

I bet you **never saw** the
products of **US\$800bn**
Broadcom



Think about it; you know what products and services



CASE STUDY

VALUATION MASTER CLASS

by

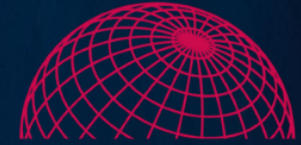
A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

- ★ Apple, Microsoft, Amazon, Meta, and Tesla sell

Yet, Broadcom is the 10th largest company in the world

- ★ Its bigger than 154-year-old Exxon Mobil
- ★ Twice the size of 187-year-old Procter & Gamble and 138-year-old Johnson & Johnson
- ★ Three times more valuable than 132-year-old Coca-Cola
- ★ Four times the worth of 113-year-old IBM



CASE STUDY

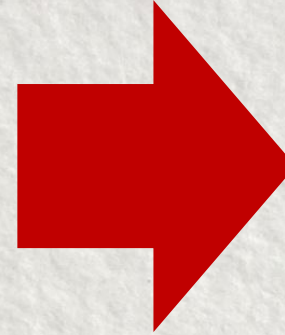
VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

Welcome to this...



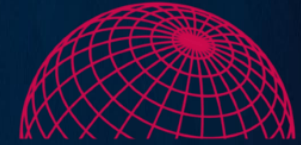
**Click the link in the description to grab my
Top 500 Global Companies Cheat Sheet**



Valuation Master Class

In this video you will learn

- ★ Why Broadcom is the fastest-growing brand in the semiconductor industry
- ★ Uncover Broadcom's unique acquisition strategy
- ★ Assess the effectiveness of Broadcom's competitive advantage
- ★ Evaluate Broadcom's potential using my cheat sheet for assessing any stock's attractiveness



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

- 🌐 And you can get that Cheat Sheet and this presentation for free by clicking on the link in the description

I bet you never saw the products of US\$800bn Broadcom



CASE STUDY

VALUATION MASTER CLASS

by

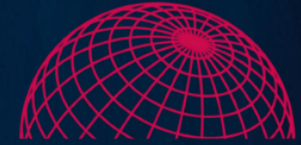
A. Stotz INVESTMENT
RESEARCH

**This is not a recommendation
or investment advice.**

- 🌐 What is the company's background?
- 🌐 What is its competitive strategy?
- 🌐 Does that strategy lead to a competitive advantage?
- 🌐 What does the valuation look like?

A powerhouse in tech

- ★ Broadcom is a global semiconductor and infrastructure software company that designs, develops, manufactures, and supplies a wide range of products
- ★ Broadcom is an amalgamation of a portfolio of 16 semiconductor franchises and two leading software franchises that have come together to form the company that exists today



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA



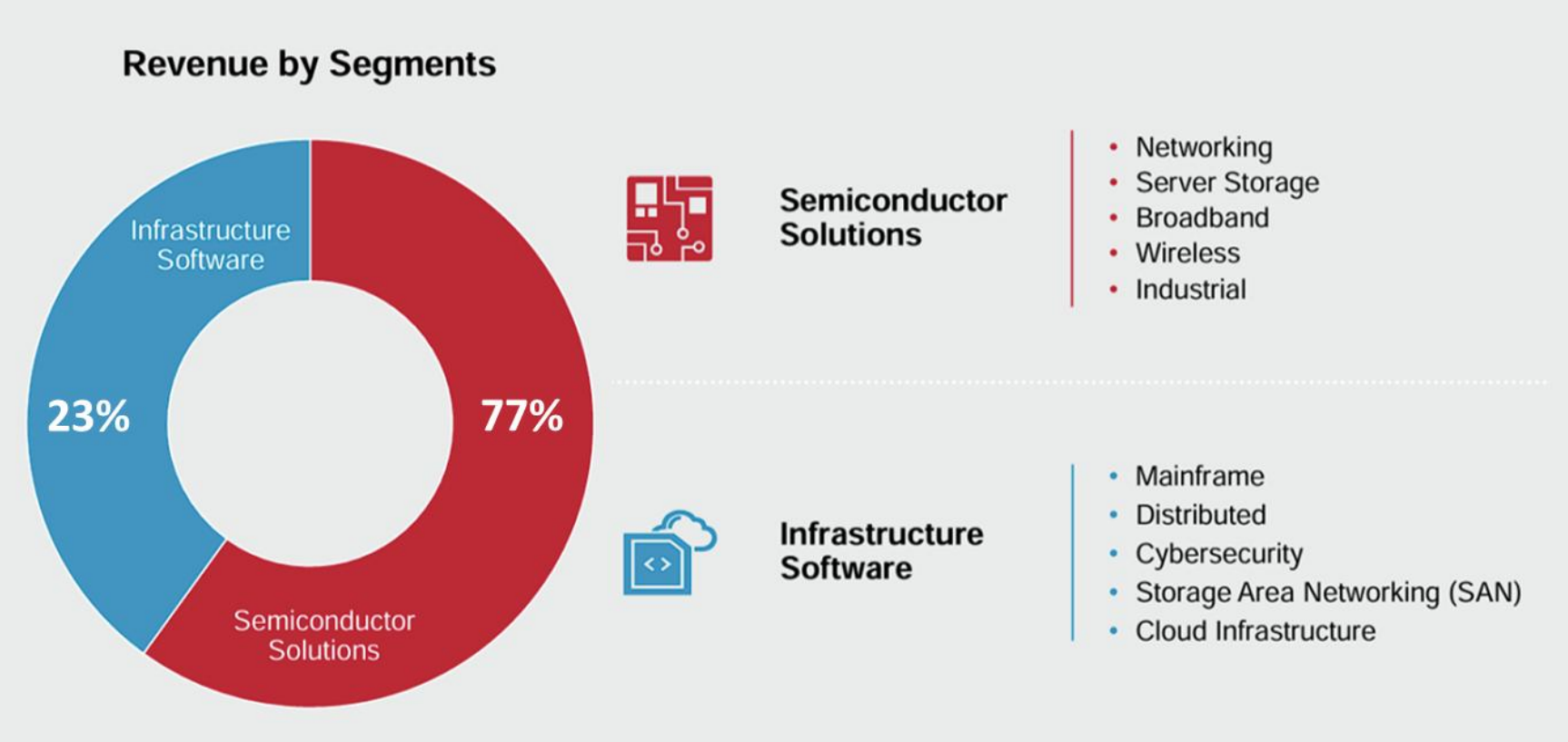
Broadcom earned US\$36bn in 2023 from its two main segments



CASE STUDY VALUATION MASTER CLASS

by *A. Stotz* INVESTMENT RESEARCH

Andrew Stotz, PhD, CFA



Top customers



Apple
20% of sales



Samsung
10% of sales

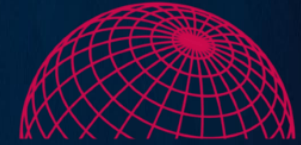
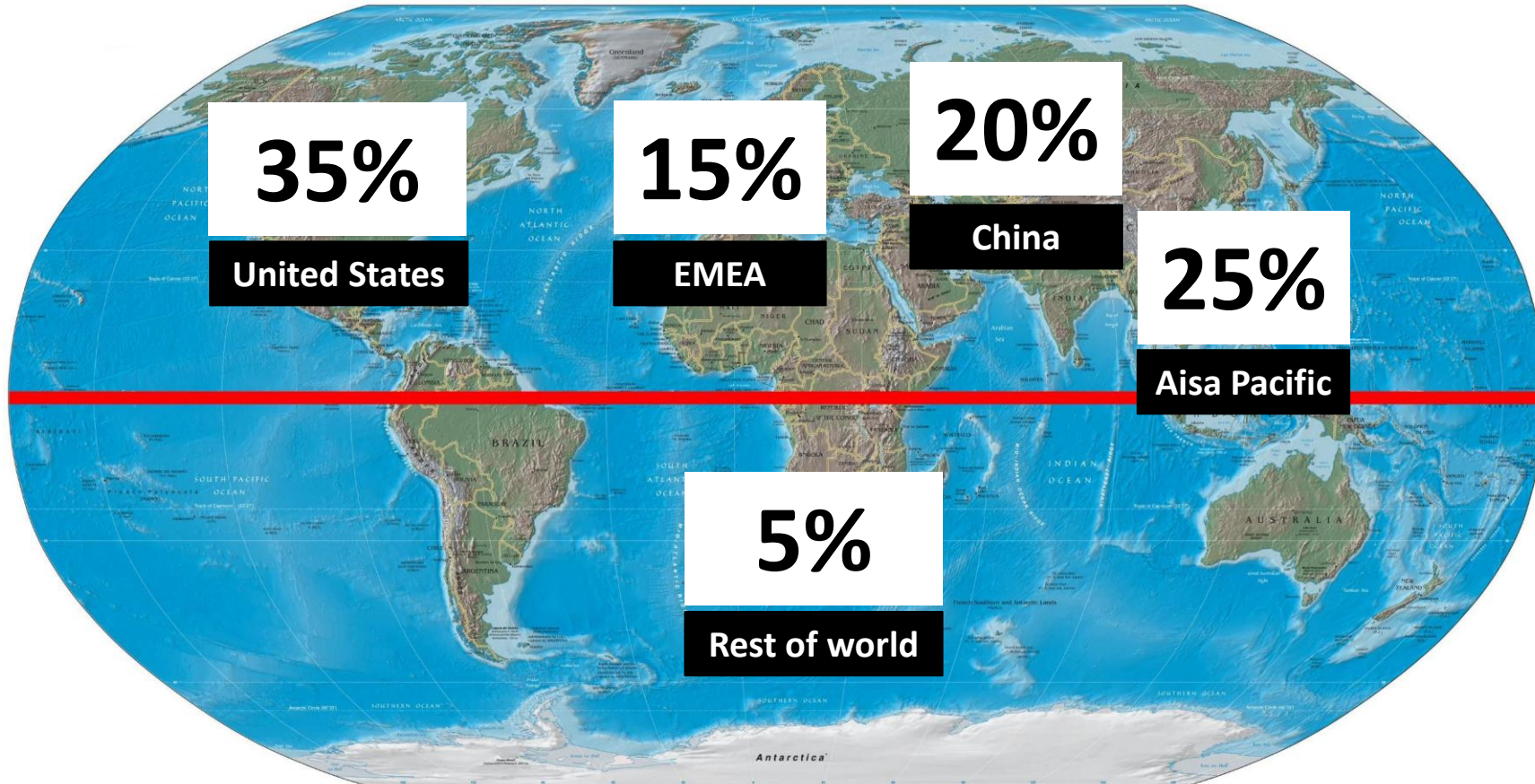


