



Broadcom Inc. Announces Second Quarter Fiscal Year 2018 Financial Results and Quarterly Dividend

June 7, 2018

- \$1.5 billion in aggregate repurchases of 6.4 million shares in the six weeks ended June 1, 2018
- Free cash flow of \$2,124 million or 42 percent of net revenue
- Quarterly GAAP gross margin of 50.9 percent; Quarterly non-GAAP gross margin from continuing operations of 66.6 percent
- Quarterly dividend of \$1.75 per share

SAN JOSE, Calif., June 07, 2018 (GLOBE NEWSWIRE) -- Broadcom Inc. (Nasdaq:AVGO), a leading semiconductor device supplier to the wired, wireless, enterprise storage, and industrial end markets, today reported financial results for its second quarter of fiscal year 2018, ended May 6, 2018, provided guidance for the third quarter of its fiscal year 2018, and announced a quarterly dividend.

Basis of Presentation

Effective as of the close of trading on April 4, 2018, the Company completed the redomiciliation of the parent company of the Broadcom corporate group from a Singapore company to a Delaware corporation. In connection with the redomiciliation, all issued ordinary shares of Broadcom Limited were exchanged on a one-for-one basis for common stock of Broadcom Inc. and all outstanding exchangeable limited partnership units ("LP Units"), which represented the non-controlling interest in Broadcom Cayman L.P. (the "Partnership"), were also exchanged on a one-for-one basis for common stock of Broadcom Inc. eliminating this non-controlling interest. Broadcom Inc. is the successor to Broadcom Limited for financial reporting purposes. Information provided for fiscal periods following the redomiciliation, beginning with the fiscal quarter ended May 6, 2018, relates to Broadcom Inc. and information provided for prior fiscal periods relates to Broadcom Limited. Unless the context otherwise requires, references in this press release to "Broadcom," "the Company," "we," "our," "us" and similar terms are to Broadcom Inc. from and after the effective time of the redomiciliation and, prior to that time, are to our predecessor, Broadcom Limited.

The Company's financial results include contributions from Brocade Communication Systems' continuing operations starting in the first fiscal quarter of 2018. The financial results from businesses that have been classified as discontinued operations in the Company's financial statements are not included in the results presented below, unless otherwise stated.

Due to the Company's 52/53 week reporting cycle, fiscal year 2018 includes an extra week in the first quarter, compared to fiscal year 2017.

Second Quarter Fiscal Year 2018 GAAP Results

Net revenue was \$5,014 million, a decrease of 6 percent from \$5,327 million in the previous quarter and an increase of 20 percent from \$4,190 million in the same quarter last year.

Gross margin was \$2,551 million, or 50.9 percent of net revenue. This compares with gross margin of \$2,628 million, or 49.3 percent of net revenue, in the prior quarter, and gross margin of \$1,976 million, or 47.2 percent of net revenue, in the same quarter last year.

Operating expenses were \$1,350 million. This compares with \$1,685 million in the prior quarter and \$1,502 million for the same quarter last year.

Operating income was \$1,201 million, or 24.0 percent of net revenue. This compares with operating income of \$943 million, or 17.7 percent of net revenue, in the prior quarter, and operating income of \$474 million, or 11.3 percent of net revenue, in the same quarter last year.

Net income, which includes the impact of discontinued operations, was \$3,733 million, or \$8.33 per diluted share. This compares with net income of \$6,566 million, or \$14.62 per diluted share, for the prior quarter, and net income of \$464 million, or \$1.05 per diluted share, in the same quarter last year. Net income attributable to ordinary shares was \$3,718 million. Net income attributable to the LP Units' noncontrolling interest was \$15 million.

Second Quarter Fiscal Year 2018 GAAP Results

| (Dollars in millions, except per share data) | Q2 18 | Q1 18 | Q2 17 | Change | |
|--|----------|----------|----------|-----------|-----------|
| | | | | Q/Q | Y/Y |
| Net revenue | \$ 5,014 | \$ 5,327 | \$ 4,190 | -6% | +20% |
| Gross margin | 50.9% | 49.3% | 47.2% | +160bps | +370bps |
| Operating expenses | \$ 1,350 | \$ 1,685 | \$ 1,502 | -\$ 335 | -\$ 152 |
| Net income | \$ 3,733 | \$ 6,566 | \$ 464 | -\$ 2,833 | +\$ 3,269 |
| Net income attributable to noncontrolling interest | \$ 15 | \$ 336 | \$ 24 | -\$ 321 | -\$ 9 |
| Net income attributable to common stock | \$ 3,718 | \$ 6,230 | \$ 440 | -\$ 2,512 | +\$ 3,278 |
| Earnings per share - diluted | \$ 8.33 | \$ 14.62 | \$ 1.05 | -\$ 6.29 | +\$ 7.28 |

The Company's cash and cash equivalents at the end of the second fiscal quarter was \$8,187 million, compared to \$7,076 million at the end of the prior quarter.

During the second quarter, the Company generated \$2,313 million in cash from operations and spent \$347 million in repurchasing an aggregate of 1.5 million shares and \$189 million on capital expenditures.

In addition, in the first four weeks of the third quarter of fiscal year 2018, the Company spent an additional \$1,155 million on stock repurchases.

