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Broadcom Stock Split Review & Analysis-Is AVGO Stock a Good Buy Now?

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With gains of 96% over the last year, [Broadcom](#)'s (NASDAQ: AVGO) shares have increased significantly. The good news is that this massive semiconductor company appears poised to maintain its strong momentum after releasing its fiscal 2024 second-quarter results in mid-June (for the three months ending May 5).

The chip giant's earnings and revenue both above consensus forecasts, and on July 15th, management also announced a 10-for-1 forward stock split. As a result, Broadcom is now the newest member of the stock-split club, and the decision by management wasn't shocking.

After all, [Broadcom](#)'s share price has risen to over \$1,700 thanks to a fantastic gain over the past year driven by the increasing demand for its artificial intelligence (AI) chips. The stock split, according to CFO Kirsten Spears, is being carried out to "make ownership of Broadcom stock more accessible to investors and employees."

As a stock split just lowers a company's share price by raising the number of outstanding shares, it is merely a cosmetic action. The company's market capitalization and fundamentals are unaffected. Nevertheless, investors are happy with the outcome and the split, driving up the stock by 12% after the news.

However, should you purchase Broadcom after the most recent statements if you were among those who missed the company's surge and want to add a superior semiconductor stock to your portfolio?

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AI has been a Boon for Broadcom

Compared to the \$12.06 billion predicted by analysts, Broadcom's quarterly sales jumped 43% to \$12.5 billion. The chipmaker's adjusted earnings per share came in at \$10.96, which was higher than the \$10.85 predicted by Wall Street.

The organic growth rate of Broadcom's sales was 12% over the previous year, excluding the impact of the November 2023 acquisition of VMware. Better yet, rather than predicting \$50 billion in revenue for the fiscal year, the corporation has raised its full-year outlook and now anticipates \$51 billion. Compared to the \$50.6 billion predicted by analysts, the revised outlook is an improvement.

An important factor in Broadcom's decision to raise its full-year outlook is the increasing demand for its artificial intelligence processors. Sales of artificial intelligence processors contributed significantly to Broadcom's staggering 280% annual revenue growth, reaching \$3.1 billion. After previously estimating \$10 billion in AI revenue for fiscal 2024, the business is now projecting \$11 billion, the same amount by which Broadcom has increased its full-year outlook.

There are a handful of ways in which AI is helping Broadcom's bottom line. To begin, the need for the business's Ethernet networking switches has grown significantly to facilitate rapid data transfer in AI data centres. Another positive development is that Broadcom's bespoke AI chips have been increasingly deployed in data centres by its hyperscale customers, and the company appears to be attracting more business from these customers.

During the most recent earnings conference call, Broadcom CEO Hock Tan made the comment that the business had "just been awarded the next-generation custom AI accelerators for these hyperscale customers of ours." Therefore, it is expected that the chipmaker's revenue from artificial intelligence will accelerate in the current fiscal year and subsequent years.

This is due to the fact that, in 2023, the market for Ethernet switches will have increased by 20% as a direct result of AI. By the conclusion of the forecast period in 2029, the worldwide market for AI data centre switches is expected to have grown at a CAGR of 38 percent, reaching \$20 billion in sales. Custom AI accelerators, however, are seeing a meteoric rise in demand.

Thus, AI presents Broadcom with a secular development opportunity, which should enable the company to sustain a high rate of growth over time.

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Is AVGO Stock a Good Buy Now?

Despite the fact that the stock split will make Broadcom shares more affordable for smaller investors, potential buyers should still consider the company's valuation before committing to the move.

The trailing price-to-earnings (P/E) ratio for Broadcom is 64 at the moment. Using the Nasdaq-100 index as a stand-in for tech equities, the earnings multiple is 31, so that's quite pricey. On the other hand, the company isn't costly relative to its forward P/E of 31, which indicates a healthy increase in its bottom line.

Despite the fact that the stock-split news won't alter Broadcom's already good prospects, it could give its shares a nice lift, and the company's expanding AI business means that Broadcom is still one of the best AI stocks to purchase right now, according to the most recent quarterly report.

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