CASE STUDY
VALUATION MASTER CLASS

by
A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

Broadcom has a diverse global footprint, with strong contributions from various regions



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

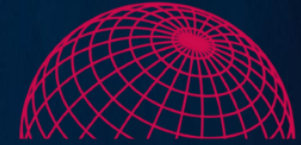
INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

- 🌐 Broadcom thrives in Asia-Pacific through strategic partnerships with global tech giants and a focus on key semiconductor manufacturing hubs

Broadcom timeline

- ★ 1961 – HP origins
 - **Broadcom's roots trace back to Hewlett-Packard's semiconductor division**
- ★ 1991 – Broadcom
 - **Founded by Henry Samueli and Henry Nicholas in Irvine, California**
- ★ 1998 – IPO
 - **Broadcom Corporation goes public during the tech boom**



CASE STUDY VALUATION MASTER CLASS

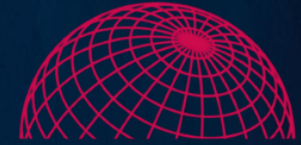
by
A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA



Broadcom timeline

- ★ 2016 – Broadcom merger
 - **Avago acquires Broadcom Corp., combining semiconductor and enterprise software expertise**
- ★ 2017–2019 – Strategic acquisitions
 - **Broadcom expanded its presence across networking with Brocade, cybersecurity with CA Technologies, and software with Symantec**
- ★ 2023 – VMware acquisition
 - **Diversifying its business further into cloud computing and virtualization solutions**



CASE STUDY
VALUATION MASTER CLASS


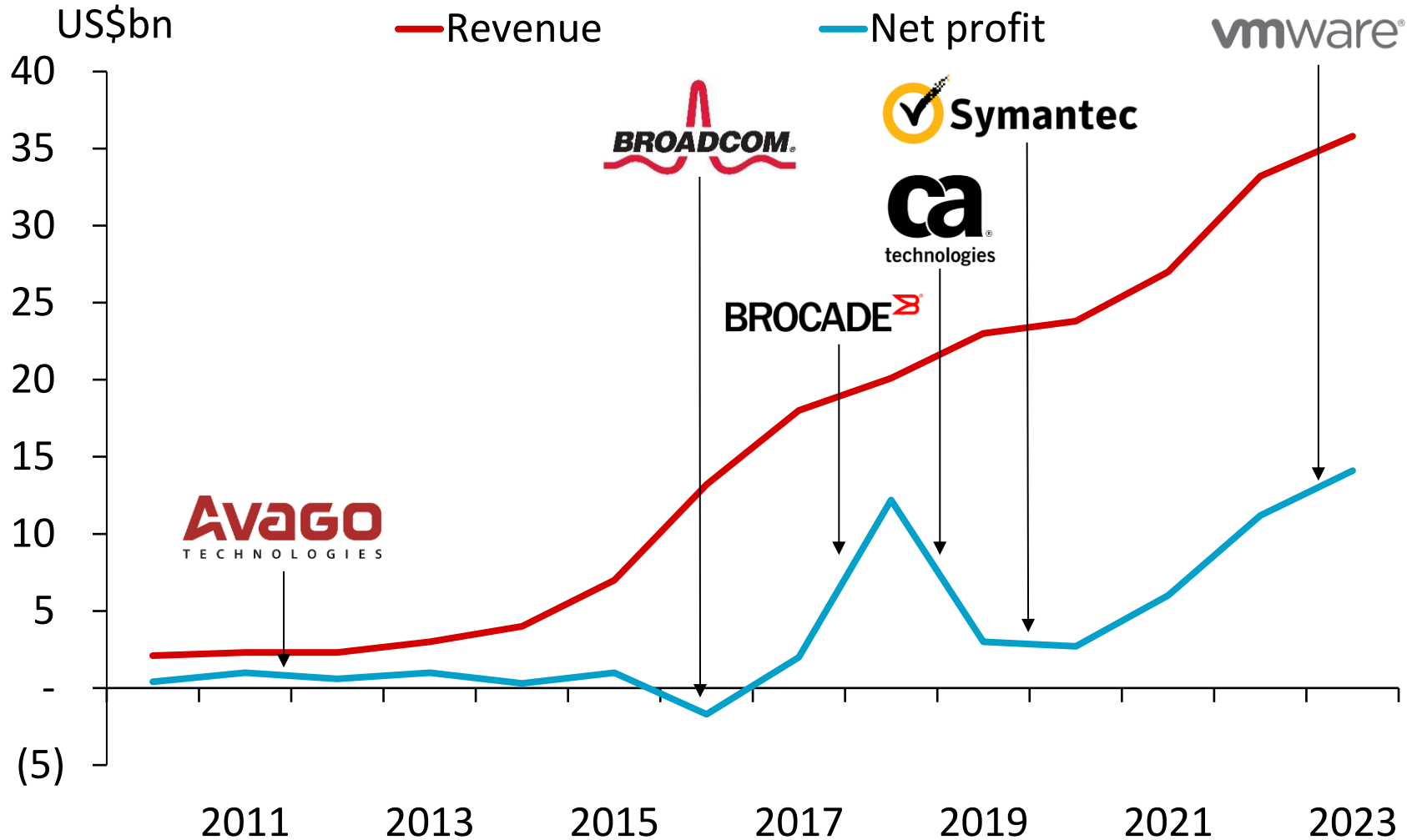
by
A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

 **BROADCOM®**

vmware®

Effects of these acquisitions on revenue and net profit



CASE STUDY

VALUATION MASTER CLASS

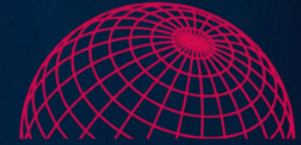
by *A. Stotz* INVESTMENT RESEARCH

Andrew Stotz, PhD, CFA

- Broadcom's revenue grew with each acquisition, but net profit showed variability
- Profits peaked after Brocade but dropped post-CA due to integration costs
- They rebounded post-Symantec with organic growth

The third-largest tech acquisition in history

- ★ Broadcom acquired VMware in a cash-and-stock deal worth US\$61bn
- ★ VMware's virtualization software allows a single computer to act as multiple machines, helping corporations manage cloud networks and data centers
- ★ The acquisition propelled Broadcom's software segment, driving a 200% YoY revenue increase, contributing US\$4 billion in Q3 alone



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

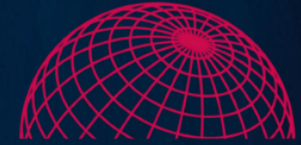
Andrew Stotz, PhD, CFA

 **BROADCOM**[®]

vmware[®]

In this video you will learn

- ★ Why Broadcom is the fastest-growing brand in the semiconductor industry
- ★ Uncover Broadcom's unique acquisition strategy
- ★ Assess the effectiveness of Broadcom's competitive advantage
- ★ Evaluate Broadcom's potential using my cheat sheet for assessing any stock's attractiveness