On March 29, 2018, the Company paid a cash dividend of \$1.75 per ordinary share, totaling \$727 million. On the same date, the Partnership paid holders of LP Units a corresponding distribution of \$1.75 per LP Unit, totaling \$39 million.

Second Quarter Fiscal Year 2018 Non-GAAP Results From Continuing Operations

The differences between the Company's GAAP and non-GAAP results are described generally under "Non-GAAP Financial Measures" below, and presented in detail in the financial reconciliation tables attached to this release.

Net revenue from continuing operations was \$5,017 million, a decrease of 6 percent from \$5,331 million in the previous quarter, and an increase of 19 percent from \$4,201 million in the same quarter last year.

Gross margin from continuing operations was \$3,342 million, or 66.6 percent of net revenue. This compares with gross margin of \$3,454 million, or 64.8 percent of net revenue, in the prior quarter, and gross margin of \$2,652 million, or 63.1 percent of net revenue, in the same quarter last year.

Operating income from continuing operations was \$2,455 million, or 48.9 percent of net revenue. This compares with operating income from continuing operations of \$2,571 million, or 48.2 percent of net revenue, in the prior quarter, and \$1,853 million, or 44.1 percent of net revenue, in the same quarter last year.

Net income from continuing operations was \$2,243 million, or \$4.88 per diluted share. This compares with net income of \$2,345 million, or \$5.12 per diluted share last quarter, and net income of \$1,666 million, or \$3.69 per diluted share, in the same quarter last year.

Free cash flow, defined as cash from operations less capital expenditures, was \$2,124 million in the quarter.

Second Quarter Fiscal Year 2018 Non-GAAP Results (Dollars in millions, except per share data)

| | Q2 18 | Q1 18 | Q2 17 | Change | |
|------------------------------|----------|----------|----------|----------|----------|
| | | | | Q/Q | Y/Y |
| Net revenue | \$ 5,017 | \$ 5,331 | \$ 4,201 | -6% | +19% |
| Gross margin | 66.6% | 64.8% | 63.1% | +180bps | +350bps |
| Operating expenses | \$ 887 | \$ 883 | \$ 799 | +\$ 4 | +\$ 88 |
| Net income | \$ 2,243 | \$ 2,345 | \$ 1,666 | -\$ 102 | +\$ 577 |
| Earnings per share - diluted | \$ 4.88 | \$ 5.12 | \$ 3.69 | -\$ 0.24 | +\$ 1.19 |

"Our business continues to be very robust and sustainable. This is validated through our strong execution in the second quarter which drove gross margin to a record 66.6 percent and free cash flow to 42.3 percent of net revenue," said Hock Tan, President and CEO of Broadcom Inc. "Reflecting our commitment to our return of capital program and our belief that stock repurchases can generate attractive returns on our earnings capability, we bought back 6.4 million shares in the six weeks ended June 1, 2018 returning \$1.5 billion to stockholders."

Other Quarterly Data

| (Dollars in millions, except percentages) | Q2 18 | | Q1 18 | | Q2 17 | | Growth Rates | |
|---|-----------------|-------------|-----------------|-------------|-----------------|-------------|--------------|-----|
| | | | | | | | Q/Q | Y/Y |
| Net revenue by segment: | | | | | | | | |
| Wired infrastructure | \$ 2,295 | 46% | \$ 1,875 | 35% | \$ 2,111 | 50% | 22% | 9% |
| Wireless communications | 1,294 | 26 | 2,210 | 41 | 1,150 | 28 | -41% | 13% |
| Enterprise storage | 1,162 | 23 | 991 | 19 | 712 | 17 | 17% | 63% |
| Industrial & other | 263 | 5 | 251 | 5 | 217 | 5 | 5% | 21% |
| Total net revenue | <u>\$ 5,014</u> | <u>100%</u> | <u>\$ 5,327</u> | <u>100%</u> | <u>\$ 4,190</u> | <u>100%</u> | | |

| (Dollars in millions, except percentages) | Q2 18 | | Q1 18 | | Q2 17 | | Growth Rates | |
|---|-----------------|-------------|-----------------|-------------|-----------------|-------------|--------------|-----|
| | | | | | | | Q/Q | Y/Y |
| Non-GAAP net revenue by segment: | | | | | | | | |
| Wired infrastructure ⁽¹⁾ | \$ 2,298 | 46% | \$ 1,879 | 35% | \$ 2,115 | 50% | 22% | 9% |
| Wireless communications | 1,294 | 26 | 2,210 | 41 | 1,150 | 28 | -41% | 13% |
| Enterprise storage | 1,162 | 23 | 991 | 19 | 712 | 17 | 17% | 63% |
| Industrial & other ⁽¹⁾ | 263 | 5 | 251 | 5 | 224 | 5 | 5% | 17% |
| Total non-GAAP net revenue | <u>\$ 5,017</u> | <u>100%</u> | <u>\$ 5,331</u> | <u>100%</u> | <u>\$ 4,201</u> | <u>100%</u> | | |

(1) Non-GAAP data include the effect of acquisition-related purchase accounting adjustments relating to licensing revenue.

