppts QoQ), reflecting continued adoption and share gains with three leading customers. Mgmt. highlighted a fourth customer (likely to be OpenAI, per [media report](#)), contributing over US\$10bn in AI rack orders, with shipments expected to begin in F3Q26. **Mgmt. guided a US\$6.2bn AI revenue in F4Q (+66% YoY and +19% QoQ), and now expects the growth in FY26 to accelerate beyond the ~60% level anticipated last quarter**, driven by ramping volumes from existing customers and the new fourth client. Per mgmt., networking remains strong with Tomahawk 5/6 and Jericho 3/4 platforms enabling scale-up, scale-out, and scale-across architectures for clusters exceeding 100k nodes; product mix toward XPU will continue, implying higher growth but slightly lower margins over time.

■ **Non-AI Semiconductors: slow recovery underway.** Revenue was flat QoQ at US\$4.0bn. Broadband showed strength, but enterprise, networking and storage remained soft. F4Q guidance implies low double-digit sequential growth to US\$4.6bn, led by seasonal strength in broadband, storage, and wireless. Mgmt. expects a U-shaped recovery, with a more meaningful upturn unlikely until mid-to-late CY26. Bookings are improving (+23% YoY).

■ **Infrastructure Software: steady growth with VMware.** Revenue of US\$6.8bn (+17% YoY, +3% QoQ) exceeded guidance of US\$6.7bn. GPM expanded to 93% as VMware integration drove operating leverage. The launch of VMware Cloud Foundation (VCF) 9.0 enabled enterprises to run AI, centralized, and traditional workloads on private cloud infrastructure. Over 90% of Broadcom's top 10k VMware accounts have adopted VCF licenses, laying the foundation for recurring growth as deployments expand, per mgmt.

OUTPERFORM
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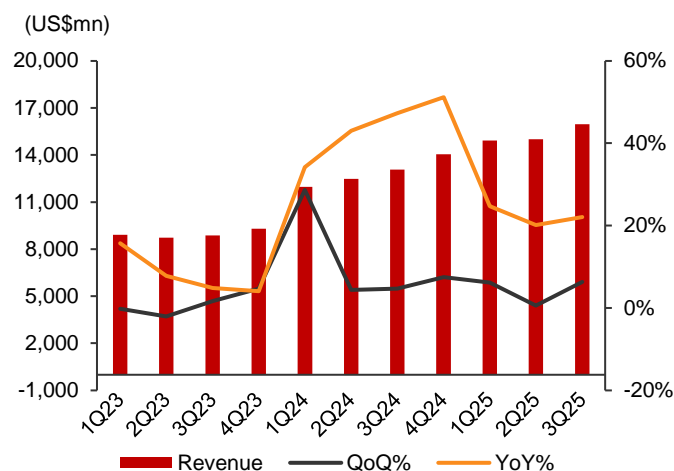
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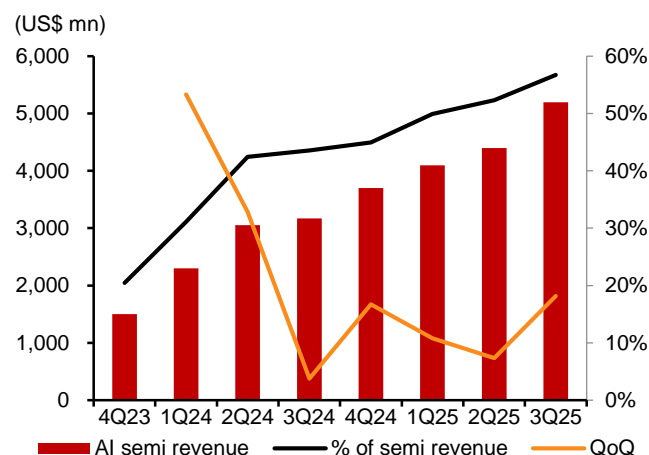
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Figure 1: Broadcom's quarterly revenue and YoY / QoQ growth

Source: Company data, CMBIGM

Note: All reporting periods are based on company's financial year

Figure 2: Broadcom's quarterly AI semi revenue and % of total semi revenue

Source: Company data, CMBIGM

Note: All reporting periods are based on company's financial year

Figure 3: Broadcom's quarterly earnings vs. BBG consensus and mgmt. guidance

(US\$mn)	3QFY24	2QFY25	3QFY25				4QFY25E		
	Actual	Actual	Actual	BBG est.	Beat/(miss)	Guidance	Beat/(miss)	BBG est.	Guidance
Revenue	13,072	15,004	15,952	15,843	Beat by 0.7%	15,800	Beat by 1.0%	17,077	17,400
YoY%	47.3%	20.2%	22.0%					21.5%	23.8%
QoQ%	4.7%	0.6%	6.3%					7.1%	9.1%
Non-GAAP GPM	77.4%	79.4%	78.4%	78.2%	Beat by 0.18ppt			77.5%	77.7%
Non-GAAP NP	6,120	7,787	8,404	8,220	Beat by 2.2%			8,950	
YoY%	33.2%	44.4%	37.3%					28.5%	
QoQ%	13.5%	-0.5%	7.9%					6.5%	
Non-GAAP EPS	1.24	1.58	1.69	1.67	Beat by 1.4%			1.81	
YoY%	17.6%	44.2%	36.3%					27.3%	
QoQ%	13.1%	-1.3%	7.0%					7.0%	

Source: Company data, Bloomberg consensus, CMBIGM

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