Semiconductors

Nvidia: Solid 3Q results; 4Q guidance should alleviate AI bubble concerns

OUTPERFORM (Maintain)

China Semiconductors Sector

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Nvidia (NVDA US, NR) delivered another beat-and-raise quarter, with revenue surging to US$57bn, up 62%/22% YoY/QoQ, exceeding Bloomberg consensus/ guidance by 3%/6%. The US$10bn sequential revenue increase significantly outpaced the typical historical quarterly run-rate of US$4-5bn. Non-GAAP gross margin stood at 73.6%, slightly below consensus but above guidance. The 1.0ppt sequential improvement was attributed to a favorable DC mix, improved cycle times, and cost structure optimization. Mgmt. provided strong 4Q guidance, projecting revenue of US$65bn, up 65%/14% YoY/QoQ, ahead of the US$62bn consensus. This implies another substantial sequential increase of US$8bn. The non-GAAP gross margin guidance is 75.0% for 4Q, meeting the company's year-end target of mid-70%. For FY27, mgmt. expects GPM to be sustained in the mid-70s.

Notably, Nvidia achieved these results against a challenging backdrop of 1) minimal contribution from China due to export controls, 2) persistent market debates around an "AI bubble," and 3) tightening supply chain constraints across power, memory, and datacenter infrastructure. **We believe Nvidia's strong execution and guidance have significantly alleviated fears of an AI bubble. We maintain a constructive outlook on the broader AI industry and expect the AI supply chain to continue outperforming the market through 2026.** We reaffirm our BUY ratings on Innolight (300308 CH, TP: RMB591) and Shengyi Tech (600183 CH, TP: RMB90).

- **Data Center segment momentum remained robust, with revenue growing to US$51bn (up 66% YoY/25% QoQ).** Within this segment, Compute revenue (84% of DC sales) reached US$43bn, fuelled by the ramp of GB300, which has overtaken GB200 sales. The Blackwell platform dominated, accounting for approximately 95% of Compute sales. Hopper platform contributed US$2bn, while H20 sales were minimal at US$50mn, as sizeable orders failed to materialize amid the geopolitical uncertainties. Networking revenue also saw strong growth, rising to US$8bn (+162% YoY/13% QoQ), underpinned by scaled NVLink adoption and double-digit growth in Spectrum-X Ethernet and Quantum-X InfiniBand, reflecting the industry's shift towards rack-scale coherence systems.
- **Revenue visibility clarification.** On the earnings call, mgmt. provided exceptional revenue visibility, citing at least US$500bn for the Blackwell and Rubin platforms through calendar years 2025 and 2026. This figure notably excludes recent demand from key clients like KSA (an AI factory order for 400–600k GPUs) and Anthropic (marking its first adoption of NVIDIA architecture), both representing multi-GW incremental workloads.
- **Rubin on track; trillion dollar TAM:** The Rubin platform remains on schedule for its ramp in 2H26. Looking further ahead, management envisions the global AI infrastructure build-out to reach US$3-4tn by 2030, with Nvidia well-positioned to maintain leadership.
- **Key AI bubbles concerns:**
  - **Depreciation fears:** Management highlighted that the Blackwell, Hopper, and Ampere architectures are all operating at full utilization. This underscores robust demand across the entire product stack and effectively counters the narrative of near-term GPU depreciation.
  - **Inventory build**: While inventory rose 128% YoY and 32% QoQ, we view this build-up as a strategic response to explosive demand and firm commitments from hyperscalers, enterprises, and sovereign entities. This underpins the over US$500bn revenue visibility for Blackwell and Rubin during CY2025 and CY2026. Mgmt. expects supply to remain tight well beyond the next 12-18 months.