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

INVESTMENT
RESEARCH

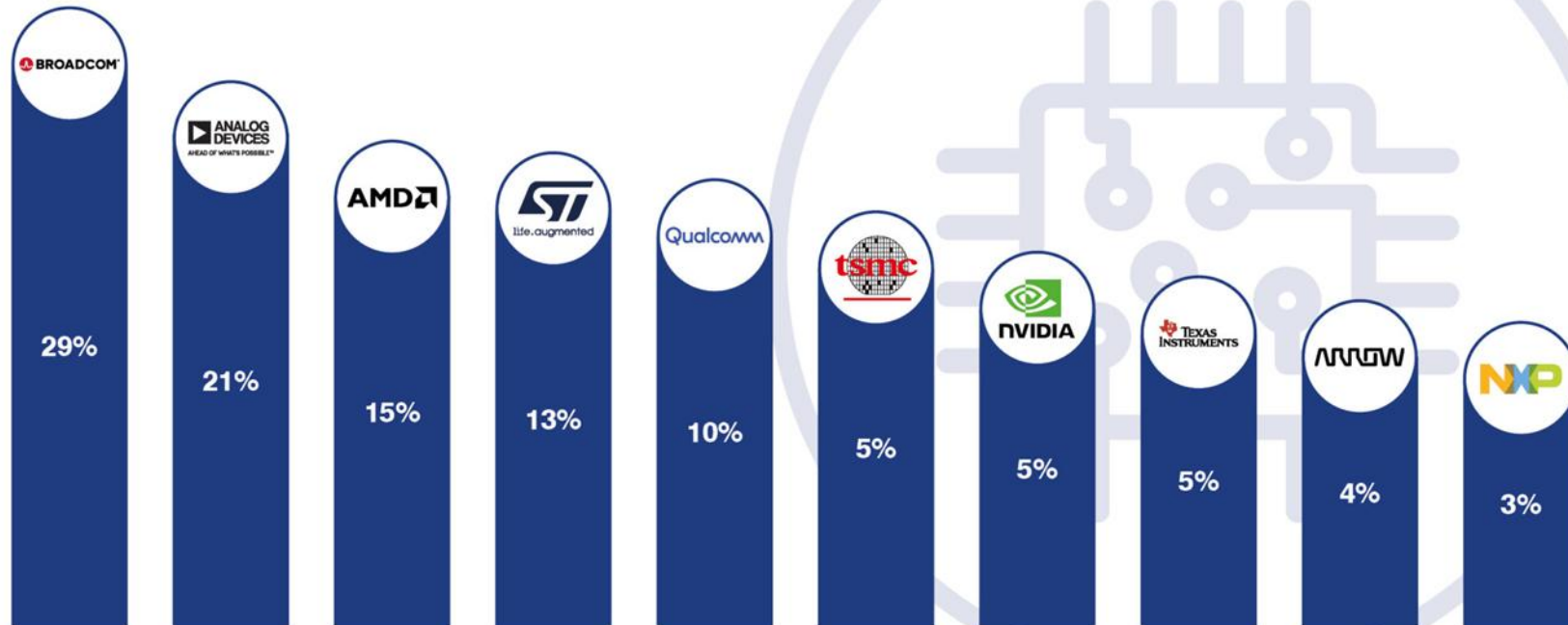
Andrew Stotz, PhD, CFA

- 🌐 And you can get that Cheat Sheet and this presentation for free by clicking on the link in the description

As of 2023, Broadcom is the fastest-growing semiconductor brand in terms of brand value



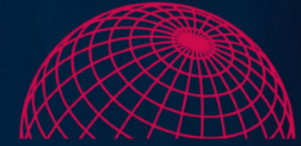
FASTEST-GROWING SEMICONDUCTORS BRANDS 2023



Brand Finance®

Source: Brand Finance Semiconductors 20 2023

brandirectory.com/semiconductors



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

INVESTMENT
RESEARCH

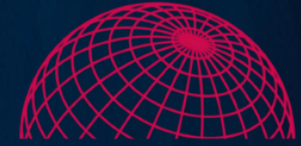
Andrew Stotz, PhD, CFA



Let's find out why

Record high revenues

- ★ In 2023, Broadcom achieved a revenue of US\$36bn, an 8% YoY increase, despite no acquisitions since 2020
- ★ Its semiconductor solutions segment grew at an impressive 18% CAGR over three years, showcasing consistent innovation and customer demand
- ★ The operating profit grew by 9%, and net profit grew up 11% reaching US\$11bn



CASE STUDY

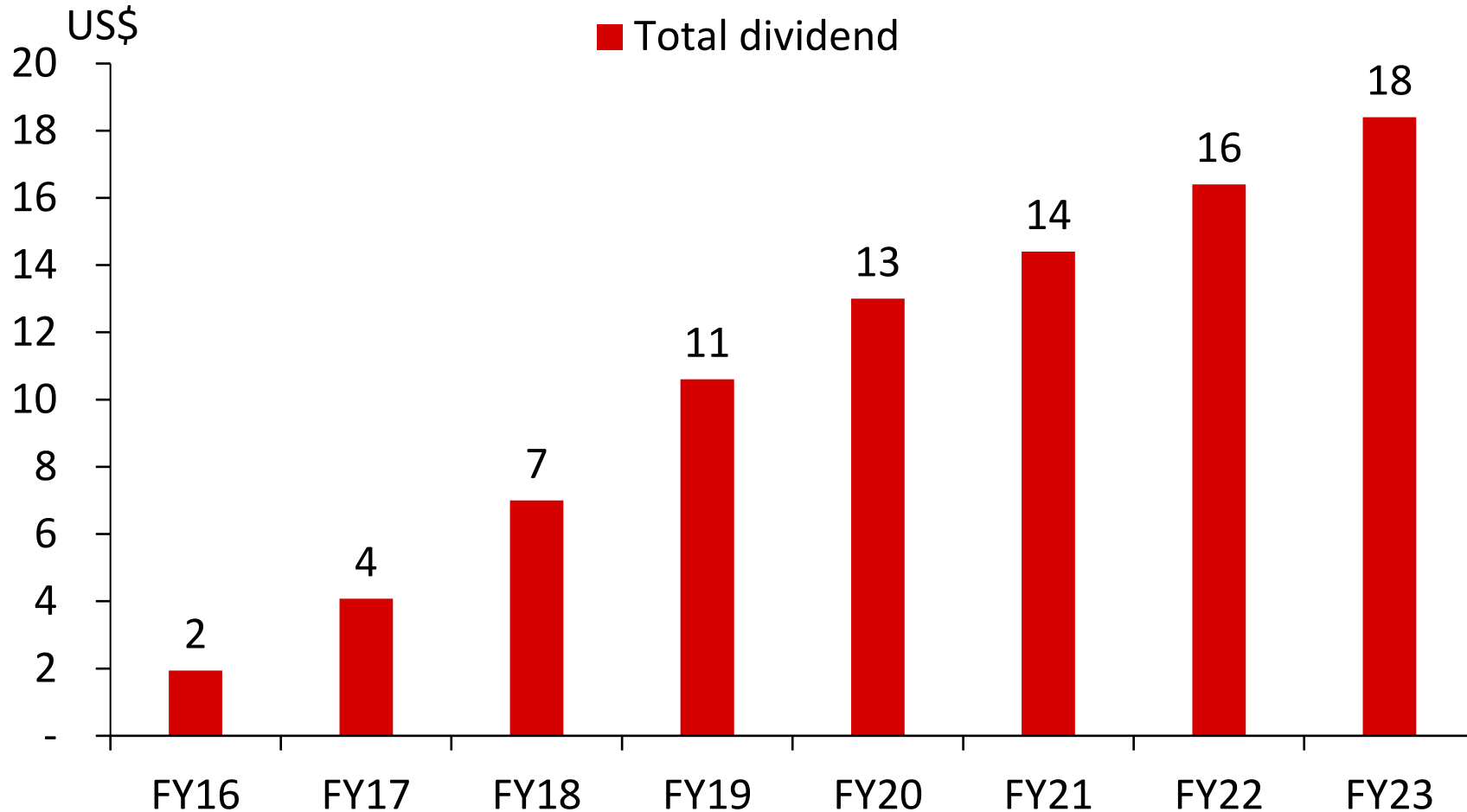
VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

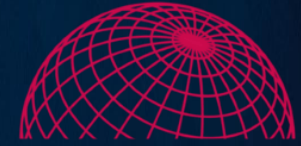
Growing common stock dividend at an average YoY growth rate of 42%



This is not a recommendation or investment advice.

