

Semi

Nvidia: To keep growing for longer

Nvidia announced (22 May) FY1Q25 results. Quarterly revenue was US\$26.0bn, up 262% YoY and 17.8% QoQ (22.0% QoQ in FY4Q24). FY1Q25 revenue beat Bloomberg consensus of US\$24.7bn by 5.5%. Data center revenue continued to soar and topped US\$22.6bn, up 426.7% YoY and 22.6% QoQ (26.8% QoQ in FY4Q24).

Mgmt. guided next quarter's revenue to be US\$28bn, implying 107.3% YoY and 7.5% sequential growth. The guidance is ~4.4% higher than Bloomberg consensus (US\$26.8bn), which led to ~5%+ increase in share price (over US\$1,000) in after-hours trading.

GAAP GPM was 78.4%, steadily increasing from 76.0% in FY4Q24 and 64.6% from FY1Q24. GPM is guided to be 74.8% in FY2Q25, in line with previous guidance that GPM would be back to mid-70s for the rest of the year.

In addition to the strong quarterly results and guidance, Nvidia announced increased quarterly dividends and a 10-for-1 stock split, both of which should contribute positively to its share price like icing on the cake, in our view.

Key highlights from the earnings call:

- **AI demand continues to outstrip supply, from CSPs, enterprises, sovereigns, etc.** User cases are expanding, as computers are evolving from being instruction-driven to understanding, inference, and processing solutions.
- **Data center sales breakdown given for the first time:** 86% was compute revenue, at US\$19.4bn (477.7% YoY and 28.7% QoQ) and 14% was networking revenue, at US\$3.2bn (242.1% YoY and -4.8% QoQ).
- Purchase commitments and obligations for inventory and manufacturing capacity were US\$18.8bn. Prepaid supply agreements were US\$5.6bn. Total was US\$24.4bn, up 15.6% QoQ.
- **Blackwell shipping schedule:** Production shipment to start in FY2Q25 and ramping in FY3Q25. Nvidia is expected to "see a lot of Blackwell revenue this year".
- **Hopper vs. Blackwell:** Hopper demand is increasing through the quarter and the Company expect the overall demand to exceed supply for some time. New generation of products is planned to come out annually. Mgmt. commented that time to train is important and the clients are rushing to make orders of the current products. This would help to mitigate investors' concerns on order delays or cancellations to replace the current orders with the next generation of products.
- **Return to shareholders: 1) Increase in dividend:** Quarterly DPS will increase 150% from US\$0.04 to US\$0.1 pre-split.
- **Announced a 10-to-1 stock split.** Trading is expected to commence on a split-adjusted basis at market open on Friday, June 7, 2024.

Based on the latest earnings of Nvidia and the AI supply chain, as well as those of downstream hyperscalers, **we think the near-term and long-term growth thesis for AI stays intact.** Major hyperscalers (MSFT/GOOG/AMZN) and Meta have all revised up their capex outlook to strengthen their AI capabilities. The aggregate of the Big Four's capex is now projected to increase 36% YoY vs. previous forecast of 11% YoY (2 Feb), according to Bloomberg consensus. We think this will continue to benefit AI supply chain.

Looking forward, the pace of AI innovation and adoption looks poised to continue accelerating in 2024 and 2025. We may see a potential shift of market focus to AI applications/software from previous concentration on AI

OUTPERFORM (Maintain)

China Semi Sector

Lily YANG, Ph.D

(852) 3916 3716

lilyyang@cmbi.com.hk

Kevin ZHANG

(852) 3761 8727

kevinzhang@cmbi.com.hk

Related reports:

