

Semi

Nvidia continues to impress

Nvidia's share price rose in after-hours trading post earnings. Q4 revenue was US\$22.1bn, up 265% YoY and 22% QoQ, exceeding company's guidance of US\$20bn by 10% and beating Bloomberg consensus by 8%. GPM was 76%, steadily increasing from 74% during the previous quarter and 63.3% from FY4Q23.

Mgmt. guided next quarter's revenue to be US\$24bn, implying 234% YoY and 9% sequential growth. The guidance is ~10% higher than Bloomberg consensus (US\$21.9bn). GPM is expected to be 76.3% in FY1Q25 and back to mid-70s for the rest of the year.

Key highlights from earnings call:

Demand and supply: Hopper demand is still very strong, while supply is increasing nicely. Supply of new products will continue to be constrained and demand is expected to far exceed supply.

China: Datacenter revenue from China declined significantly, with mid-single digit contribution. Alternative products have started shipping. The Company expects a similar range for Q1. Sovereign AI demand outside of the US and China has become an additional driver.

Margin: Gross margin seems to top in Q1 and is projected to return to mid-70s. Mgmt. attributed Q4/Q1 numbers (~76% GPM) to benefit from favorable component cost in the supply chain, such as compute and networking. Although margin will decline slightly, it is still quite impressive.

AI TAM: For the long term, mgmt. expects the world's data center infrastructure installed base will double (to US\$1tn) in the next five years and will represent an annual market opportunity in the hundreds of billions.

Ethernet vs. Infiniband: Networking revenue tripled from prior year. Although mgmt. believe "InfiniBand is the standard for AI dedicated systems, Ethernet with Spectrum-X is just not a very good scale-out system", the company has both solutions to meet customers' demand. We think Ethernet demand is growing faster and starts taking more share in networking, considering comments from Innolight, Coherent/Arista vs. Fabrinet.

Nvidia is regarded as the bellwether for AI industry. Based on the results and comments from the earnings call, we view the near-term and long-term growth thesis for Nvidia as intact. The global AI market opportunity will continue to grow. We are still in the early stage of AI revolution.

We remain positive on the AI supply chain, especially for those key beneficiaries with greater revenue contribution from AI. Maintain BUY rating on Innolight (300308 CH). We also see TFC (300394 CH), AMD (AMD US), Broadcom (AVGO US), Marvell (MRVL US), Arista (ANET US), SMCI (SMCI US), SK Hynix (000660 KS) and TSMC (TSM US) as indispensable names in this AI boom.

OUTPERFORM
(Maintain)

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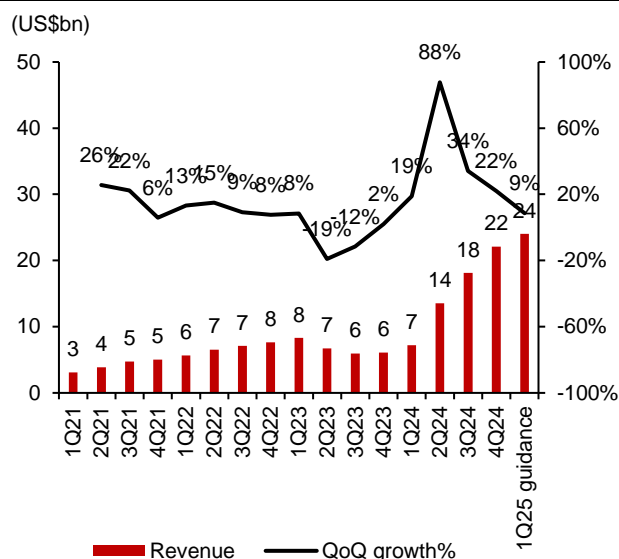
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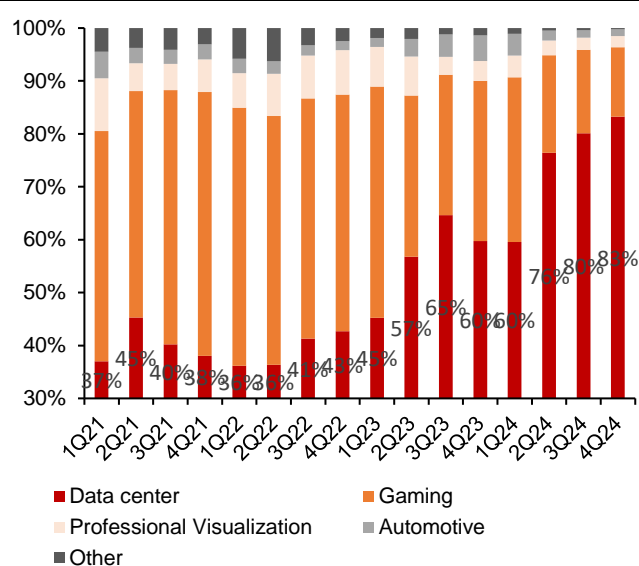
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Figure 1: Nvidia's quarterly revenue and QoQ growth