Sources: Semiconductor Watch, Substack

18



CASE STUDY

VALUATION MASTER CLASS

by

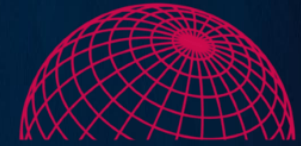
A. Stotz INVESTMENT RESEARCH

Andrew Stotz, PhD, CFA

- 🌐 This growth emphasizes the company's focus on returning value to shareholders over the years

Recap: What is the company's background?

- Broadcom shows strong financial performance in 2023, maintaining consistent growth
- Not all acquisitions have led to significant profitability
- The VMware acquisition strengthened Broadcom's cloud presence



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

I bet you never saw the products of US\$800bn Broadcom



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

**This is not a recommendation
or investment advice.**

- 🌐 What is the company's background?
- 🌐 **What is its competitive strategy?**
- 🌐 Does that strategy lead to a competitive advantage?
- 🌐 What does the valuation look like?

Broadcom - US - Founded 1991

Info. Tech. Industry, 20,000 employees, US\$36bn revenue

Main segments/products/divisions

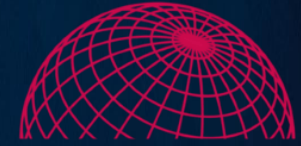
- Semiconductors (Data center switches, wireless communication, ethernet, etc.)
- Infrastructure software (networking and storage, mobile device, broadband, etc.)

Its competitive advantage

Competitive advantage through a diversified product portfolio backed by strategic acquisitions and strong customer partnerships

How it achieved its competitive advantage

Achieved by strategic acquisitions, innovation in semiconductors, strong customer relationships, operational efficiency, and focus on high-growth markets



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

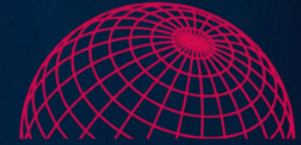
INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA



In this video you will learn

- ★ Why Broadcom is the fastest-growing brand in the semiconductor industry
- ★ Uncover Broadcom's unique acquisition strategy
- ★ Assess the effectiveness of Broadcom's competitive advantage
- ★ Evaluate Broadcom's potential using my cheat sheet for assessing any stock's attractiveness



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

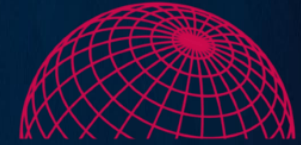
INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

- 🌐 And you can get that Cheat Sheet and this presentation for free by clicking on the link in the description

The Broadcom acquisition strategy

- ★ The strategy is simple – Broadcom focuses on acquiring market-leading companies with sticky customers, recurring revenue, and high margins but with excessive costs
- ★ It streamlines operations by cutting middle management and sales and marketing functions to create a leaner organization



CASE STUDY

VALUATION MASTER CLASS

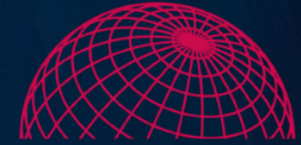
by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

The Broadcom acquisition strategy

- ★ The strategy works particularly well for semiconductor businesses, where growth is driven by content upgrades rather than expanding the customer base
- ★ This approach leads to much higher margins and cash flow generation that is focused on core products and profits
- ★ The net result of all this acquisition activity is a large diversified company with a market cap of US\$800bn and 23 divisions



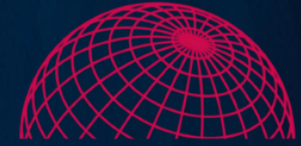
CASE STUDY
VALUATION MASTER CLASS

by
A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

Powering the AI boom

- ★ One of the key products seeing massive demand in the Gen-AI boom is Graphics Processing Unit (GPU) accelerators
- ★ Let me explain what they are
- ★ A GPU is a processor designed to handle complex and heavy computational workloads, and a GPU accelerator boosts the GPU's performance by efficiently handling specialized tasks



CASE STUDY

VALUATION MASTER CLASS

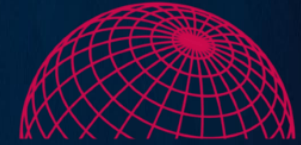
by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

Powering the AI boom

- ★ Broadcom does not compete with Nvidia directly as it does not design and supply GPUs
- ★ Instead, it supplies GPU accelerators which help GPUs work better for specialized tasks, making them indispensable to the system



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

Innovation in semiconductors

- ★ Broadcom is strategically positioned to capitalize on the growing demand for AI semiconductors
- ★ The company has developed specialized AI chip designs tailored to meet the specific needs of hyper-scale cloud providers, allowing it to cater to their high-scale requirements



CASE STUDY

VALUATION MASTER CLASS

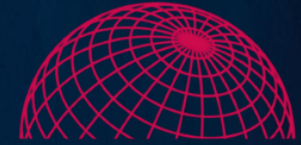
by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

Strong customer relations

- ★ The company secured partnerships with major clients like Apple, Google, Meta, and ByteDance for its AI-integrated circuits
- ★ Broadcom has long been Apple's go-to supplier for Wi-Fi and Bluetooth connectivity chips, as well as for other components like touch-screen controllers
- ★ Broadcom's market leadership and strong customer relationships provide a long-term competitive advantage



CASE STUDY
VALUATION MASTER CLASS

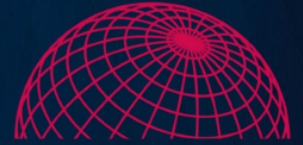
by
A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA



Recap: What is its competitive strategy?

- Acquisition strategy focuses on cutting costs and boosting efficiency
- Powers the AI boom with GPU accelerators
- Strong partnerships ensure a competitive market edge



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

I bet you never saw the products of US\$800bn Broadcom



CASE STUDY

VALUATION MASTER CLASS

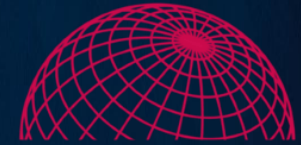
by

A. Stotz INVESTMENT
RESEARCH

**This is not a recommendation
or investment advice.**

- 🌐 What is the company's background?
- 🌐 What is its competitive strategy?
- 🌐 **Does that strategy lead to a competitive advantage?**
- 🌐 What does the valuation look like?

**Is the company
financially world class?**



CASE STUDY
VALUATION MASTER CLASS

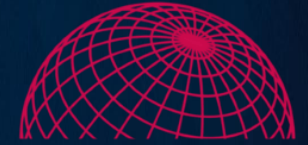
by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA



I use my **World Class Benchmarking** scorecard to measure if a company has a **competitive advantage**



CASE STUDY

VALUATION MASTER CLASS

by

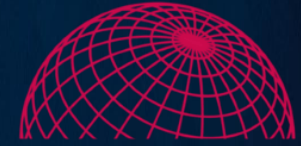
A. Stotz

INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

I developed this scorecard ten years ago; here's how we construct it

- ★ My team gathers the yearly and quarterly financial data of 26,000 companies worldwide
- ★ We then calculate each company's **Profitable Growth** score
 - Which is a composite measure of both profitability and growth



CASE STUDY VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

I developed this scorecard ten years ago; here's how we construct it

- ★ After that, we rank the company relative to sector peers of similar size
 - A decile ranking of 1 or 2 is financially world class, while 10 is the worst
- ★ We assess the company's performance over the prior four years and the past 12 months (PTM)

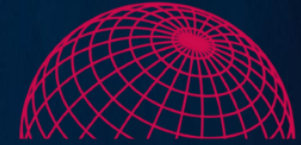


Andrew Stotz, PhD, CFA

**Is the company
financially
world class?**

In this video you will learn

- ★ Why Broadcom is the fastest-growing brand in the semiconductor industry
- ★ Uncover Broadcom's unique acquisition strategy
- ★ Assess the effectiveness of Broadcom's competitive advantage
- ★ Evaluate Broadcom's potential using my cheat sheet for assessing any stock's attractiveness