1. Semi - Global SME investment set to accelerate on tech advancements, China localization; Initiate Naura w/ BUY ([link](#))
2. InnoLight (300308 CH) - 1Q24 results set stage for accelerated growth in 2024 - 24 Apr 2024 ([link](#))
3. Semi - Semi - Nvidia GTC 2024: A quick take - 20 Mar 2024 ([link](#))
4. Semi - Nvidia continues to impress - 22 Feb 2024 ([link](#))
5. Semi - Hyperscalers' FY23 results review - 7 Feb 2024 ([link](#))
6. Innolight (300308 CH) - True beneficiary in AI value chain - 26 Jan 2024 ([link](#))
7. Semi - Market outlook on optical transceivers - 26 Jan 2024 ([link](#))
8. Thematic investing and megatrends: AI sales exposure reality check, by the number - 12 Jan 2024 ([link](#))
9. CES 2024 wrap up - 10 Jan 2024 ([link](#))
10. Synopsys eyes on Ansys: a potential software giant in the making - 10 Jan 2024 ([link](#))
11. Domestic AI chip makers accelerating their push as Nvidia's alternatives - 14 Dec 2023 ([link](#))
12. AI supply chain will continue riding the tailwind as Nvidia confirmed growth of data center into 2025 - 23 Nov 2023 ([link](#))
13. Hyperscalers to deploy more custom AI chips to optimize & integrate AI infrastructure for maximized performance - 17 Nov 2023 ([link](#))
14. Will Humane's AI-powered screenless device become the successor to smartphones? - 14 Nov 2023 ([link](#))
15. Thematic investment & megatrend: CSP3 & Meta ramp up spending to stay at the AI front line - 10 Nov 2023 ([link](#))
16. Thoughts on Nvidia's customized AI chips for China - 10 Nov 2023 ([link](#))
17. Quick note on newly announced restrictions on advanced AI chips - 18 Oct 2023 ([link](#))
18. Thematic investment and megatrend: Riding the AI wave into the next phase - 17 Oct 2023 ([link](#))

hardware. Successful monetization strategies of AI have become a major market focus with the investment landscape evolving from previous concentration on AI hardware (such as chips and infrastructure) to AI applications and software. For example, the penetration of AI end devices (such as AI smartphones and AI PCs) may accelerate as more products will incorporate AI capabilities (co-pilot). We believe **sustainable and profitable business models in the current stage of AI momentum may be the answer investors are looking for to justify the hefty capex made in recent years.**

- 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), SMC (SMCI US), SK Hynix (000660 KS) and TSMC (TSM US) as indispensable names in this AI boom.

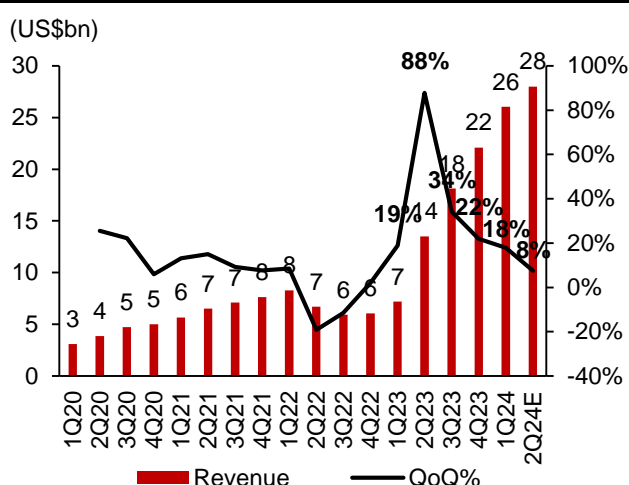
19. "Investors focusing on 800G transceivers ramp-up after 1H23 results" – 28 Aug 2023 ([link](#))
20. Implications from Coherent 2Q23 results and guidance" – 18 Aug 2023 ([link](#))

Nvidia FY1Q25 revenue breakdown

By segment, data center revenue hit US\$22.6bn, marking a 23% QoQ or 427% YoY increase, primarily due to H100 GPU sales. According to mgmt., for every US\$1 the CSPs spend on Nvidia's AI infrastructure, they could potentially earn US\$5 over the next four years. Demand continued to remain robust, with enterprises investing heavily in AI infrastructure. Tesla expanded its AI cluster to 35k H100 GPUs to enhance its autonomous driving feature, while Meta's LLM was trained on a cluster of 24k H100 GPUs.

