

Broadcom Inc. Announces Second Quarter Fiscal Year 2023 Financial Results and Quarterly Dividend

- Revenue of \$8,733 million for the second quarter, up 8 percent from the prior year period
- Adjusted EBITDA of \$5,686 million for the second quarter
- Non-GAAP diluted EPS of \$10.32 for the second quarter; GAAP diluted EPS of \$8.15 for the second quarter
- Quarterly common stock dividend of \$4.60 per share
- Repurchased and eliminated 5.6 million shares for \$3,420 million
- Third quarter revenue guidance of approximately \$8.85 billion, an increase of 5 percent from the prior year period
- Third quarter Adjusted EBITDA guidance of approximately 65 percent of projected revenue ⁽¹⁾

SAN JOSE, Calif. – June 1, 2023 – Broadcom Inc. (Nasdaq: AVGO), a global technology leader that designs, develops and supplies semiconductor and infrastructure software solutions, today reported financial results for its second quarter of fiscal year 2023, ended April 30, 2023, provided guidance for the third quarter of its fiscal year 2023 and announced its quarterly dividend.

“Broadcom’s second quarter results were driven by demand for next generation technologies from hyperscale, while enterprise and service providers continued to sustain,” said Hock Tan, President and CEO of Broadcom Inc. “Our third quarter outlook projects year-over-year growth, reflecting continued leadership in networking as we support a measured ramp into large scale AI networks.”

“Consolidated revenue grew 8% year-over-year to \$8.7 billion and adjusted EBITDA margin increased year-over-year to 65%,” said Kirsten Spears, CFO of Broadcom Inc. “We generated \$4.4 billion in free cash flow, and expect cash flows to remain strong for Q3.”

Second Quarter Fiscal Year 2023 Financial Highlights

(Dollars in millions, except per share data)	GAAP			Non-GAAP		
	Q2 23	Q2 22	Change	Q2 23	Q2 22	Change
Net revenue	\$ 8,733	\$ 8,103	+8 %	\$ 8,733	\$ 8,103	+8 %
Net income	\$ 3,481	\$ 2,590	+\$891	\$ 4,489	\$ 4,000	+\$489
Earnings per common share - diluted	\$ 8.15	\$ 5.93	+\$2.22	\$ 10.32	\$ 9.07	+\$1.25

⁽¹⁾ The Company is not readily able to provide a reconciliation of the projected non-GAAP financial information presented to the relevant projected GAAP measure without unreasonable effort.

<u>(Dollars in millions)</u>	Q2 23		Q2 22		Change		
Cash flow from operations	\$	4,502	\$	4,243	+\$259		
Adjusted EBITDA	\$	5,686	\$	5,111	+\$575		
Free cash flow	\$	4,380	\$	4,158	+\$222		
<u>Net revenue by segment</u>							
<u>(Dollars in millions)</u>	Q2 23		Q2 22		Change		
Semiconductor solutions	\$	6,808	78 %	\$	6,229	77 %	+9 %
Infrastructure software		1,925	22		1,874	23	+3 %
Total net revenue	\$	8,733	100 %	\$	8,103	100 %	

The Company's cash and cash equivalents at the end of the fiscal quarter were \$11,553 million, compared to \$12,647 million at the end of the prior quarter.

During the second fiscal quarter, the Company generated \$4,502 million in cash from operations and spent \$122 million on capital expenditures. The Company spent \$3,420 million on share repurchases and eliminations, consisting of \$2,806 million in repurchases of 4.6 million shares and \$614 million of withholding tax payments related to net settled equity awards that vested in the quarter (representing approximately 1.0 million shares withheld).

On March 31, 2023, the Company paid a cash dividend of \$4.60 per share, totaling \$1,914 million.

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.

Third Quarter Fiscal Year 2023 Business Outlook

Based on current business trends and conditions, the outlook for the third quarter of fiscal year 2023, ending July 30, 2023, is expected to be as follows:

- Third quarter revenue guidance of approximately \$8.85 billion; and
- Third quarter Adjusted EBITDA guidance of approximately 65 percent of projected revenue.