Note: FY2024 ended 1/28/2024

Source: Company data, Bloomberg, CMBIGM

Figure 2: Nvidia's quarterly revenue breakdown by segment

Source: Company data, Bloomberg, CMBIGM

Figure 3: Nvidia's quarterly results

(US\$m)	FY1Q23	FY2Q23	FY3Q23	FY4Q23	FY1Q24	FY2Q24	FY3Q24	FY4Q24
Revenue	8,288	6,704	5,931	6,051	7,192	13,507	18,120	22,103
...YoY	46.4%	3.0%	-16.5%	-20.8%	-13.2%	101.5%	205.5%	265.3%
...QoQ	8.4%	-19.1%	-11.5%	2.0%	18.9%	87.8%	34.2%	22.0%
Gross profit	5,431	2,915	3,177	3,833	4,648	9,462	13,400	16,791
GPM (%)	65.5%	43.5%	53.6%	63.3%	64.6%	70.1%	74.0%	76.0%
Net profit	1,618	656	680	1,414	2,043	6,188	9,243	12,286
...YoY	-15.4%	-72.4%	-72.4%	-52.9%	26.3%	843.3%	1259.3%	768.9%
...QoQ	-46.1%	-59.5%	3.7%	107.9%	44.5%	202.9%	49.4%	32.9%
NPM (%)	19.5%	9.8%	11.5%	23.4%	28.4%	45.8%	51.0%	55.6%
EPS (US\$)	0.64	0.26	0.27	0.57	0.82	2.48	3.71	4.92
...YoY	-15.8%	-72.3%	-72.2%	-51.7%	28.1%	853.8%	1274.1%	763.2%
...QoQ	-45.8%	-59.4%	3.8%	111.1%	43.9%	202.4%	49.6%	32.6%

Source: Company data, Bloomberg, CMBIGM

Figure 4: Nvidia's quarterly segment revenue

Revenue (US\$mn)	FY1Q23	FY2Q23	FY3Q23	FY4Q23	FY1Q24	FY2Q24	FY3Q24	FY4Q24
Data Center	3,750	3,806	3,833	3,616	4,284	10,323	14,510	18,400
yoy%	83.1%	60.9%	30.6%	10.8%	14.2%	171.2%	278.6%	408.8%
qoq%	14.9%	1.5%	0.7%	-5.7%	18.5%	141.0%	40.6%	26.8%
%	45.2%	56.8%	64.6%	59.8%	59.6%	76.4%	80.1%	83.2%
Gaming	3,620	2,042	1,574	1,831	2,240	2,486	2,860	2,900
yoy%	31.2%	-33.3%	-51.1%	-46.5%	-38.1%	21.7%	81.7%	58.4%
qoq%	5.8%	-43.6%	-22.9%	16.3%	22.3%	11.0%	15.0%	1.4%
%	43.7%	30.5%	26.5%	30.3%	31.1%	18.4%	15.8%	13.1%
Professional Visualization	622	496	200	226	295	379	416	463
yoy%	67.2%	-4.4%	-65.3%	-64.9%	-52.6%	-23.6%	108.0%	104.9%
qoq%	-3.3%	-20.3%	-59.7%	13.0%	30.5%	28.5%	9.8%	11.3%
%	7.5%	7.4%	3.4%	3.7%	4.1%	2.8%	2.3%	2.1%
Automotive	138	220	251	294	296	253	261	281
yoy%	-10.4%	44.7%	85.9%	135.2%	114.5%	15.0%	4.0%	-4.4%
qoq%	10.4%	59.4%	14.1%	17.1%	0.7%	-14.5%	3.2%	7.7%
%	1.7%	3.3%	4.2%	4.9%	4.1%	1.9%	1.4%	1.3%
Other	158	140	73	84	77	66	73	59
yoy%	-51.7%	-65.8%	-68.8%	-56.3%	-51.3%	-52.9%	0.0%	-29.8%
qoq%	-17.7%	-11.4%	-47.9%	15.1%	-8.3%	-14.3%	10.6%	-19.2%
%	1.9%	2.1%	1.2%	1.4%	1.1%	0.5%	0.4%	0.3%
Total revenue	8,288	6,704	5,931	6,051	7,192	13,507	18,120	22,103
yoy%	46.4%	3.0%	-16.5%	-20.8%	-13.2%	101.5%	205.5%	265.3%
qoq%	8.4%	-19.1%	-11.5%	2.0%	18.9%	87.8%	34.2%	22.0%

Source: Company data, Bloomberg, CMBIGM

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