| Key Statistics (Dollars in millions) | Q2 18 | Q1 18 | Q2 17 |
|---|----------|----------|----------|
| Cash from operations | \$ 2,313 | \$ 1,685 | \$ 1,583 |
| Depreciation | \$ 128 | \$ 126 | \$ 110 |
| Amortization of acquisition-related intangible assets | \$ 832 | \$ 1,054 | \$ 1,081 |
| Capital expenditures | \$ 189 | \$ 220 | \$ 256 |
| Days sales outstanding ("DSO") | 50 | 45 | 45 |
| Inventory days on hand ("DOH") | 66 | 64 | 76 |
| Non-GAAP DSO | 50 | 45 | 45 |
| Non-GAAP Inventory DOH | 67 | 67 | 77 |

Third Quarter Fiscal Year 2018 Business Outlook

Based on current business trends and conditions, the outlook for continuing operations for the third quarter of fiscal year 2018, ending August 5, 2018, is expected to be as follows:

| | GAAP | Reconciling Items | Non-GAAP |
|----------------------------|--------------------|-------------------|--------------------|
| Net revenue | \$5,047M +/--\$75M | \$3M | \$5,050M +/--\$75M |
| Gross margin | 50.75% +/-1% | \$795M | 66.5% +/-1% |
| Operating expenses | \$1,272M | \$390M | \$882M |
| Interest expense and other | \$115M | - | \$115M |
| Provision for income taxes | \$39M | \$126M | \$165M |
| Diluted share count | 444M | 13M | 457M |

- Non-GAAP net revenue includes \$3 million of licensing revenue not included in GAAP revenue, as a result of the effects of purchase accounting for acquisitions;
- Non-GAAP gross margin includes the effects of \$3 million of licensing revenue, and excludes the effects of \$765 million of amortization of intangible assets, \$25 million of stock-based compensation expense, \$1 million of restructuring charges, and \$1 million of acquisition-related costs;
- Non-GAAP operating expenses exclude \$295 million of stock-based compensation expense, \$65 million of amortization of intangible assets, \$15 million of acquisition-related costs, and \$15 million of restructuring charges;
- Non-GAAP tax provision is \$126 million higher than GAAP due to the tax effects of the projected reconciling items noted above;
- Non-GAAP diluted share count excludes the impact of stock-based compensation expense expected to be incurred in future periods and not yet recognized in the Company's financial statements, which would otherwise be assumed to be used to repurchase shares under the GAAP treasury stock method; and
- Diluted share count outlook does not include the impact from any stock repurchases which may occur after June 1, 2018.

Capital expenditures for the third fiscal quarter are expected to be approximately \$125 million. For the third fiscal quarter, depreciation is expected to be \$135 million and amortization is expected to be approximately \$835 million.

The guidance provided above is only an estimate of what the Company believes is realizable as of the date of this release. Among other things, this guidance is based on an initial estimate of purchase accounting adjustments and allocations, all of which are subject to revision. The guidance also excludes the impact of any additional mergers, acquisitions, divestitures and stock repurchase activity that may occur during the quarter. Actual results will vary from the guidance and the variations may be material. The Company undertakes no intent or obligation to publicly update or revise any of these projections, whether as a result of new information, future events or otherwise, except as required by law.

Quarterly Dividend

The Company's Board of Directors has approved a quarterly cash dividend of \$1.75 per share.

The dividend is payable on June 29, 2018 to stockholders of record at the close of business (5:00 p.m.) Eastern Time on June 20, 2018.

Financial Results Conference Call

Broadcom Inc. will host a conference call to review its financial results for the second quarter of fiscal year 2018, ended May 6, 2018, and to provide guidance for the third quarter of fiscal year 2018, today at 2:00 p.m. Pacific Time. Those wishing to access the call should dial (866) 310-8712; International +1 (720) 634-2946. The passcode is 9191566. A replay of the call will be accessible for one week after the call. To access the replay dial (855) 859-2056; International +1 (404) 537-3406; and reference the passcode: 9191566. A webcast of the conference call will also be available in the "Investors" section of Broadcom's website at www.broadcom.com.

Non-GAAP Financial Measures

In addition to GAAP reporting, Broadcom provides investors with net revenue, net income, operating income, gross margin, operating expenses and other data on a non-GAAP basis. This non-GAAP information includes the effect, where applicable, of purchase accounting on revenue, and excludes amortization of acquisition-related intangible assets, stock-based compensation expense, restructuring, impairment and disposal charges, acquisition-related costs, including integration costs, purchase accounting effect on inventory, litigation settlements, debt-related costs, gain (loss) on extinguishment of debt, gain (loss) on dispositions of acquisition-related assets, income (loss) from discontinued operations and non-GAAP tax reconciling adjustments. Management does not believe that these items are reflective of the Company's underlying performance. Internally, these non-GAAP measures are significant measures used by management for purposes of evaluating the core operating performance of the Company, establishing internal budgets, calculating return on investment for development programs and growth initiatives, comparing performance with internal forecasts and targeted business models, strategic planning, evaluating and valuing potential acquisition candidates and how their operations compare to the Company's operations, and benchmarking performance externally against the Company's competitors. The exclusion of these and other similar items from Broadcom's non-GAAP financial results should not be interpreted as implying that these items are non-recurring, infrequent or unusual. Broadcom believes this non-GAAP financial information provides additional insight into the Company's on-going performance and has therefore chosen to provide this information to investors for a more consistent basis of comparison and to help them evaluate the results of the Company's on-going operations and enable more meaningful period to period comparisons. These non-GAAP measures are provided in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial data is included in the supplemental financial data attached to this press release.