The guidance provided above is only an estimate of what the Company believes is realizable as of the date of this release. The Company is not readily able to provide a reconciliation of projected Adjusted EBITDA to projected net income without unreasonable effort. 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 Dividends

The Company's Board of Directors has approved a quarterly cash dividend of \$4.60 per share. The dividend is payable on June 30, 2023 to stockholders of record at the close of business (5:00 p.m. Eastern Time) on June 22, 2023.

Financial Results Conference Call

Broadcom Inc. will host a conference call to review its financial results for the second quarter fiscal year 2023 and to discuss the business outlook, today at 2:00 p.m. Pacific Time.

To Listen via Internet: The conference call can be accessed live online in the Investors section of the Broadcom website at <https://investors.broadcom.com/>.

To Listen via Telephone: Preregistration is required by the conference call operator. Please preregister at <https://register.vevent.com/register/BI477cd40fc5ac48df90bd808feab60734>. Upon registering, you will be emailed a link to the dial-in number and unique PIN.

Replay: An audio replay of the conference call can be accessed for one year through the Investors section of Broadcom's website at <https://investors.broadcom.com/>.

Non-GAAP Financial Measures

The non-GAAP measures should not be considered 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. Broadcom believes non-GAAP financial information provides additional insight into the Company's on-going performance. Therefore, Broadcom provides 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.

In addition to GAAP reporting, Broadcom provides investors with net income, operating income, gross margin, operating expenses, cash flow and other data on a non-GAAP basis. This non-GAAP information 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, loss on debt extinguishment, gains (losses) on investments, income (loss) from discontinued operations, non-GAAP tax reconciling adjustments, and other 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.

Free cash flow measures have limitations as they omit certain components of the overall cash flow statement and do not represent the residual cash flow available for discretionary expenditures. Investors should not consider presentation of free cash flow measures as implying that stockholders have any right to such cash. Broadcom's free cash flow may not be calculated in a manner comparable to similarly named measures used by other companies.

About Broadcom Inc.

Broadcom Inc. (NASDAQ: AVGO), a Delaware corporation headquartered in San Jose, CA, is a global technology leader that designs, develops and supplies a broad range of semiconductor and infrastructure software solutions. Broadcom's category-leading product portfolio serves critical markets including data center, networking, enterprise software, broadband, wireless, storage and industrial. Our solutions include data center networking and storage, enterprise, mainframe and cyber security software focused on automation, monitoring and security, smartphone components, telecoms and factory automation. For more information, go to <https://www.broadcom.com>.

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, our plans and expectations with regard to our share repurchases, 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 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: global economic conditions and concerns; cyclicalities in the semiconductor industry or in our target markets; 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; government regulations and administrative proceedings, trade restrictions and trade tensions; global political and economic conditions; our significant indebtedness and the need to generate sufficient cash flows to service and repay such debt; the amount and frequency of our share repurchase programs; dependence on and risks associated with distributors and resellers of our products; dependence on senior management and our ability to attract and retain qualified personnel; failing to complete or realize the expected benefits of our acquisition of VMware, Inc.; any acquisitions we may make, including our acquisition of VMware, such as delays, challenges and expenses associated with receiving governmental and regulatory approvals and satisfying other closing conditions, and with integrating acquired businesses with our existing businesses and our ability to achieve the benefits, growth prospects and synergies expected by such acquisitions; involvement in legal proceedings; quarterly and annual fluctuations in operating results; our ability to accurately estimate customers' demand and adjust our manufacturing and supply chain accordingly; 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, warehouses 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 protect against cyber security threats and a breach of security systems; our ability to maintain or improve gross margin; our ability to protect our intellectual property and the unpredictability of any associated litigation expenses; compatibility of our software products with

operating environments, platforms or third-party products; our ability to enter into satisfactory software license agreements; availability of third party software used in our products; use of open source code sources in our products; any expenses or reputational damage associated with resolving customer product warranty and indemnification claims; market acceptance of the end products into which our products are designed; our ability to sell to new types of customers and to keep pace with technological advances; our compliance with privacy and data security laws; the COVID-19 pandemic; fluctuations in foreign exchange rates; our provision for income taxes and 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. We are not obligated to repurchase any specific amount of shares of common stock, and the stock repurchase programs may be suspended or terminated at any time.