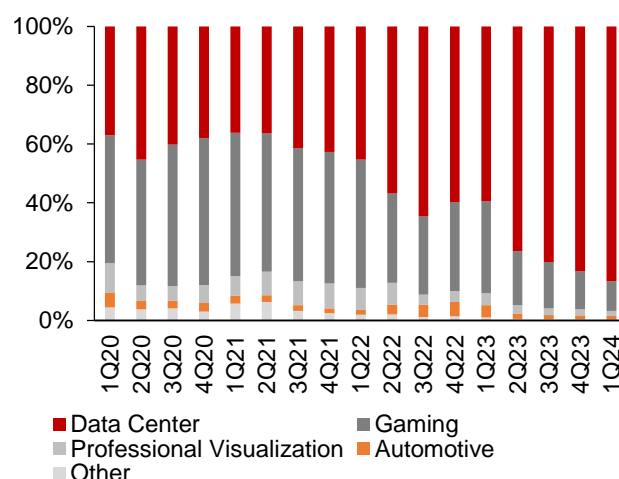
By geography, Nvidia noted a significant drop in sales in China since the export bans were implemented last October, compounded by the nerfed H20 GPU, which increased its vulnerability to domestic competitors. However, the company mentioned that it is currently ramping new design for the Chinese market and expects the market to remain competitive.

Figure 1: Nvidia's quarterly revenue and QoQ growth



Source: Company data, Bloomberg, CMBIGM
 Note: FY2024 ended 1/28/2024

Figure 2: Nvidia's quarterly revenue breakdown by segment



Source: Company data, Bloomberg, CMBIGM

Figure 3: Nvidia's quarterly results

(US\$mn)	FY1Q23	FY2Q23	FY3Q23	FY4Q23	FY1Q24	FY2Q24	FY3Q24	FY4Q24	FY1Q25
Revenue	8,288	6,704	5,931	6,051	7,192	13,507	18,120	22,103	26,044
...YoY	46.4%	3.0%	-16.5%	-20.8%	-13.2%	101.5%	205.5%	265.3%	262.1%
...QoQ	8.4%	-19.1%	-11.5%	2.0%	18.9%	87.8%	34.2%	22.0%	17.8%
Gross profit	5,431	2,915	3,177	3,833	4,648	9,462	13,400	16,791	20,406
GPM (%)	65.5%	43.5%	53.6%	63.3%	64.6%	70.1%	74.0%	76.0%	78.4%
Net profit	1,618	656	680	1,414	2,043	6,188	9,243	12,285	14,881
...YoY	-15.4%	-72.4%	-72.4%	-52.9%	26.3%	843.3%	1259.3%	768.8%	628.4%
...QoQ	-46.1%	-59.5%	3.7%	107.9%	44.5%	202.9%	49.4%	32.9%	21.1%
NPM (%)	19.5%	9.8%	11.5%	23.4%	28.4%	45.8%	51.0%	55.6%	57.1%
Diluted EPS (US\$)	0.64	0.26	0.27	0.57	0.82	2.48	3.71	4.93	5.98
...YoY	-15.8%	-72.3%	-72.2%	-51.7%	28.1%	853.8%	1274.1%	764.9%	629.3%
...QoQ	-45.8%	-59.4%	3.8%	111.1%	43.9%	202.4%	49.6%	32.9%	21.3%