About Broadcom Inc.

Broadcom Inc. (NASDAQ:AVGO) is a leading designer, developer and global supplier of a broad range of digital and analog semiconductor connectivity solutions. Broadcom Inc.'s extensive product portfolio serves four primary end markets: wired infrastructure, wireless communications, enterprise storage and industrial & other. Applications for our products in these end markets include: data center networking, home connectivity, set-top box, broadband access, telecommunications equipment, smartphones and base stations, data center servers and storage, factory automation, power generation and alternative energy systems, and electronic displays.

Cautionary Note Regarding Forward-Looking Statements

This announcement contains forward-looking statements (including within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended) concerning Broadcom. These statements include, but are not limited to, statements that address our expected future business and financial performance and other statements identified by words such as "will", "expect", "believe", "anticipate", "estimate", "should", "intend", "plan", "potential", "predict", "project", "aim", and similar words, phrases or expressions. These forward-looking statements are based on current expectations and beliefs of the management of Broadcom, as well as assumptions made by, and information currently available to, such management, current market trends and market conditions and involve risks and uncertainties, many of which are outside the Company's and management's control, and which may cause actual results to differ materially from those contained in forward-looking statements. Accordingly, you should not place undue reliance on such statements.

Particular uncertainties that could materially affect future results include risks associated with: any loss of our significant customers and fluctuations in the timing and volume of significant customer demand; our dependence on contract manufacturing and outsourced supply chain; our dependency on a limited number of suppliers; any acquisitions we may make, such as delays, challenges and expenses associated with receiving governmental and regulatory approvals and satisfying other closing conditions, and with integrating acquired companies with our existing businesses and our ability to achieve the benefits, growth prospects and synergies expected by such acquisitions; our ability to accurately estimate customers' demand and adjust our manufacturing and supply chain accordingly; our significant indebtedness, including the need to generate sufficient cash flows to service and repay such debt; dependence on a small number of markets and the rate of growth in these markets; dependence on and risks associated with distributors of our products; dependence on senior management; quarterly and annual fluctuations in operating results; global economic conditions and concerns; the amount and frequency of our stock repurchases; cyclicity in the semiconductor industry or in our target markets; our competitive performance and ability to continue achieving design wins with our customers, as well as the timing of any design wins; prolonged disruptions of our or our contract manufacturers' manufacturing facilities or other significant operations; our ability to improve our manufacturing efficiency and quality; our dependence on outsourced service providers for certain key business services and their ability to execute to our requirements; our ability to maintain or improve gross margin; our ability to protect our intellectual property and the unpredictability of any associated litigation expenses; any expenses or reputational damage associated with resolving customer product warranty and indemnification claims; our ability to sell to new types of customers and to keep pace with technological advances; market acceptance of the end products into which our products are designed; our overall cash tax costs, legislation that may impact our overall cash tax costs and our ability to maintain tax concessions in certain jurisdictions; and other events and trends on a national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature.

Our filings with the Securities and Exchange Commission ("SEC"), which you may obtain for free at the SEC's website at <http://www.sec.gov>, discuss some of the important risk factors that may affect our business, results of operations and financial condition. Actual results may vary from the estimates provided. We undertake no intent or obligation to publicly update or revise any of the estimates and other forward-looking statements made in this announcement, whether as a result of new information, future events or otherwise, except as required by law.

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BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED
(IN MILLIONS, EXCEPT PER SHARE DATA)