Our filings with the 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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(AVGO-Q)

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

	Fiscal Quarter Ended			Two Fiscal Quarters Ended	
	April 30, 2023	January 29, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Net revenue	\$ 8,733	\$ 8,915	\$ 8,103	\$ 17,648	\$ 15,809
Cost of revenue:					
Cost of revenue	2,177	2,374	1,956	4,551	3,881
Amortization of acquisition-related intangible assets	441	535	707	976	1,437
Restructuring charges	—	2	1	2	3
Total cost of revenue	2,618	2,911	2,664	5,529	5,321
Gross margin	6,115	6,004	5,439	12,119	10,488
Research and development	1,312	1,195	1,261	2,507	2,467
Selling, general and administrative	438	348	368	786	689
Amortization of acquisition-related intangible assets	348	348	398	696	795
Restructuring, impairment and disposal charges	9	10	18	19	35
Total operating expenses	2,107	1,901	2,045	4,008	3,986
Operating income	4,008	4,103	3,394	8,111	6,502
Interest expense	(405)	(406)	(518)	(811)	(925)
Other income (expense), net	113	143	(86)	256	(100)
Income before income taxes	3,716	3,840	2,790	7,556	5,477
Provision for income taxes	235	66	200	301	415
Net income	3,481	3,774	2,590	7,255	5,062
Dividends on preferred stock	—	—	(75)	—	(149)
Net income attributable to common stock	\$ 3,481	\$ 3,774	\$ 2,515	\$ 7,255	\$ 4,913
Net income per share attributable to common stock:					
Basic	\$ 8.39	\$ 9.03	\$ 6.16	\$ 17.40	\$ 11.98
Diluted ⁽¹⁾	\$ 8.15	\$ 8.80	\$ 5.93	\$ 16.95	\$ 11.53
Weighted-average shares used in per share calculations:					
Basic	415	418	408	417	410
Diluted ⁽¹⁾	427	429	424	428	426
Stock-based compensation expense:					
Cost of revenue	\$ 50	\$ 37	\$ 36	\$ 87	\$ 72
Research and development	354	267	261	621	529
Selling, general and administrative	109	87	89	196	172
Total stock-based compensation expense	\$ 513	\$ 391	\$ 386	\$ 904	\$ 773

(1) Excludes the potentially dilutive effect of Mandatory Convertible Preferred Stock for the fiscal quarter and two fiscal quarters ended May 1, 2022 as the impact was antidilutive. All outstanding shares of Mandatory Convertible Preferred Stock were converted into our common stock during the fiscal quarter ended October 30, 2022.

BROADCOM INC.
FINANCIAL RECONCILIATION: GAAP TO NON-GAAP — UNAUDITED
(IN MILLIONS)