CASE STUDY

VALUATION MASTER CLASS

by

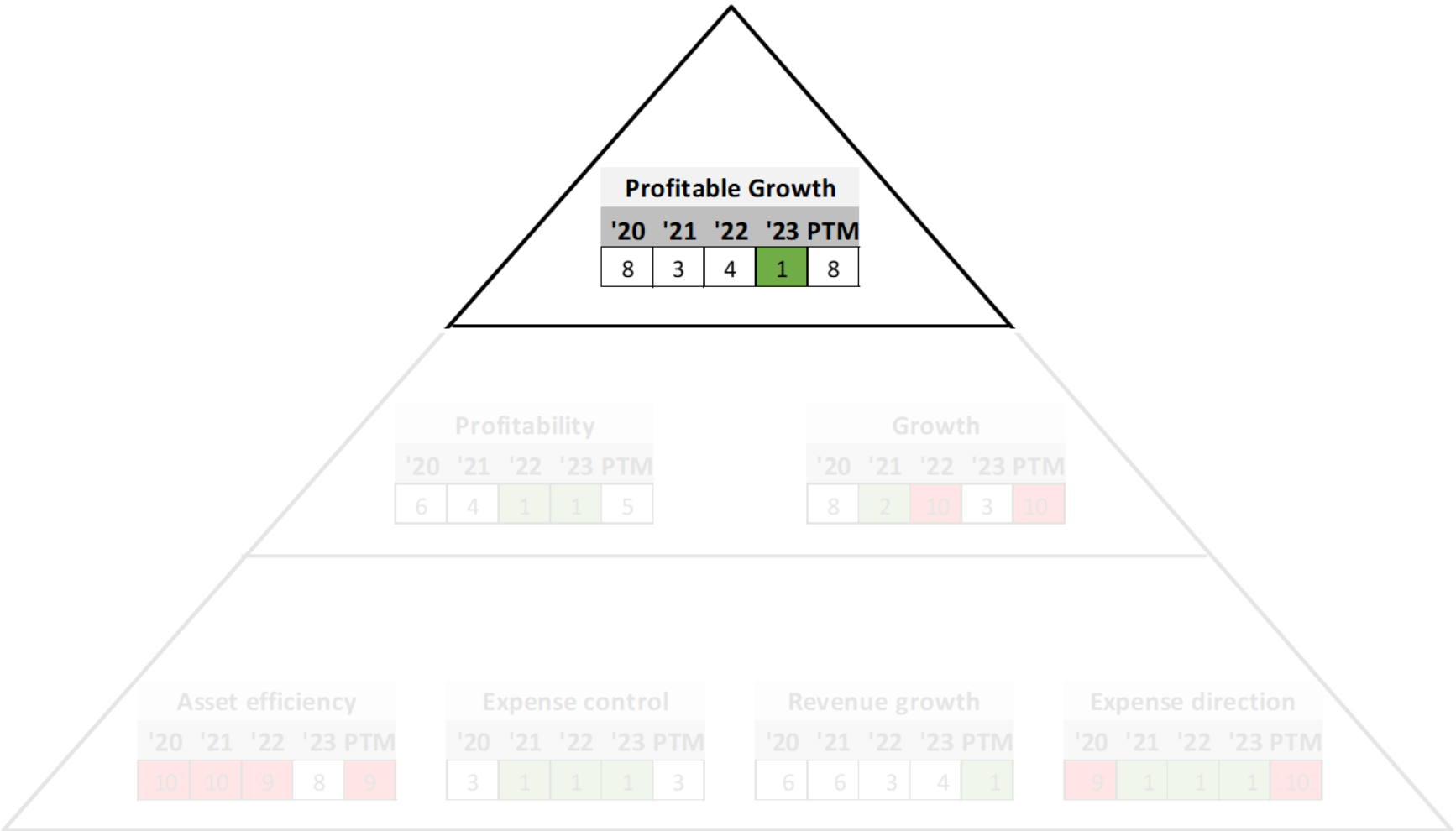
A. Stotz

INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

- 🌐 And you can get that Cheat Sheet and this presentation for free by clicking on the link in the description

Broadcom: A. Stotz Profitable Growth



Benchmarked against 620 large Info Tech companies worldwide.

This is not a recommendation or investment advice.

Sources: A. Stotz Investment Research. Notes: 1 = top ranking and 10 = worst. Most recent year's data is based on the past 12 months (PTM) of published data.



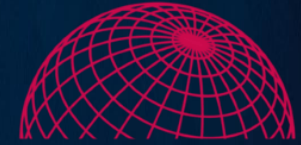
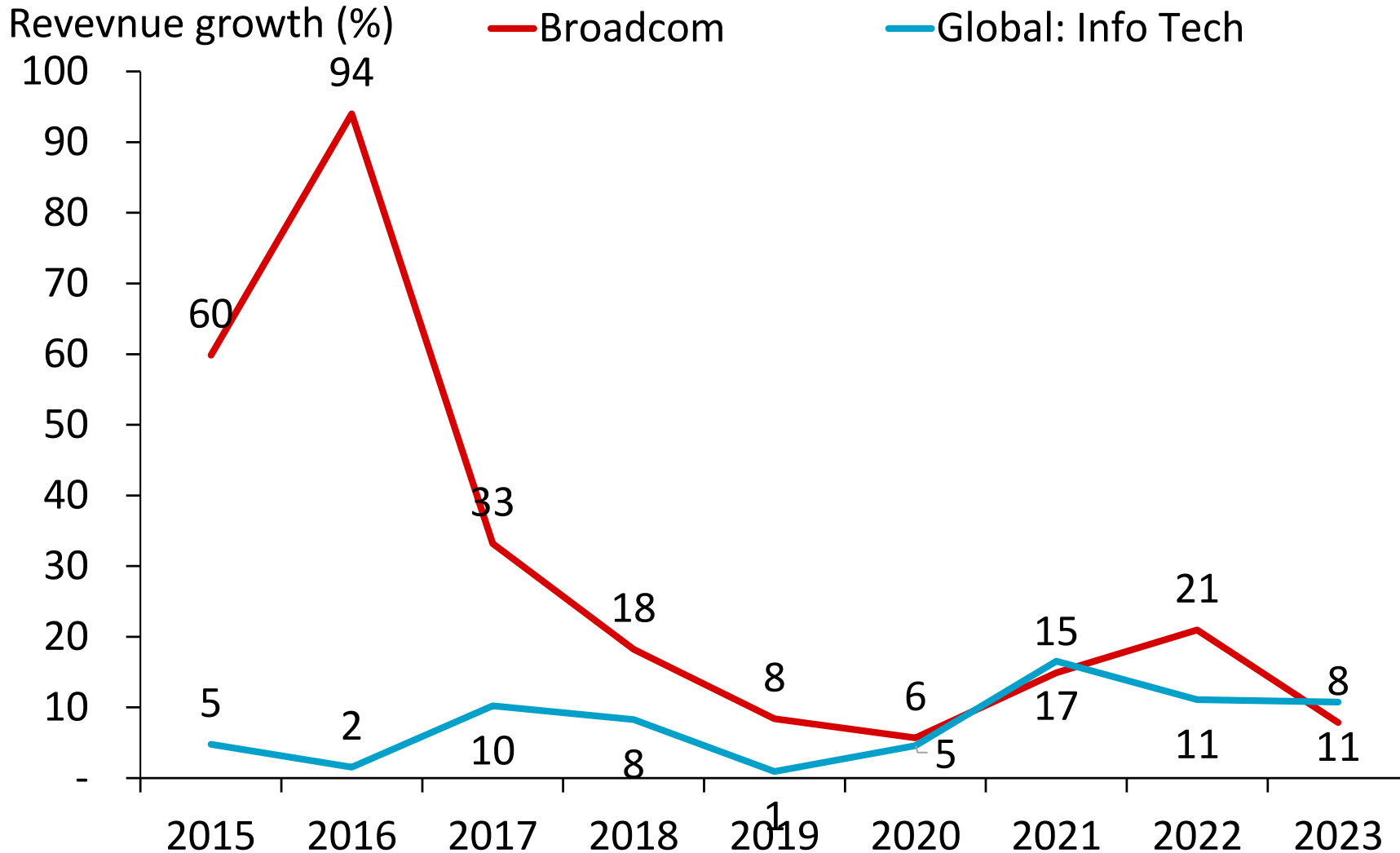
CASE STUDY
VALUATION MASTER CLASS

by *A. Stotz* INVESTMENT RESEARCH

Andrew Stotz, PhD, CFA



Revenue has dropped to global industry average in the past 3 years



CASE STUDY

VALUATION MASTER CLASS

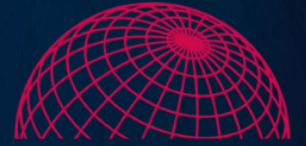
by

A. Stotz INVESTMENT RESEARCH

Andrew Stotz, PhD, CFA

Recap: Does its strategy lead to a competitive advantage?