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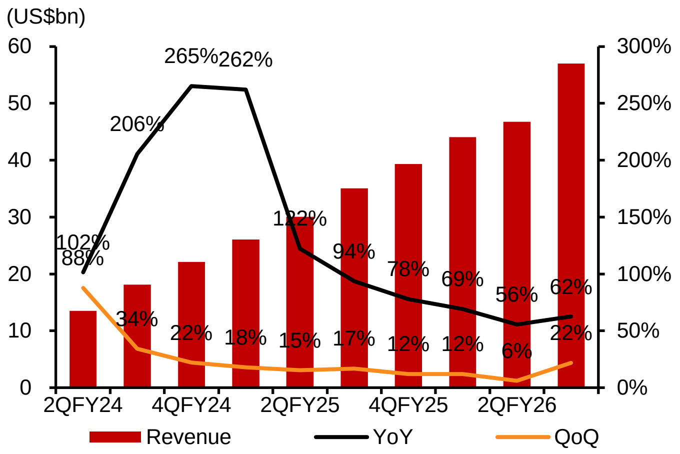
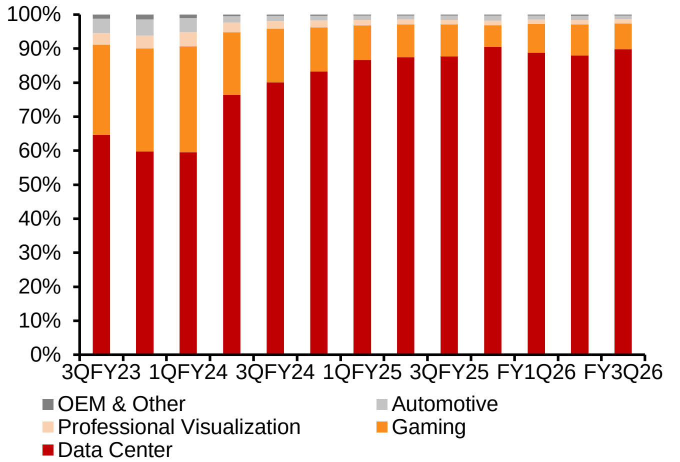
Figure 1: Nvidia's quarterly revenue and YoY/QoQ growth



Source: Company data, CMBIGM
Note: fiscal year ends in January

Figure 2: Nvidia's quarterly revenue breakdown by segment



Source: Company data, CMBIGM

Figure 3: Nvidia's quarterly results

US$mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Revenue	**7,192**	**13,507**	**18,120**	**22,103**	**26,044**	**30,040**	**35,082**	**39,331**	**44,062**	**46,743**	**57,006**
… YoY	*-13.2%*	*101.5%*	*205.5%*	*265.3%*	*262.1%*	*122.4%*	*93.6%*	*77.9%*	*69.2%*	*55.6%*	*62.5%*
… QoQ	*18.9%*	*87.8%*	*34.2%*	*22.0%*	*17.8%*	*15.3%*	*16.8%*	*12.1%*	*12.0%*	*6.1%*	*22.0%*
GAAP GP	**4,648**	**9,462**	**13,400**	**16,791**	**20,406**	**22,560**	**26,171**	**28,723**	**26,668**	**33,853**	**41,849**
… GPM	*64.6%*	*70.1%*	*74.0%*	*76.0%*	*78.4%*	*75.1%*	*74.6%*	*73.0%*	*60.5%*	*72.4%*	*73.4%*
GAAP NP	**2,043**	**6,188**	**9,243**	**12,285**	**14,881**	**16,599**	**19,309**	**22,091**	**18,775**	**26,422**	**31,910**
… YoY	*26.3%*	*843.3%*	*1259.3%*	*768.8%*	*628.4%*	*168.2%*	*108.9%*	*139.0%*	*26.2%*	*59.2%*	*65.3%*
… QoQ	*44.5%*	*202.9%*	*49.4%*	*32.9%*	*21.1%*	*11.5%*	*16.3%*	*14.4%*	*-95.8%*	*40.7%*	*20.8%*
… NPM	*28.4%*	*45.8%*	*51.0%*	*55.6%*	*57.1%*	*55.3%*	*55.0%*	*56.2%*	*42.6%*	*56.5%*	*56.0%*

Source: Company data, CMBIGM

Figure 4: Nvidia's quarterly results vs. consensus & guidance

	3QFY25	2QFY26	3QFY26					4QFY26E	
(US$mn)	Actual	Actual	Actual	BB est.	Beat/(miss)	Guidance	Beat/(miss)	BB est.	Guidance
Revenue	**35,082**	**46,743**	**57,006**	**55,189**	**Beat by 3.3%**	**54,000**	**Beat by 5.6%**	**61,985**	**65,000**
YoY%	*93.6%*	*55.6%*	*62.5%*					*76.7%*	*85.3%*
QoQ%	*16.8%*	*6.1%*	*22.0%*					*8.7%*	*14.0%*
Non-GAAP GPM	**75.0%**	**72.7%**	**73.6%**	**73.7%**	**In-line**	**73.5%**	**Beat by 0.1ppt**	**74.6%**	**75.0%**
Non-GAAP EPS	**0.81**	**1.05**	**1.30**	**1.26**	**Beat by 3.3%**			**1.44**	
YoY%			*60.5%*	*55.4%*				*71.2%*	
QoQ%			*23.8%*	*19.9%*				*10.5%*	

Source: Company data, Bloomberg consensus, CMBIGM
Note: Non-GAAP GPM and EPS include H20 charges/(releases), net, which were US$4.5bn, (US$180mn), and insignificant, for the first, second, and third quarter of fiscal 2026, respectively.