	Fiscal Quarter Ended			Two Fiscal Quarters Ended	
	April 30, 2023	January 29, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Gross margin on GAAP basis	\$ 6,115	\$ 6,004	\$ 5,439	\$ 12,119	\$ 10,488
Amortization of acquisition-related intangible assets	441	535	707	976	1,437
Stock-based compensation expense	50	37	36	87	72
Restructuring charges	—	2	1	2	3
Acquisition-related costs	—	—	3	—	7
Gross margin on non-GAAP basis	<u>\$ 6,606</u>	<u>\$ 6,578</u>	<u>\$ 6,186</u>	<u>\$ 13,184</u>	<u>\$ 12,007</u>
Research and development on GAAP basis	\$ 1,312	\$ 1,195	\$ 1,261	\$ 2,507	\$ 2,467
Stock-based compensation expense	354	267	261	621	529
Acquisition-related costs	—	(1)	—	(1)	—
Research and development on non-GAAP basis	<u>\$ 958</u>	<u>\$ 929</u>	<u>\$ 1,000</u>	<u>\$ 1,887</u>	<u>\$ 1,938</u>
Selling, general and administrative expense on GAAP basis	\$ 438	\$ 348	\$ 368	\$ 786	\$ 689
Stock-based compensation expense	109	87	89	196	172
Acquisition-related costs	93	42	32	135	43
Selling, general and administrative expense on non-GAAP basis	<u>\$ 236</u>	<u>\$ 219</u>	<u>\$ 247</u>	<u>\$ 455</u>	<u>\$ 474</u>
Total operating expenses on GAAP basis	\$ 2,107	\$ 1,901	\$ 2,045	\$ 4,008	\$ 3,986
Amortization of acquisition-related intangible assets	348	348	398	696	795
Stock-based compensation expense	463	354	350	817	701
Restructuring, impairment and disposal charges	9	10	18	19	35
Acquisition-related costs	93	41	32	134	43
Total operating expenses on non-GAAP basis	<u>\$ 1,194</u>	<u>\$ 1,148</u>	<u>\$ 1,247</u>	<u>\$ 2,342</u>	<u>\$ 2,412</u>
Operating income on GAAP basis	\$ 4,008	\$ 4,103	\$ 3,394	\$ 8,111	\$ 6,502
Amortization of acquisition-related intangible assets	789	883	1,105	1,672	2,232
Stock-based compensation expense	513	391	386	904	773
Restructuring, impairment and disposal charges	9	12	19	21	38
Acquisition-related costs	93	41	35	134	50
Operating income on non-GAAP basis	<u>\$ 5,412</u>	<u>\$ 5,430</u>	<u>\$ 4,939</u>	<u>\$ 10,842</u>	<u>\$ 9,595</u>
Interest expense on GAAP basis	\$ (405)	\$ (406)	\$ (518)	\$ (811)	\$ (925)
Loss on debt extinguishment	—	—	112	—	112
Interest expense on non-GAAP basis	<u>\$ (405)</u>	<u>\$ (406)</u>	<u>\$ (406)</u>	<u>\$ (811)</u>	<u>\$ (813)</u>
Other income (expense), net on GAAP basis	\$ 113	\$ 143	\$ (86)	\$ 256	\$ (100)
(Gains) losses on investments	11	(44)	99	(33)	115
Other income, net on non-GAAP basis	<u>\$ 124</u>	<u>\$ 99</u>	<u>\$ 13</u>	<u>\$ 223</u>	<u>\$ 15</u>
Provision for income taxes on GAAP basis	\$ 235	\$ 66	\$ 200	\$ 301	\$ 415
Non-GAAP tax reconciling adjustments	407	574	346	981	641
Provision for income taxes on non-GAAP basis	<u>\$ 642</u>	<u>\$ 640</u>	<u>\$ 546</u>	<u>\$ 1,282</u>	<u>\$ 1,056</u>

	Fiscal Quarter Ended			Two Fiscal Quarters Ended	
	April 30, 2023	January 29, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Net income on GAAP basis	\$ 3,481	\$ 3,774	\$ 2,590	\$ 7,255	\$ 5,062
Amortization of acquisition-related intangible assets	789	883	1,105	1,672	2,232
Stock-based compensation expense	513	391	386	904	773
Restructuring, impairment and disposal charges	9	12	19	21	38
Acquisition-related costs	93	41	35	134	50
Loss on debt extinguishment	—	—	112	—	112
(Gains) losses on investments	11	(44)	99	(33)	115
Non-GAAP tax reconciling adjustments	(407)	(574)	(346)	(981)	(641)
Net income on non-GAAP basis	\$ 4,489	\$ 4,483	\$ 4,000	\$ 8,972	\$ 7,741
Weighted-average shares used in per share calculations - diluted on GAAP basis	427	429	424	428	426
Non-GAAP adjustment ⁽¹⁾	8	5	17	7	17
Weighted-average shares used in per share calculations - diluted on non-GAAP basis	435	434	441	435	443
Net income on non-GAAP basis	\$ 4,489	\$ 4,483	\$ 4,000	\$ 8,972	\$ 7,741
Interest expense	405	406	406	811	813
Provision for income taxes on non-GAAP basis	642	640	546	1,282	1,056
Depreciation	129	127	135	256	271
Amortization of purchased intangibles and right-of-use assets	21	22	24	43	48
Adjusted EBITDA	\$ 5,686	\$ 5,678	\$ 5,111	\$ 11,364	\$ 9,929
Net cash provided by operating activities	\$ 4,502	\$ 4,036	\$ 4,243	\$ 8,538	\$ 7,729
Purchases of property, plant and equipment	(122)	(103)	(85)	(225)	(186)
Free cash flow	\$ 4,380	\$ 3,933	\$ 4,158	\$ 8,313	\$ 7,543
	Fiscal Quarter Ending				
Expected average diluted share count ⁽²⁾ :	July 30, 2023				
Weighted-average shares used in per share calculation - diluted on GAAP basis	427				
Non-GAAP adjustment ⁽¹⁾	11				
Weighted-average shares used in per share calculation - diluted on non-GAAP basis	438				