- No
- Despite its strengths, the company ranks poorly on our World Class Benchmarking scorecard, except in 2023



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

I bet you never saw the products of US\$800bn Broadcom



CASE STUDY

VALUATION MASTER CLASS

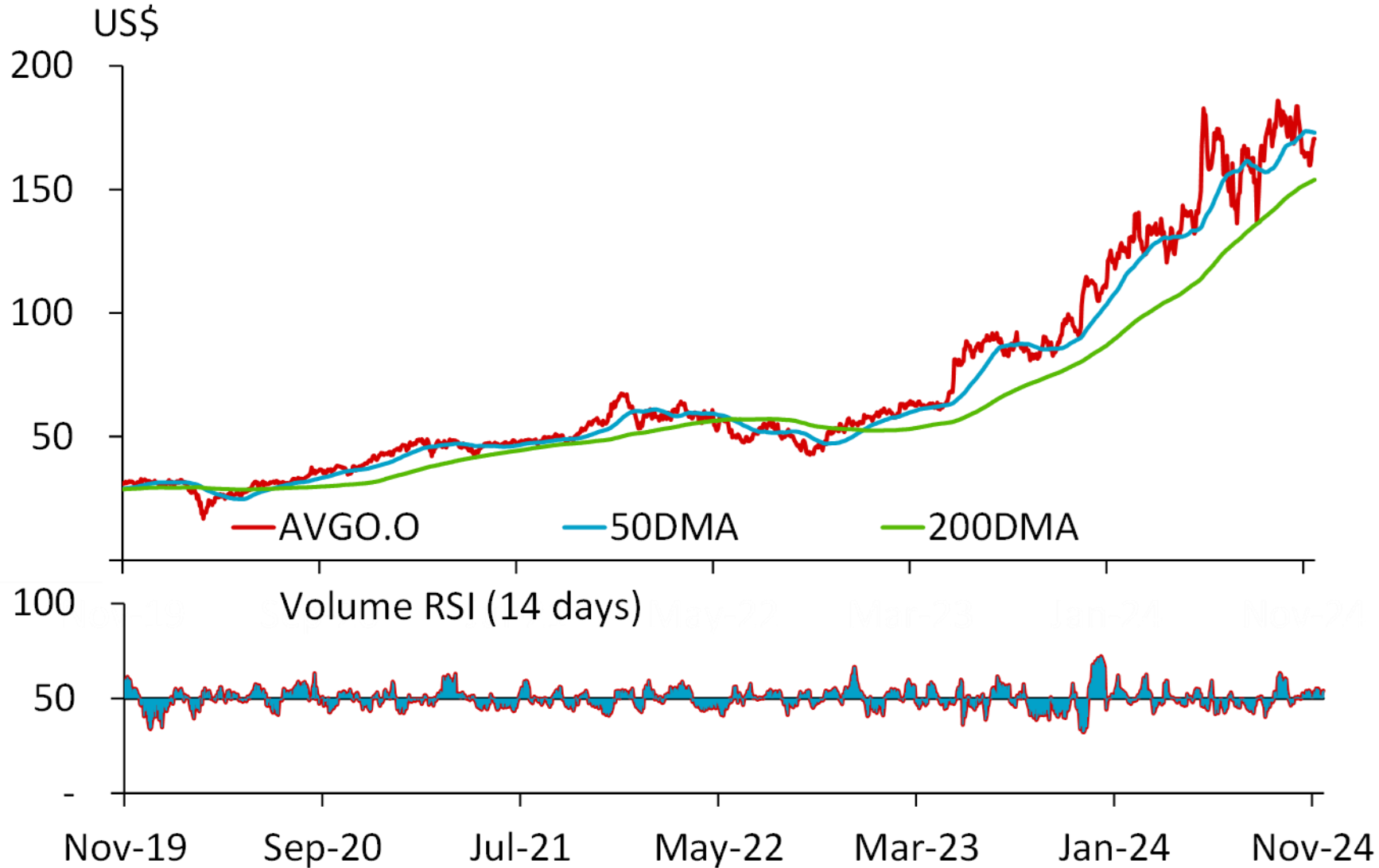
by

A. Stotz INVESTMENT
RESEARCH

**This is not a recommendation
or investment advice.**

- 🌐 What is the company's background?
- 🌐 What is its competitive strategy?
- 🌐 Does that strategy lead to a competitive advantage?
- 🌐 **What does the valuation look like?**

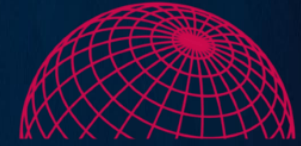
Broadcom's strong price momentum indicates investor optimism



**This is not a recommendation
or investment advice.**

Sources: A. Stotz Investment Research, Refinitiv

40



CASE STUDY

VALUATION MASTER CLASS

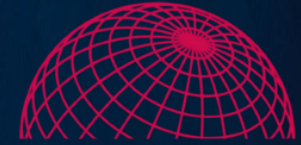
by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

- 🌐 Broadcom's stock has a strong upward trend, staying above moving averages
- 🌐 But concerns about sustainability arise from high valuations, reliance on acquisitions, and potential market slowdowns
- 🌐 Volume RSI appears stable

I use my **FVMR** methodology
to determine the
attractiveness of the
company



CASE STUDY
VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

Net profit margin (NPM)
Return on assets (ROA)

MANAGEMENT

EARNINGS

FUNDAMENTALS

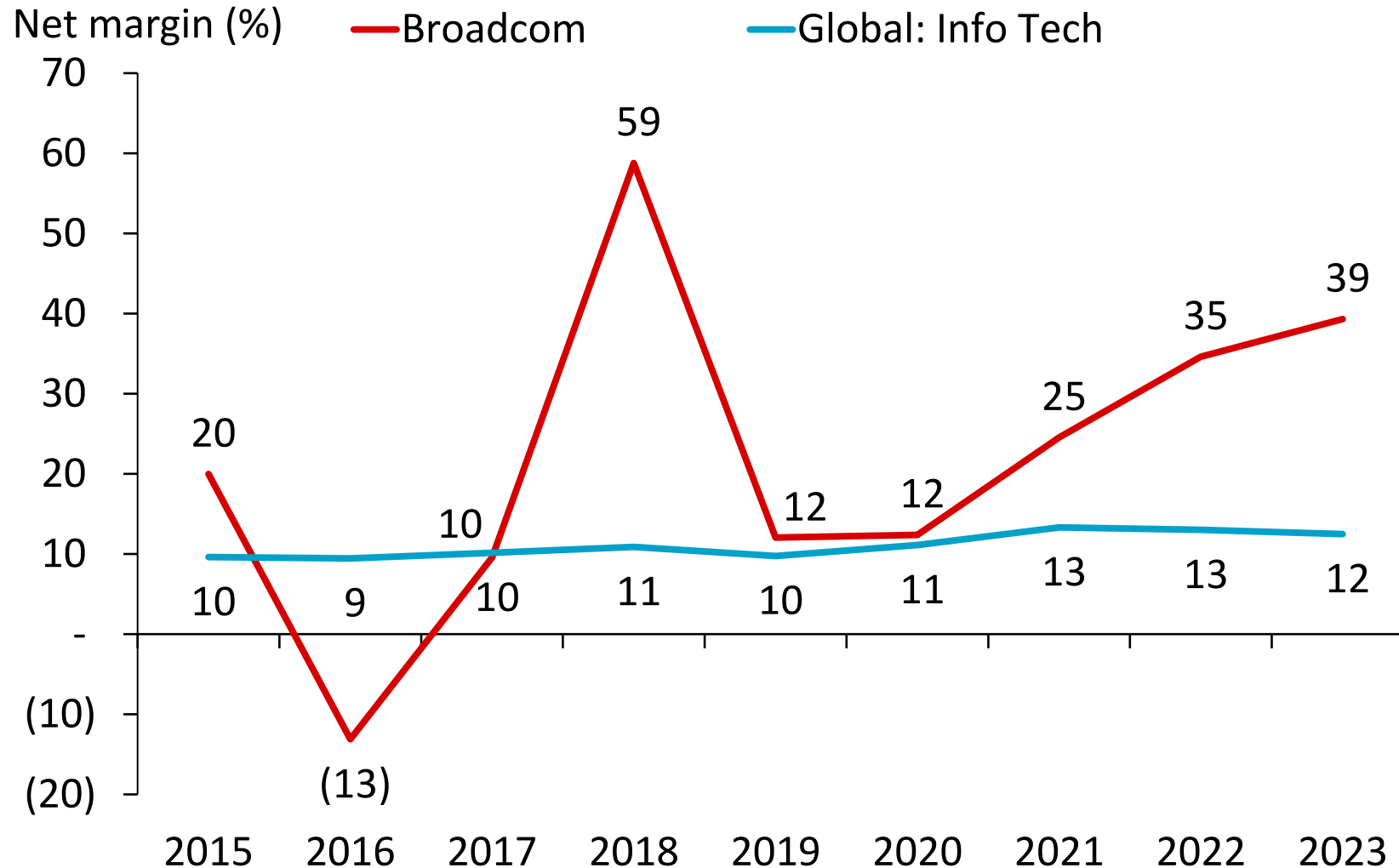
FVMR

INVESTORS

PRICE



Net margins are consistently higher than the global industry average



This is not a recommendation or investment advice.