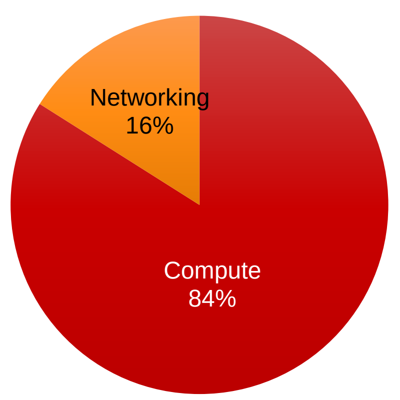
Figure 5: Nvidia's quarterly segment revenue

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
(US$mn)												
Data Center	**3,616**	**4,284**	**10,323**	**14,514**	**18,404**	**22,563**	**26,272**	**30,771**	**35,580**	**39,112**	**41,096**	**51,215**
YoY		*14.2%*	*171.2%*	*278.7%*	*409.0%*	*426.7%*	*154.5%*	*112.0%*	*93.3%*	73.3%	56.4%	66.4%
QoQ	*-5.7%*	*18.5%*	*141.0%*	*40.6%*	*26.8%*	*22.6%*	*16.4%*	*17.1%*	*15.6%*	9.9%	5.1%	24.6%
%	*59.8%*	*59.6%*	*76.4%*	*80.1%*	*83.3%*	*86.6%*	*87.5%*	*87.7%*	*90.5%*	*88.8%*	*87.9%*	*89.8%*
Compute		**3,357**	**8,612**	**11,908**	**15,073**	**19,392**	**22,604**	**27,644**	**32,556**	**34,155**	**33,844**	**43,000**
YoY						*477.7%*	*162.5%*	*132.1%*	*116.0%*	76.1%	49.7%	55.5%
QoQ			*156.5%*	*38.3%*	*26.6%*	*28.7%*	*16.6%*	*22.3%*	*17.8%*	4.9%	-0.9%	27.1%
% revenue		*46.7%*	*63.8%*	*65.7%*	*68.2%*	*74.5%*	*75.2%*	*78.8%*	*82.8%*	*77.5%*	*72.4%*	*75.4%*
Networking		**927**	**1,711**	**2,606**	**3,331**	**3,171**	**3,668**	**3,127**	**3,024**	**4,957**	**7,252**	**8,215**
YoY						*242.1%*	*114.4%*	*20.0%*	*-9.2%*	56.3%	97.7%	162.7%
QoQ			*84.6%*	*52.3%*	*27.8%*	*-4.8%*	*15.7%*	*-14.7%*	*-3.3%*	63.9%	46.3%	13.3%
% revenue		*12.9%*	*12.7%*	*14.4%*	*15.1%*	*12.2%*	*12.2%*	*8.9%*	*7.7%*	*11.3%*	*15.5%*	*14.4%*
Gaming	**1,831**	**2,240**	**2,486**	**2856**	**2865**	**2647**	**2,880**	**3,279**	**2544**	**3763**	**4287**	**4265**
YoY		*-38.1%*	*21.7%*	*81.4%*	*56.5%*	*18.2%*	*15.8%*	*14.8%*	*-11.2%*	42.2%	48.9%	30.1%
QoQ	*16.3%*	*22.3%*	*11.0%*	*14.9%*	*0.3%*	*-7.6%*	*8.8%*	*13.9%*	*-22.4%*	47.9%	13.9%	-0.5%
%	*30.3%*	*31.1%*	*18.4%*	*15.8%*	*13.0%*	*10.2%*	*9.6%*	*9.3%*	*6.5%*	*8.5%*	*9.2%*	*7.5%*
ProViz	**226**	**295**	**379**	**416**	**463**	**427**	**454**	**486**	**511**	**509**	**601**	**760**
YoY		*-52.6%*	*-23.6%*	*108.0%*	*104.9%*	*44.7%*	*19.8%*	*16.8%*	*10.4%*	19.2%	32.4%	56.4%
QoQ	*13.0%*	*30.5%*	*28.5%*	*9.8%*	*11.3%*	*-7.8%*	*6.3%*	*7.0%*	*5.1%*	-0.4%	18.1%	26.5%
%	*3.7%*	*4.1%*	*2.8%*	*2.3%*	*2.1%*	*1.6%*	*1.5%*	*1.4%*	*1.3%*	*1.2%*	*1.3%*	*1.3%*
Automotive	**294**	**296**	**253**	**261**	**281**	**329**	**346**	**449**	**570**	**567**	**586**	**592**
YoY		*114.5%*	*15.0%*	*4.0%*	*-4.4%*	*11.1%*	*36.8%*	*72.0%*	*102.8%*	72.3%	69.4%	31.8%
QoQ	*17.1%*	*0.7%*	*-14.5%*	*3.2%*	*7.7%*	*17.1%*	*5.2%*	*29.8%*	*26.9%*	-0.5%	3.4%	1.0%
%	*4.9%*	*4.1%*	*1.9%*	*1.4%*	*1.3%*	*1.3%*	*1.2%*	*1.3%*	*1.4%*	*1.3%*	*1.3%*	*1.0%*
OEM & Other	**84**	**77**	**66**	**73**	**90**	**78**	**88**	**97**	**126**	**111**	**173**	**174**
YoY		*-51.3%*	*-52.9%*	*0.0%*	*7.1%*	*1.3%*	*33.3%*	*32.9%*	*40.0%*	42.3%	96.6%	79.4%
QoQ	*15.1%*	*-8.3%*	*-14.3%*	*10.6%*	*23.3%*	*-13.3%*	*12.8%*	*10.2%*	*29.9%*	-11.9%	55.9%	0.6%
%	*1.4%*	*1.1%*	*0.5%*	*0.4%*	*0.4%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.4%*	*0.3%*
Revenue	**6,051**	**7,192**	**13,507**	**18,120**	**22,103**	**26,044**	**30,040**	**35,082**	**39,331**	**44,062**	**46,743**	**57,006**
YoY%		-13.2%	101.5%	205.5%	265.3%	262.1%	122.4%	93.6%	77.9%	69.2%	55.6%	62.5%
QoQ%	2.0%	18.9%	87.8%	34.2%	22.0%	17.8%	15.3%	16.8%	12.1%	12.0%	6.1%	22.0%