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

	April 30, 2023	October 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,553	\$ 12,416
Trade accounts receivable, net	3,031	2,958
Inventory	1,886	1,925
Other current assets	1,401	1,205
Total current assets	17,871	18,504
Long-term assets:		
Property, plant and equipment, net	2,209	2,223
Goodwill	43,614	43,614
Intangible assets, net	5,434	7,111
Other long-term assets	2,539	1,797
Total assets	\$ 71,667	\$ 73,249
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 831	\$ 998
Employee compensation and benefits	634	1,202
Current portion of long-term debt	1,117	440
Other current liabilities	4,929	4,412
Total current liabilities	7,511	7,052
Long-term liabilities:		
Long-term debt	38,194	39,075
Other long-term liabilities	3,955	4,413
Total liabilities	49,660	50,540
Stockholders' equity:		
Preferred stock	—	—
Common stock	—	—
Additional paid-in capital	20,826	21,159
Retained earnings	1,363	1,604
Accumulated other comprehensive loss	(182)	(54)
Total stockholders' equity	22,007	22,709
Total liabilities and equity	\$ 71,667	\$ 73,249

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

	Fiscal Quarter Ended			Two Fiscal Quarters Ended	
	April 30, 2023	January 29, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Cash flows from operating activities:					
Net income	\$ 3,481	\$ 3,774	\$ 2,590	\$ 7,255	\$ 5,062
Adjustments to reconcile net income to net cash provided by operating activities:					
Amortization of intangible and right-of-use assets	810	905	1,129	1,715	2,280
Depreciation	129	127	135	256	271
Stock-based compensation	513	391	386	904	773
Deferred taxes and other non-cash taxes	(316)	(573)	—	(889)	70
Loss on debt extinguishment	—	—	100	—	100
Non-cash interest expense	33	32	33	65	65
Other	21	(39)	110	(18)	125
Changes in assets and liabilities, net of acquisitions and disposals:					
Trade accounts receivable, net	185	(276)	(536)	(91)	(1,004)
Inventory	13	26	(147)	39	(370)
Accounts payable	(114)	(80)	(31)	(194)	(31)
Employee compensation and benefits	91	(657)	215	(566)	(313)
Other current assets and current liabilities	(165)	570	287	405	808
Other long-term assets and long-term liabilities	(179)	(164)	(28)	(343)	(107)
Net cash provided by operating activities	4,502	4,036	4,243	8,538	7,729
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(225)	—	(234)
Purchases of property, plant and equipment	(122)	(103)	(85)	(225)	(186)
Purchases of investments	(197)	—	—	(197)	(200)
Other	1	—	—	1	1
Net cash used in investing activities	(318)	(103)	(310)	(421)	(619)
Cash flows from financing activities:					
Proceeds from long-term borrowings	—	—	1,935	—	1,935
Payments on debt obligations	—	(260)	(2,097)	(260)	(2,352)
Payments of dividends	(1,914)	(1,926)	(1,750)	(3,840)	(3,514)
Repurchases of common stock - repurchase program	(2,806)	(1,188)	(2,776)	(3,994)	(5,500)
Shares repurchased for tax withholdings on vesting of equity awards	(614)	(333)	(514)	(947)	(889)
Issuance of common stock	63	—	59	63	60
Other	(7)	5	(4)	(2)	(8)
Net cash used in financing activities	(5,278)	(3,702)	(5,147)	(8,980)	(10,268)
Net change in cash and cash equivalents	(1,094)	231	(1,214)	(863)	(3,158)
Cash and cash equivalents at beginning of period	12,647	12,416	10,219	12,416	12,163
Cash and cash equivalents at end of period	<u>\$ 11,553</u>	<u>\$ 12,647</u>	<u>\$ 9,005</u>	<u>\$ 11,553</u>	<u>\$ 9,005</u>
Supplemental disclosure of cash flow information:					
Cash paid for interest	\$ 397	\$ 361	\$ 459	\$ 758	\$ 699
Cash paid for income taxes	\$ 891	\$ 273	\$ 240	\$ 1,164	\$ 426