Sources: A. Stotz Investment Research, Refinitiv

43



CASE STUDY VALUATION MASTER CLASS

by
A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

- 🌐 Broadcom's transition to enterprise boosts margins due to higher recurring revenues
- 🌐 Its disciplined cost management provides long-term profitability
- 🌐 But the cyclical nature of the semiconductor industry poses risks to sustaining margins

MANAGEMENT

EARNINGS

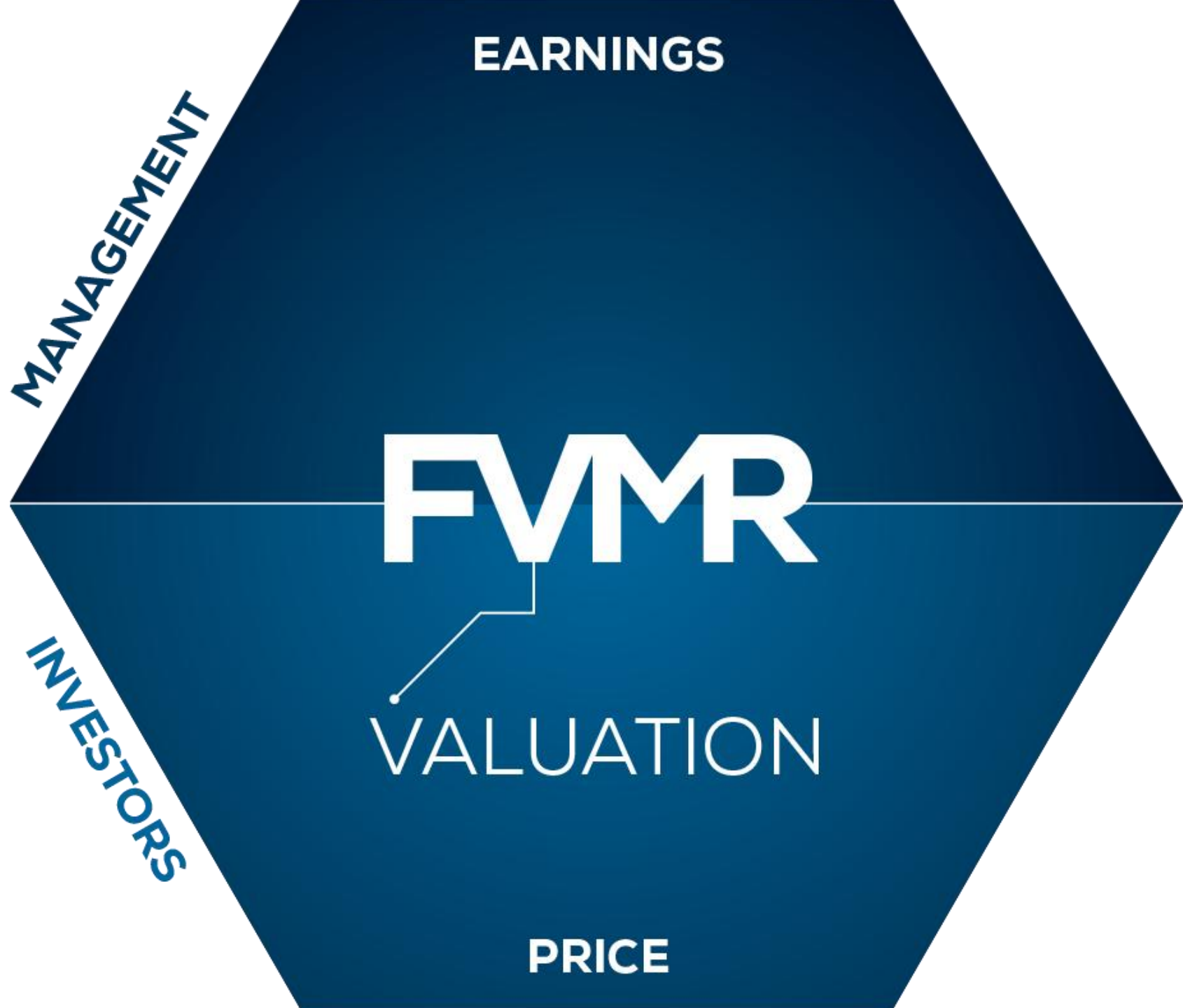
FVMR

VALUATION

PRICE

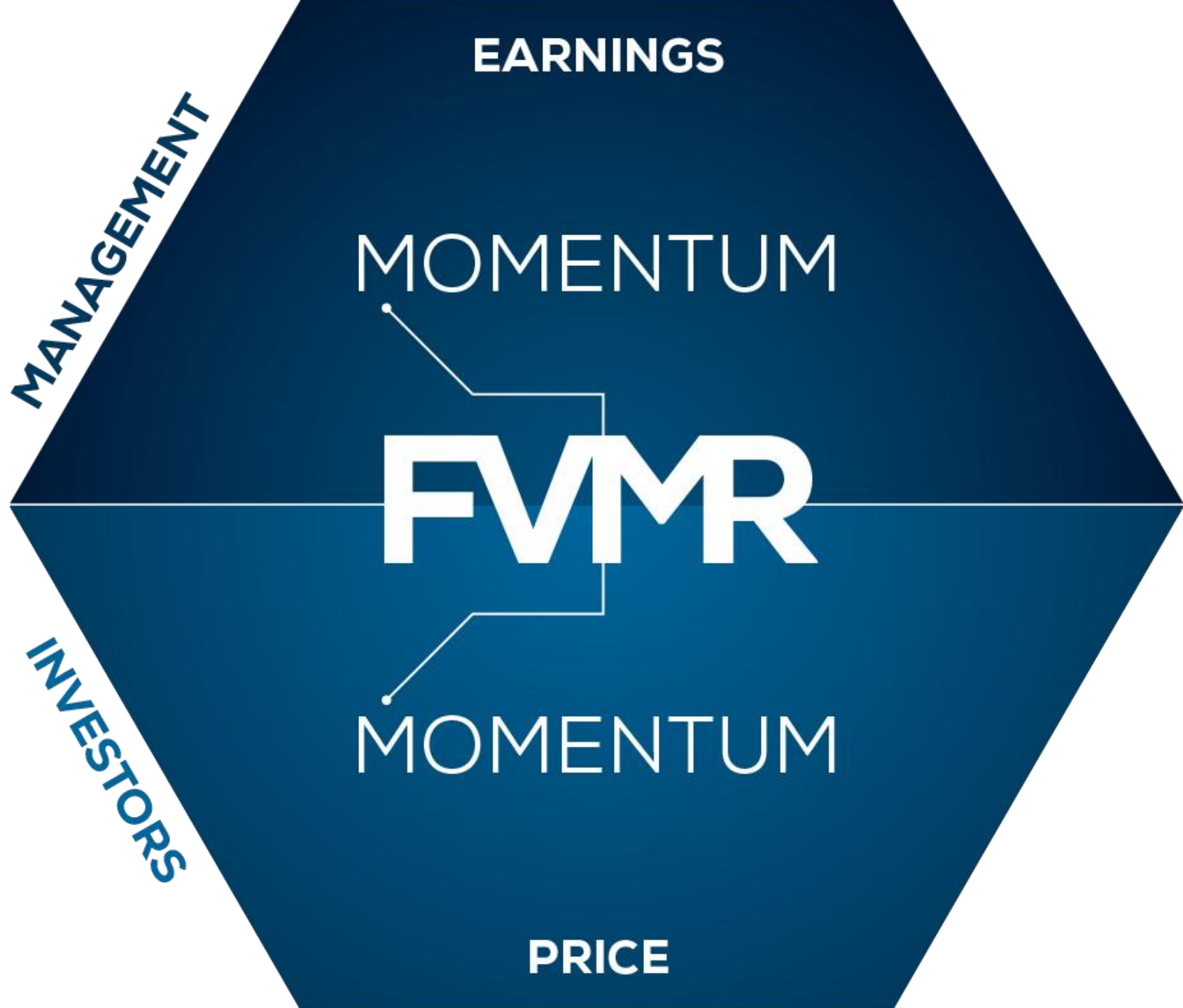
INVESTORS

Price-to-earnings (PE)
Price-to-book value (PB)



EPS growth (EPS)

% Price change (Price*)