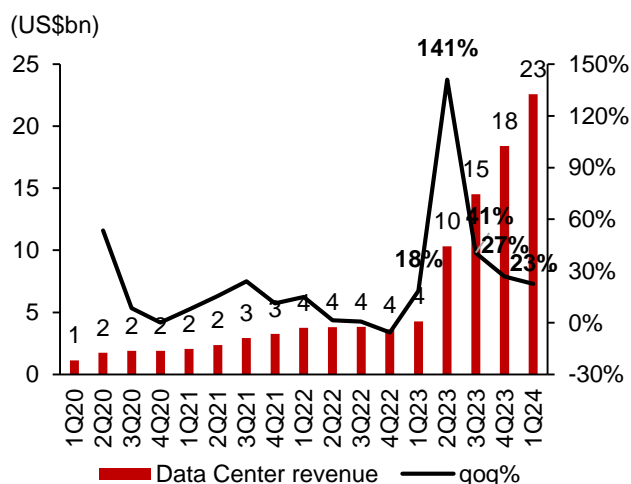
Source: Company data, Bloomberg, CMBIGM

Figure 4: Nvidia's quarterly segment revenue

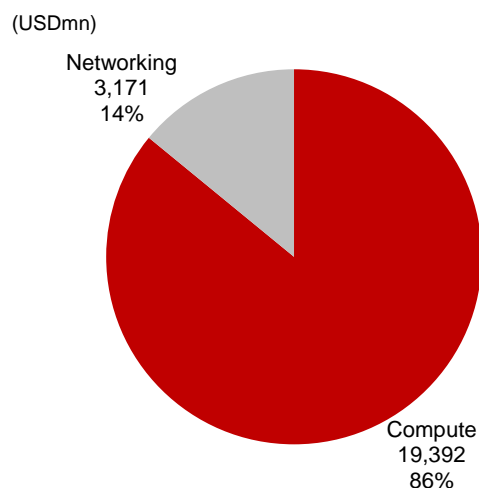
Revenue (US\$mn)	FY1Q23	FY2Q23	FY3Q23	FY4Q23	FY1Q24	FY2Q24	FY3Q24	FY4Q24	FY1Q25
Data Center	3,750	3,806	3,833	3,616	4,284	10,323	14,514	18,404	22,563
yoy%	83.1%	60.9%	30.6%	10.8%	14.2%	171.2%	278.7%	409.0%	426.7%
qoq%	14.9%	1.5%	0.7%	-5.7%	18.5%	141.0%	40.6%	26.8%	22.6%
%	45.2%	56.8%	64.6%	59.8%	59.6%	76.4%	80.1%	83.3%	86.6%
Gaming	3,620	2,042	1,574	1,831	2,240	2,486	2,856	2,865	2,647
yoy%	31.2%	-33.3%	-51.1%	-46.5%	-38.1%	21.7%	81.4%	56.5%	18.2%
qoq%	5.8%	-43.6%	-22.9%	16.3%	22.3%	11.0%	14.9%	0.3%	-7.6%
%	43.7%	30.5%	26.5%	30.3%	31.1%	18.4%	15.8%	13.0%	10.2%
Professional Visualization	622	496	200	226	295	379	416	463	427
yoy%	67.2%	-4.4%	-65.3%	-64.9%	-52.6%	-23.6%	108.0%	104.9%	44.7%
qoq%	-3.3%	-20.3%	-59.7%	13.0%	30.5%	28.5%	9.8%	11.3%	-7.8%
%	7.5%	7.4%	3.4%	3.7%	4.1%	2.8%	2.3%	2.1%	1.6%
Automotive	138	220	251	294	296	253	261	281	329
yoy%	-10.4%	44.7%	85.9%	135.2%	114.5%	15.0%	4.0%	-4.4%	11.1%
qoq%	10.4%	59.4%	14.1%	17.1%	0.7%	-14.5%	3.2%	7.7%	17.1%
%	1.7%	3.3%	4.2%	4.9%	4.1%	1.9%	1.4%	1.3%	1.3%
Other	158	140	73	84	77	66	73	90	78
yoy%	-51.7%	-65.8%	-68.8%	-56.3%	-51.3%	-52.9%	0.0%	7.1%	1.3%
qoq%	-17.7%	-11.4%	-47.9%	15.1%	-8.3%	-14.3%	10.6%	23.3%	-13.3%
%	1.9%	2.1%	1.2%	1.4%	1.1%	0.5%	0.4%	0.4%	0.3%
Total revenue	8,288	6,704	5,931	6,051	7,192	13,507	18,120	22,103	26,044
yoy%	46.4%	3.0%	-16.5%	-20.8%	-13.2%	101.5%	205.5%	265.3%	262.1%
qoq%	8.4%	-19.1%	-11.5%	2.0%	18.9%	87.8%	34.2%	22.0%	17.8%

Source: Company data, Bloomberg, CMBIGM

Nvidia broke down data center revenue for the first time: 86% was **compute revenue** (US\$19.4bn, 477.7% YoY and 28.7% QoQ) and 14% was **networking revenue** (US\$3.2bn, 242.1% YoY and -4.8% QoQ).

Figure 5: Nvidia's quarterly data center revenue and QoQ growth

Source: Company data, Bloomberg, CMBIGM

Figure 6: Nvidia's quarterly revenue breakdown by segment

Source: Company data, Bloomberg, CMBIGM

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM. Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.