| | Fiscal Quarter Ended | | | Two Fiscal Quarters Ended | |
|---|----------------------|---------------------|-------------------|---------------------------|-------------------|
| | May 6, 2018 | February 4, 2018 | April 30, 2017 | May 6, 2018 | April 30, 2017 |
| Net revenue | \$ 5,014 | \$ 5,327 | \$ 4,190 | \$10,341 | \$8,329 |
| Cost of products sold: | | | | | |
| Cost of products sold | 1,696 | 1,899 | 1,564 | 3,595 | 3,137 |
| Purchase accounting effect on inventory | - | 70 | 1 | 70 | 1 |
| Amortization of acquisition-related intangible assets | 765 | 715 | 639 | 1,480 | 1,198 |
| Restructuring charges | 2 | 15 | 10 | 17 | 16 |
| Total cost of products sold | <u>2,463</u> | <u>2,699</u> | <u>2,214</u> | <u>5,162</u> | <u>4,352</u> |
| Gross margin | 2,551 | 2,628 | 1,976 | 5,179 | 3,977 |
| Research and development | 936 | 925 | 829 | 1,861 | 1,637 |
| Selling, general and administrative | 294 | 291 | 204 | 585 | 405 |
| Amortization of acquisition-related intangible assets | 67 | 339 | 442 | 406 | 882 |
| Restructuring, impairment and disposal charges | 53 | 130 | 27 | 183 | 73 |
| Total operating expenses | <u>1,350</u> | <u>1,685</u> | <u>1,502</u> | <u>3,035</u> | <u>2,997</u> |
| Operating income | 1,201 | 943 | 474 | 2,144 | 980 |
| Interest expense | (148) | (183) | (112) | (331) | (223) |
| Loss on debt extinguishment | - | - | - | - | (159) |
| Other income, net | 46 | 35 | 3 | 81 | 34 |
| Income from continuing operations before income taxes | 1,099 | 795 | 365 | 1,894 | 632 |
| Benefit from income taxes | (2,637) | (5,786) | (103) | (8,423) | (93) |
| Income from continuing operations | 3,736 | 6,581 | 468 | 10,317 | 725 |
| Loss from discontinued operations, net of income taxes | (3) | (15) | (4) | (18) | (9) |
| Net income | 3,733 | 6,566 | 464 | 10,299 | 716 |
| Net income attributable to noncontrolling interest ⁽¹⁾ | 15 | 336 | 24 | 351 | 37 |
| Net income attributable to common stock | <u>\$ 3,718</u> | <u>\$ 6,230</u> | <u>\$ 440</u> | <u>\$ 9,948</u> | <u>\$ 679</u> |
| Basic income per share: | | | | | |
| Income per share from continuing operations | \$ 8.84 | \$ 15.23 | \$ 1.10 | \$ 24.01 | \$ 1.72 |
| Loss per share from discontinued operations | (0.01) | (0.03) | (0.01) | (0.04) | (0.03) |
| Net income per share | <u>\$ 8.83</u> | <u>\$ 15.20</u> | <u>\$ 1.09</u> | <u>\$ 23.97</u> | <u>\$ 1.69</u> |

Diluted income per share ⁽²⁾:

| | | | | | |
|---|----------------|-----------------|----------------|-----------------|----------------|
| Income per share from continuing operations | \$ 8.34 | \$ 14.66 | \$ 1.06 | \$ 23.03 | \$ 1.65 |
| Loss per share from discontinued operations | (0.01) | (0.04) | (0.01) | (0.04) | (0.02) |
| Net income per share | <u>\$ 8.33</u> | <u>\$ 14.62</u> | <u>\$ 1.05</u> | <u>\$ 22.99</u> | <u>\$ 1.63</u> |

Shares used in per share calculations:

| | | | | | |
|---------|-----|-----|-----|-----|-----|
| Basic | 421 | 410 | 403 | 415 | 401 |
| Diluted | 448 | 426 | 442 | 448 | 440 |

Stock-based compensation expense included in continuing operations:

| | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Cost of products sold | \$ 21 | \$ 20 | \$ 15 | \$ 41 | \$ 29 |
| Research and development | 205 | 203 | 150 | 408 | 291 |
| Selling, general and administrative | 70 | 76 | 51 | 146 | 97 |
| Total stock-based compensation expense | <u>\$ 296</u> | <u>\$ 299</u> | <u>\$ 216</u> | <u>\$ 595</u> | <u>\$ 417</u> |

(1) For the fiscal quarter ended May 6, 2018, net income attributable to noncontrolling interest represents two months of income attributable to exchangeable limited partnership units, or LP units. In connection with the Redomiciliation, all outstanding LP units were exchanged for common stock of Broadcom on a one-for-one basis and the noncontrolling interest was dissolved.

(2) Except for the fiscal quarter ended February 4, 2018, the diluted income (loss) per share numerators and denominators include the impact of the noncontrolling interest, which assumes conversion of LP Units to shares of Broadcom, representing an assumed conversion of 100% of the LP Units under the "if converted" method. The diluted income per share calculations include approximately 14 million and 18 million LP Units for the fiscal quarter and two fiscal quarters ended May 6, 2018, respectively. The diluted income per share calculations include approximately 23 million LP Units for each of the fiscal quarter and two fiscal quarters ended April 30, 2017. On April 4, 2018, in connection with the Redomiciliation, all outstanding LP Units were exchanged for common stock of Broadcom on a one-for-one basis.

BROADCOM INC.
FINANCIAL RECONCILIATION: GAAP TO NON-GAAP - UNAUDITED
(IN MILLIONS, EXCEPT DAYS)

| | <u>Fiscal Quarter Ended</u> | | | <u>Two Fiscal Quarters Ended</u> | |
|---|-----------------------------|-------------------------|-----------------------|----------------------------------|-----------------------|
| | <u>May 6, 2018</u> | <u>February 4, 2018</u> | <u>April 30, 2017</u> | <u>May 6, 2018</u> | <u>April 30, 2017</u> |
| Net revenue on GAAP basis | \$ 5,014 | \$ 5,327 | \$ 4,190 | \$ 10,341 | \$ 8,329 |
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 3 | 4 | 11 | 7 | 21 |
| Net revenue on non-GAAP basis | <u>\$ 5,017</u> | <u>\$ 5,331</u> | <u>\$ 4,201</u> | <u>\$ 10,348</u> | <u>\$ 8,350</u> |
| Gross margin on GAAP basis | \$ 2,551 | \$ 2,628 | \$ 1,976 | \$ 5,179 | \$ 3,977 |

| | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 3 | 4 | 11 | 7 | 21 |
| Purchase accounting effect on inventory | - | 70 | 1 | 70 | 1 |
| Amortization of acquisition-related intangible assets | 765 | 715 | 639 | 1,480 | 1,198 |
| Stock-based compensation expense | 21 | 20 | 15 | 41 | 29 |
| Restructuring charges | 2 | 15 | 10 | 17 | 16 |
| Acquisition-related costs | - | 2 | - | 2 | - |
| Gross margin on non-GAAP basis | <u>\$ 3,342</u> | <u>\$ 3,454</u> | <u>\$ 2,652</u> | <u>\$ 6,796</u> | <u>\$5,242</u> |
| Research and development on GAAP basis | \$ 936 | \$ 925 | \$ 829 | \$ 1,861 | \$1,637 |
| Stock-based compensation expense | 205 | 203 | 150 | 408 | 291 |
| Acquisition-related costs | - | 3 | 2 | 3 | 5 |
| Research and development on non-GAAP basis | <u>\$ 731</u> | <u>\$ 719</u> | <u>\$ 677</u> | <u>\$ 1,450</u> | <u>\$1,341</u> |
| Selling, general and administrative expense on GAAP basis | \$ 294 | \$ 291 | \$ 204 | \$ 585 | \$ 405 |
| Stock-based compensation expense | 70 | 76 | 51 | 146 | 97 |
| Acquisition-related costs | 68 | 51 | 31 | 119 | 66 |
| Selling, general and administrative expense on non-GAAP basis | <u>\$ 156</u> | <u>\$ 164</u> | <u>\$ 122</u> | <u>\$ 320</u> | <u>\$ 242</u> |
| Total operating expenses on GAAP basis | \$ 1,350 | \$ 1,685 | \$ 1,502 | \$ 3,035 | \$2,997 |
| Amortization of acquisition-related intangible assets | 67 | 339 | 442 | 406 | 882 |
| Stock-based compensation expense | 275 | 279 | 201 | 554 | 388 |
| Restructuring, impairment and disposal charges | 53 | 130 | 27 | 183 | 73 |
| Acquisition-related costs | 68 | 54 | 33 | 122 | 71 |
| Total operating expenses on non-GAAP basis | <u>\$ 887</u> | <u>\$ 883</u> | <u>\$ 799</u> | <u>\$ 1,770</u> | <u>\$1,583</u> |
| Operating income on GAAP basis | \$ 1,201 | \$ 943 | \$ 474 | \$ 2,144 | \$ 980 |
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 3 | 4 | 11 | 7 | 21 |
| Purchase accounting effect on inventory | - | 70 | 1 | 70 | 1 |
| Amortization of acquisition-related intangible assets | 832 | 1,054 | 1,081 | 1,886 | 2,080 |
| Stock-based compensation expense | 296 | 299 | 216 | 595 | 417 |
| Restructuring, impairment and disposal charges | 55 | 145 | 37 | 200 | 89 |
| Acquisition-related costs | 68 | 56 | 33 | 124 | 71 |
| Operating income on non-GAAP basis | <u>\$ 2,455</u> | <u>\$ 2,571</u> | <u>\$ 1,853</u> | <u>\$ 5,026</u> | <u>\$3,659</u> |
| Interest expense on GAAP basis | \$ (148) | \$ (183) | \$ (112) | \$ (331) | \$ (223) |
| Debt-related costs | - | 32 | - | 32 | 1 |
| Interest expense on non-GAAP basis | <u>\$ (148)</u> | <u>\$ (151)</u> | <u>\$ (112)</u> | <u>\$ (299)</u> | <u>\$ (222)</u> |
| Other income, net on GAAP basis | \$ 46 | \$ 35 | \$ 3 | \$ 81 | \$ 34 |
| Gains on acquisition-related asset sales | (4) | - | - | (4) | (23) |
| Other income, net on non-GAAP basis | <u>\$ 42</u> | <u>\$ 35</u> | <u>\$ 3</u> | <u>\$ 77</u> | <u>\$ 11</u> |
| Income from continuing operations before income taxes on GAAP basis | \$ 1,099 | \$ 795 | \$ 365 | \$ 1,894 | \$ 632 |

| | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|----------------|
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 3 | 4 | 11 | 7 | 21 |
| Purchase accounting effect on inventory | - | 70 | 1 | 70 | 1 |
| Amortization of acquisition-related intangible assets | 832 | 1,054 | 1,081 | 1,886 | 2,080 |
| Stock-based compensation expense | 296 | 299 | 216 | 595 | 417 |
| Restructuring, impairment and disposal charges | 55 | 145 | 37 | 200 | 89 |
| Acquisition-related costs | 68 | 56 | 33 | 124 | 71 |
| Debt-related costs | - | 32 | - | 32 | 1 |
| Loss on debt extinguishment | - | - | - | - | 159 |
| Gains on acquisition-related asset sales | (4) | - | - | (4) | (23) |
| Income before income taxes on non-GAAP basis | <u>\$ 2,349</u> | <u>\$ 2,455</u> | <u>\$ 1,744</u> | <u>\$ 4,804</u> | <u>\$3,448</u> |
| Benefit from income taxes on GAAP basis | \$ (2,637) | \$ (5,786) | \$ (103) | \$ (8,423) | \$ (93) |
| Non-GAAP tax reconciling adjustments | <u>2,743</u> | <u>5,896</u> | <u>181</u> | <u>8,639</u> | <u>248</u> |
| Provision for income taxes on non-GAAP basis | <u>\$ 106</u> | <u>\$ 110</u> | <u>\$ 78</u> | <u>\$ 216</u> | <u>\$ 155</u> |
| Net income on GAAP basis | \$ 3,733 | \$ 6,566 | \$ 464 | \$ 10,299 | \$ 716 |
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 3 | 4 | 11 | 7 | 21 |
| Purchase accounting effect on inventory | - | 70 | 1 | 70 | 1 |
| Amortization of acquisition-related intangible assets | 832 | 1,054 | 1,081 | 1,886 | 2,080 |
| Stock-based compensation expense | 296 | 299 | 216 | 595 | 417 |
| Restructuring, impairment and disposal charges | 55 | 145 | 37 | 200 | 89 |
| Acquisition-related costs | 68 | 56 | 33 | 124 | 71 |
| Debt-related costs | - | 32 | - | 32 | 1 |
| Loss on debt extinguishment | - | - | - | - | 159 |
| Gains on acquisition-related asset sales | (4) | - | - | (4) | (23) |
| Non-GAAP tax reconciling adjustments | (2,743) | (5,896) | (181) | (8,639) | (248) |
| Discontinued operations, net of income taxes | <u>3</u> | <u>15</u> | <u>4</u> | <u>18</u> | <u>9</u> |
| Net income on non-GAAP basis | <u>\$ 2,243</u> | <u>\$ 2,345</u> | <u>\$ 1,666</u> | <u>\$ 4,588</u> | <u>\$3,293</u> |
| Shares used in per share calculation - diluted on GAAP basis | 448 | 426 | 442 | 448 | 440 |
| Non-GAAP adjustment ⁽²⁾ | <u>12</u> | <u>32</u> | <u>9</u> | <u>11</u> | <u>10</u> |
| Shares used in per share calculation - diluted on non-GAAP basis | <u>460</u> | <u>458</u> | <u>451</u> | <u>459</u> | <u>450</u> |
| Inventory days on hand on GAAP basis | 66 | 64 | 76 | | |
| Non-GAAP adjustment ⁽³⁾ | <u>1</u> | <u>3</u> | <u>1</u> | | |
| Inventory days on hand on non-GAAP basis | <u>67</u> | <u>67</u> | <u>77</u> | | |
| Net income on non-GAAP basis | \$ 2,243 | | | | |
| Interest expense on non-GAAP basis | 148 | | | | |
| Provision for income taxes on non-GAAP basis | 106 | | | | |
| Depreciation | <u>128</u> | | | | |
| Adjusted EBITDA | <u>\$ 2,625</u> | | | | |
| Net cash provided by operating activities | \$ 2,313 | | | | |

| | |
|--|-----------------|
| Purchases of property, plant and equipment | (189) |
| Free cash flow | <u>\$ 2,124</u> |

(1) Amounts represent licensing revenue not included in GAAP net revenue as a result of the effect of purchase accounting for acquisitions.

(2) Non-GAAP adjustment for number of shares used in the diluted per share calculations excludes the impact of stock-based compensation expense expected to be incurred in future periods and not yet recognized in the financial statements, which would otherwise be assumed to be used to repurchase shares under the GAAP treasury stock method. Non-GAAP adjustment also includes the impact of the LP Units that are anti-dilutive on a GAAP basis for the fiscal quarter ended February 4, 2018.

(3) Non-GAAP adjustment for inventory days on hand represents the impact of purchase accounting on inventory, stock-based compensation expense, and acquisition-related costs.

BROADCOM INC.
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(IN MILLIONS)

| | <u>May 6, 2018</u> | <u>October 29, 2017</u> |
|---|------------------------|-----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,187 | \$ 11,204 |
| Trade accounts receivable, net | 2,749 | 2,448 |
| Inventory | 1,235 | 1,447 |
| Other current assets | 303 | 724 |
| Total current assets | <u>12,474</u> | <u>15,823</u> |
| Long-term assets: | | |
| Property, plant and equipment, net | 2,720 | 2,599 |
| Goodwill | 26,908 | 24,706 |
| Intangible assets, net | 12,346 | 10,832 |
| Other long-term assets | 488 | 458 |
| Total assets | <u>\$ 54,936</u> | <u>\$ 54,418</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 836 | \$ 1,105 |
| Employee compensation and benefits | 417 | 626 |
| Current portion of long-term debt | 117 | 117 |
| Other current liabilities | 754 | 681 |
| Total current liabilities | <u>2,124</u> | <u>2,529</u> |
| Long-term liabilities: | | |
| Long-term debt | 17,481 | 17,431 |
| Other long-term liabilities | <u>3,264</u> | <u>11,272</u> |

| | | |
|---|------------------|------------------|
| Total liabilities | 22,869 | 31,232 |
| Stockholders' equity: | | |
| Common stock and additional paid-in capital | 24,305 | 20,505 |
| Retained earnings (accumulated deficit) | 7,868 | (129) |
| Accumulated other comprehensive loss | (106) | (91) |
| Total Broadcom Inc. stockholders' equity | 32,067 | 20,285 |
| Noncontrolling interest | - | 2,901 |
| Total stockholders' equity | 32,067 | 23,186 |
| Total liabilities and stockholders' equity | <u>\$ 54,936</u> | <u>\$ 54,418</u> |

BROADCOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(IN MILLIONS)

| | Fiscal Quarter Ended | | | Two Fiscal Quarters Ended | |
|---|----------------------|------------------------|----------------------|---------------------------|-------------------|
| | May 6, 2018 | February 4, 2018 | April 30, 2017 | May 6, 2018 | April 30, 2017 |
| Cash flows from operating activities: | | | | | |
| Net income | \$ 3,733 | \$ 6,566 | \$ 464 | \$ 10,299 | \$ 716 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 964 | 1,184 | 1,193 | 2,148 | 2,307 |
| Stock-based compensation | 296 | 299 | 216 | 595 | 418 |
| Deferred taxes and other non-cash taxes | (2,702) | (5,832) | (86) | (8,534) | (111) |
| Non-cash portion of debt extinguishment loss | - | - | - | - | 159 |
| Non-cash restructuring, impairment and disposal charges | 5 | 5 | 23 | 10 | 40 |
| Amortization of debt issuance costs and accretion of debt discount | 6 | 6 | 6 | 12 | 14 |
| Other | 14 | 3 | 3 | 17 | (15) |
| Changes in assets and liabilities, net of acquisitions and disposals: | | | | | |
| Trade accounts receivable, net | (277) | 199 | (126) | (78) | 108 |
| Inventory | 56 | 250 | 31 | 306 | 96 |
| Accounts payable | 91 | (403) | (114) | (312) | (251) |
| Employee compensation and benefits | 84 | (376) | 128 | (292) | (53) |
| Contributions to defined benefit pension plans | - | (129) | (5) | (129) | (11) |
| Other current assets and current liabilities | 70 | 284 | (154) | 354 | (391) |
| Other long-term assets and long-term liabilities | (27) | (371) | 4 | (398) | (90) |
| Net cash provided by operating activities | <u>2,313</u> | <u>1,685</u> | <u>1,583</u> | <u>3,998</u> | <u>2,936</u> |
| Cash flows from investing activities: | | | | | |
| Acquisitions of businesses, net of cash acquired | - | (4,786) | (37) | (4,786) | (37) |
| Proceeds from sales of businesses | - | 782 | - | 782 | 10 |
| Purchases of property, plant and equipment | (189) | (220) | (256) | (409) | (581) |
| Proceeds from disposals of property, plant and equipment | 1 | 237 | - | 238 | - |

| | | | | | |
|--|--------------|----------------|--------------|----------------|--------------|
| Purchases of investments | (5) | (244) | (200) | (249) | (200) |
| Proceeds from sale of investment | 54 | - | - | 54 | - |
| Other | (16) | 4 | - | (12) | (4) |
| Net cash used in investing activities | <u>(155)</u> | <u>(4,227)</u> | <u>(493)</u> | <u>(4,382)</u> | <u>(812)</u> |

Cash flows from financing activities:

| | | | | | |
|--|-------|-------|-------|---------|----------|
| Proceeds from issuance of long-term debt | - | - | - | - | 13,446 |
| Repayment of debt | - | (856) | - | (856) | (13,668) |
| Payment of debt issuance costs | - | - | (20) | - | (23) |
| Dividend and distribution payments | (766) | (755) | (437) | (1,521) | (868) |
| Repurchases of common stock | (347) | - | - | (347) | - |
| Issuance of common stock, net | 78 | 34 | 89 | 112 | 150 |
| Payment of capital lease obligations | (15) | (6) | (4) | (21) | (4) |
| Other | 3 | (3) | - | - | - |

| | | | | | |
|--|----------------|----------------|--------------|----------------|--------------|
| Net cash used in financing activities | <u>(1,047)</u> | <u>(1,586)</u> | <u>(372)</u> | <u>(2,633)</u> | <u>(967)</u> |
|--|----------------|----------------|--------------|----------------|--------------|

| | | | | | |
|---|-------|---------|-----|---------|-------|
| Net change in cash and cash equivalents | 1,111 | (4,128) | 718 | (3,017) | 1,157 |
|---|-------|---------|-----|---------|-------|

| | | | | | |
|--|--------------|---------------|--------------|---------------|--------------|
| Cash and cash equivalents at the beginning of period | <u>7,076</u> | <u>11,204</u> | <u>3,536</u> | <u>11,204</u> | <u>3,097</u> |
|--|--------------|---------------|--------------|---------------|--------------|

| | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash and cash equivalents at end of period | <u>\$ 8,187</u> | <u>\$ 7,076</u> | <u>\$ 4,254</u> | <u>\$ 8,187</u> | <u>\$ 4,254</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|

Supplemental disclosure of cash flow information:

| | | | | | |
|----------------------------|-------|--------|--------|--------|--------|
| Cash paid for interest | \$ 1 | \$ 232 | \$ 1 | \$ 233 | \$ 103 |
| Cash paid for income taxes | \$ 87 | \$ 109 | \$ 121 | \$ 196 | \$ 218 |

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Broadcom Inc.