EARNINGS

MOMENTUM

FVMR

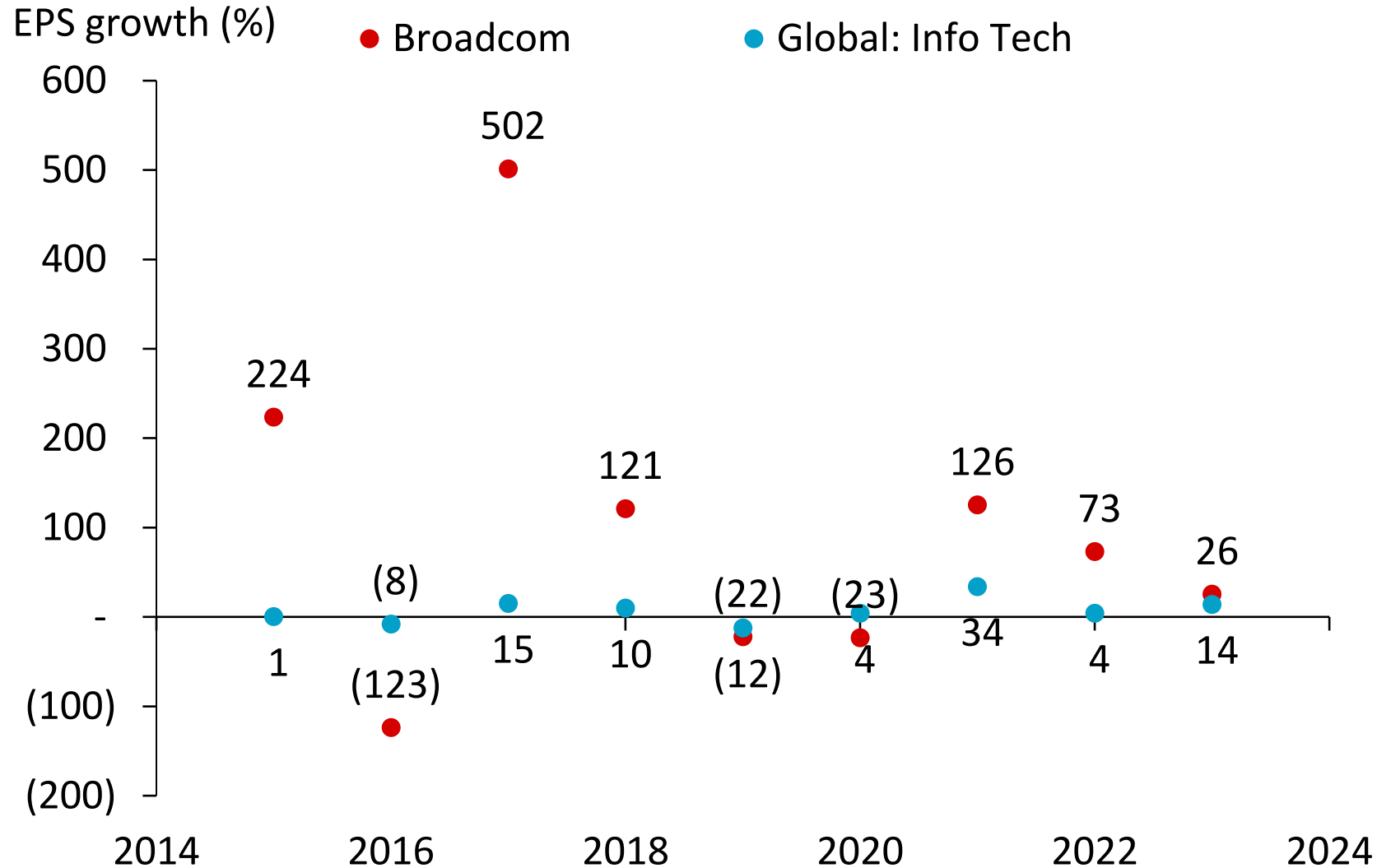
MOMENTUM

PRICE

MANAGEMENT

INVESTORS

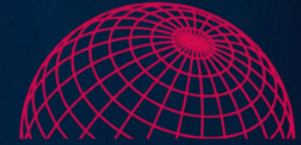
EPS CAGR of 28% from 2015-2023, 22 pts above the global industry average



This is not a recommendation or investment advice.

Sources: A. Stotz Investment Research, Refinitiv

46



CASE STUDY
VALUATION MASTER CLASS

by
A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

MANAGEMENT

EARNINGS

RISK

FVMR

RISK

INVESTORS

PRICE

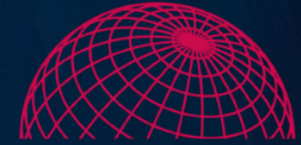
Net debt-to-equity (NDE)

Beta (Beta*)



In this video you will learn

- ★ Why Broadcom is the fastest-growing brand in the semiconductor industry
- ★ Uncover Broadcom's unique acquisition strategy
- ★ Assess the effectiveness of Broadcom's competitive advantage
- ★ Evaluate Broadcom's potential using my cheat sheet for assessing any stock's attractiveness



CASE STUDY

VALUATION MASTER CLASS

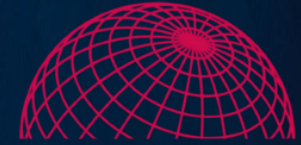
by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

- 🌐 And you can get that Cheat Sheet and this presentation for free by clicking on the link in the description

Let's take a look at the abbreviated **FVMR** **Scorecard** of Broadcom



CASE STUDY
VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

Broadcom trades at a PE of 165x, the highest of all of the largest 100 companies in the world

A. Stotz FVMR Methodology - Info. Tech.: Semis. & Semi. Equip.

Company	Exchange	Mcap US\$bn	Fund. (%)		Valuation (x)		Momo (% chg)		Risk (x)	
			NPM	ROA	PE	PB	EPS	Price*	NDE	Beta*
Info. Tech.: Semis. & Semi. Equip.		7,601.5	36.1	48.1	68.8	35.0	201.3	27.4	0.0	2.8
NVIDIA Corp	USA	3,571.8	55.0	89.9	67.4	61.5	414.3	39.7	(0.2)	3.5
Taiwan Semiconductor Manufacturin	Taiwan	861.8	39.1	18.8	26.3	6.8	15.8	20.5	(0.2)	1.2
Broadcom Inc	USA	838.6	10.9	4.6	164.6	12.8	(62.3)	24.8	1.1	3.0
ASML Holding NV	Netherlands	266.8	29.2	17.9	33.0	13.5	(5.2)	(21.7)	(0.2)	2.1
Advanced Micro Devices Inc	USA	235.5	7.5	2.7	129.0	4.1	782.0	11.5	(0.1)	2.1
Texas Instruments Inc	USA	196.1	31.4	15.4	39.7	11.4	(30.2)	15.0	0.1	1.6
Applied Materials Inc	USA	154.6	27.7	24.2	20.8	8.2	17.3	2.3	0.0	2.8
Micron Technology Inc	USA	124.0	3.1	1.2	159.4	2.7	112.2	25.7	0.0	2.8
Analog Devices Inc	USA	112.3	17.1	3.4	67.8	3.2	(57.2)	10.4	0.2	2.2
Intel Corp	USA	108.0	(29.4)	(8.4)	nm	1.1	(826.6)	26.3	0.2	3.7
Lam Research Corp	USA	98.8	26.0	21.5	24.4	117.1	5.0	(0.3)	(0.0)	2.8
KLA Corp	USA	89.6	28.9	20.5	30.2	25.2	(1.9)	(6.5)	1.0	2.9
Marvell Technology Inc	USA	78.5	(18.3)	(4.5)	nm	5.5	(153.5)	55.7	0.2	3.2
Tokyo Electron Ltd	Japan	73.0	21.4	18.8	25.9	6.3	(3.8)	(8.8)	(0.3)	3.4
MediaTek Inc	Taiwan	65.5	20.3	16.0	20.6	5.4	23.1	21.4	(0.3)	1.1
NXP Semiconductors NV	USA	58.8	21.0	11.5	21.7	6.2	(3.0)	(2.3)	0.9	2.2
Advantest Corp	Japan	48.6	17.6	16.3	68.1	13.9	24.1	56.8	(0.0)	2.2
Infineon Technologies AG	Germany	40.5	13.9	7.5	17.9	2.2	(31.5)	(4.5)	0.1	1.4
Microchip Technology Inc	USA	39.6	14.2	4.8	50.7	6.3	(68.5)	(1.2)	0.9	2.5
Monolithic Power Systems Inc	USA	38.3	21.3	18.0	88.2	16.3	(3.9)	(0.6)	(0.5)	3.1

Sector data is market cap weighted. *Price change and beta over the past three months as of 6 November 2024

This is not a recommendation or investment advice.

Sources: A. Stotz Investment Research LSEG., Refinitiv

The scorecard ranking should not be seen as investment advice, do your own research.

50



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz

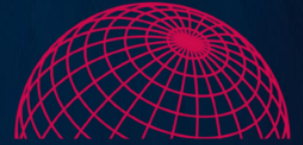
INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

- Click the link in the description to get the Abbreviated FVMR Scorecard for the world's top 500 companies
- Drop your email and you will receive the updated FVMR scorecard in your inbox every week

Recap: What does the valuation look like?

- High PE suggests significant market optimism but raises concerns about potential overvaluation
- Recent rise in net margin may not be sustainable given its declining EPS growth and competitive pressures



CASE STUDY

VALUATION MASTER CLASS

by

A. Stotz INVESTMENT
RESEARCH

Andrew Stotz, PhD, CFA

I bet you **never saw** the
products of **US\$800bn**
Broadcom