Source: Company data, Bloomberg, CMBIGM

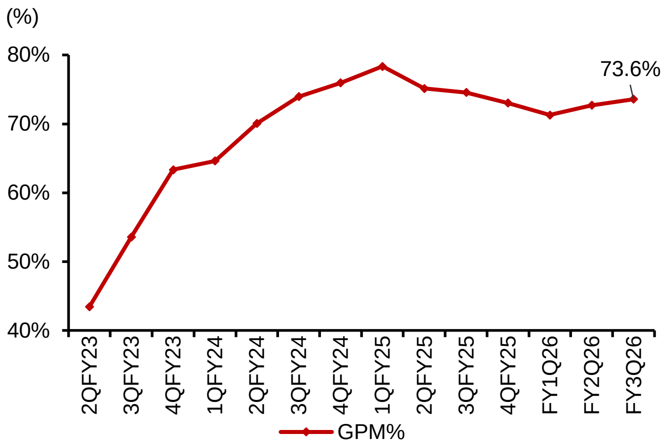
Breaking down the datacenter revenue in 3QFY26, **84% was compute** (US$43bn, up 55.5% YoY and 27.1% QoQ), while **16% was networking** (US$8.2bn, up 162.7% YoY and 13.3% QoQ). Based on management guidance, Nvidia's non-GAAP GPM is expected to reach 75.0% (GAAP: 74.8%) in 4QFY26.

Figure 6: Nvidia's datacenter quarterly revenue breakdown by segment (3QFY26)



Source: Company data, CMBIGM

Figure 7: Nvidia's non-GAAP GPM



Source: Company data, CMBIGM

Note: Non-GAAP GPM includes H20 charges/(releases), net, which were US$4.5bn, (US$180mn), and insignificant, for the first, second, and third quarter of fiscal 2026, respectively

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