



Buy: Broadcom

NOVEMBER 2025

HOLDINGS UPDATE

JENSEN QUALITY GROWTH STRATEGY

The Jensen Quality Growth Investment Team added Broadcom (ticker: AVGO) to the Quality Growth Strategy with an initial weighting of 1%. As of November 30, 2025, the Strategy had 26 holdings.

Why We Like Broadcom

Our thesis for Broadcom is driven by their strong business fundamentals' alignment with key tenets of the **Jensen Quality Growth Strategy's** investment selection process:

• Competitive Advantages

Broadcom benefits from scale, deep technical expertise, customer retention, and long design cycles:

- Custom chips and systems are co-designed with top hyperscalers and AI players, creating high switching costs once a platform is in production.
- Networking and optical products are designed into system architectures that are years ahead of deployment.
- VMware's software is embedded in the core infrastructure of many enterprises, with high renewal rates and a large ecosystem of partners.
- These characteristics support durable competitive positioning and make it difficult to displace Broadcom from key roles in AI and infrastructure.

Broadcom's strategic position in AI infrastructure is another major competitive advantage for the company. Broadcom is emerging as a core supplier in the global AI build-out. Its custom AI accelerators and systems are co-developed with leading hyperscalers, while its high-speed Ethernet switches, routers, and optical components form the fabric connecting large AI clusters. This gives Broadcom exposure to several structural growth drivers at once: AI compute, high-bandwidth networking, and the migration of AI infrastructure toward Ethernet-based fabrics.

In October, the company announced a major multi-year partnership with OpenAI to supply chips and systems for OpenAI's next generation of AI infrastructure. OpenAI had not been among Broadcom's previously disclosed AI customers, implying that Broadcom now has at least five large global AI customers committed to multi-year programs. This is a strong signal that Broadcom is becoming a critical infrastructure provider in AI, not a peripheral beneficiary.

• Earnings Stability

Broadcom has demonstrated consistent high returns on invested capital and strong free cash flow generation. Additionally, VMware, CA, and Symantec now form a substantial infrastructure software portfolio. These businesses share attractive characteristics: high gross margins, predominantly subscription and maintenance revenue, multi-year contracts, and

Company Overview

Broadcom is a global technology company that designs and supplies semiconductor and infrastructure software solutions that are foundational to modern cloud, enterprise, and telecom networks. The company was founded in 1961 and is headquartered in Palo Alto, California. Broadcom's current president and CEO is Hock Tan, and the company employs approximately 37,000 worldwide.

Through a series of acquisitions — most notably VMware, CA Technologies ("CA"), and Symantec — the company has evolved from a largely semiconductor-focused business into a hybrid AI-infrastructure and enterprise-software provider.

Broadcom operates in two segments, Semiconductor Solutions and Infrastructure Software:

- **Semiconductor Solutions:** Custom accelerators (ASICs/XPUs) for hyperscale cloud and AI companies, high-speed Ethernet switching and routing, optical networking components, and connectivity chips used across data centers, telecom networks, and enterprise/consumer devices.
- **Infrastructure Solutions:** Led by VMware, plus CA and Symantec, providing mission-critical software for virtualization, private and hybrid cloud infrastructure, security, and application networking. These businesses are characterized by high margins, recurring revenue, and long-term customer relationships.



meaningful pricing power. VMware’s core platform (VMware Cloud Foundation) is increasingly used as a foundation for private and hybrid cloud environments, including AI-related workloads for enterprises that cannot rely solely on public cloud for regulatory or data-sovereignty reasons.

Broadcom’s overall business is stabilized by their software portfolio, which also contributes to a reduction in the cyclicity that is typically associated with semiconductors. Today, Broadcom is better described as an AI-infrastructure plus enterprise-software company rather than a classic chip maker, which aligns well with our preference for recurring, durable cash flows.

• Valuation

Broadcom’s AI business is large, visible, and management-aligned, which has led to a major turnaround in the company’s revenue. Broadcom now expects around \$20 billion of AI revenue this year, up from essentially zero just a few years ago. The board has tied long-term management compensation to achieving \$90-120 billion in annual AI revenue later this decade, with milestones publicly disclosed. This is unusual in our universe and suggests that management is not simply extrapolating a short-term boom; rather, they believe they have substantial visibility and contractual commitments from large customers. That alignment matters to us: it effectively links senior management’s long-term incentive structure to the successful conversion of Broadcom’s AI opportunity into recurring, large-scale revenue.

Why Now

The main change since we previously debated Broadcom is visibility. Broadcom now has:

- Multiple large, long-term AI customers (including OpenAI) committed to multi-year programs.
- A clearer AI revenue runway explicitly tied to management incentives.
- A more proven and integrated software business with recurring, high-margin cash flows.
- A portfolio that is both growing quickly and structurally higher quality than in the past

Outlook

Broadcom has meaningfully upgraded its business quality while securing a central role in the build-out of global AI infrastructure. Given improved visibility, better mix, and strong alignment between management incentives and long-term AI outcomes, we at this stage view Broadcom as an attractive long-duration compounder and a suitable addition to the Quality Growth Strategy.

Free Cash Flow: Is equal to the cash from operations of a company less capital expenditures.

Strategy holdings are subject to change and should not be considered recommendations to buy or sell any security. For a listing of the Quality Growth Strategy’s current holdings, please visit www.jenseninvestment.com/growth-composite-holdings.

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