

Semiconductors

AI infra. spending continues to rise; Nvidia's outlook points to robust demand

Nvidia (NVDA US, NR) reported robust F2Q26 results, with revenue reaching US\$46.7bn, up 56%/6% YoY/QoQ, exceeding BBG consensus/company guidance by 1%/3%. Non-GAAP GPM came in at 72.7%, up 1.4ppt from 1Q, on track to achieve its target of mid-70s by year-end. 2Q net profit was US\$25.8bn, up 52%/30% YoY/QoQ. Mgmt. guided 3Q revenue to be US\$54bn (no H20 contribution), up 16% QoQ, slightly beating BBG consensus by 1%. The outlook implies a significant sequential increase of US\$7.3bn, surpassing a normal US\$4bn-US\$5bn range during recent quarters (except for the H20-affected 2Q). Mgmt also guided 3Q non-GAAP GPM to recover to 73.5%, up 0.8ppt sequentially. Overall, Nvidia delivered a very solid 2Q despite ongoing geopolitical uncertainties. **More importantly, 3Q's guidance confirms that AI infrastructure investment momentum remains intact. We remain constructive on the AI supply chain beneficiaries. Maintain BUY on Innolight (300308 CH) and Shengyi Tech (600183 CH).**

- **Excluding H20-related sales, data center revenue grew 17% QoQ in 2Q, driven by 1) record Blackwell sales (+17% QoQ), 2) networking strength, and 3) rising sovereign AI demand** (mgmt. est. US\$20bn in 2025, more than double last year's level). Nvidia commenced shipments of the GB300 during the quarter, currently outputting ~1k racks per week, with volumes expected to accelerate throughout 3Q. Meanwhile, Blackwell Ultra also contributed tens of billions in sales. Mgmt. highlighted that its next-generation Rubin GPU platform remains on schedule, recently taped out at TSMC (TSM US) and is ready for volume production in 2026. Networking segment reached a record US\$7.3bn in sales, up 98%/46% YoY/QoQ, with Spectrum-X Ethernet exceeding US\$10bn in annualized revenue.
- **Sustained momentum in AI infrastructure investment, fuelled with improving returns.** The top four hyperscalers are projected to allocate US\$600bn in capex for 2025, with mgmt. anticipating that this could scale to US\$3 - 4trn market opportunity by 2030. Additionally, ROI continues to improve, e.g. 10x return on GB200 investments, per mgmt.
- **Visibility into Nvidia's China sales remains limited. H20 revenue amounted to US\$4.6bn and US\$650mn in 1Q/2Q.** Although Nvidia noted that several China-based customers have obtained export licenses, no shipments have yet taken place (the US\$650mn was attributed to an unrestricted customer outside China). Mgmt. assumes zero contribution from H20 in 3Q guidance. However, should geopolitical tensions ease, potential H20 revenue could reach US\$2-5bn. The Company sees US\$50bn market opportunities in China for 2025, suggesting Nvidia could capture up to 40% share under normalized conditions.
- **Nvidia's performance reinforces a robust outlook for AI infrastructure supply chain.** We maintain our BUY ratings on Innolight (300308 CH) and Shengyi Tech (600183 CH) as key beneficiaries. At the same time, we believe Nvidia's current exclusion from China market should open up opportunities for domestic AI chip designers and solution providers to capture market share.

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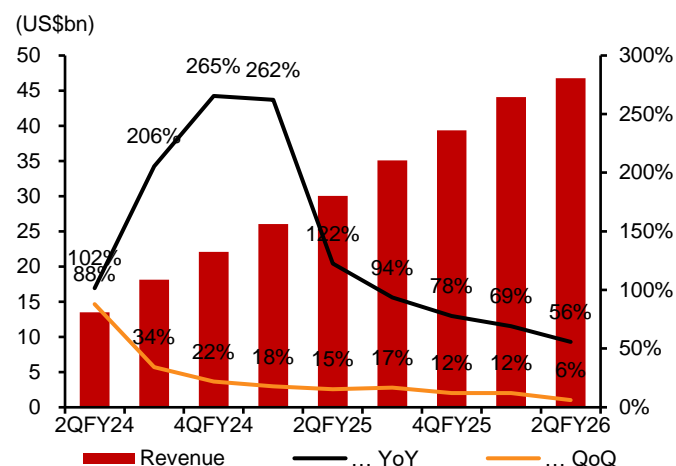
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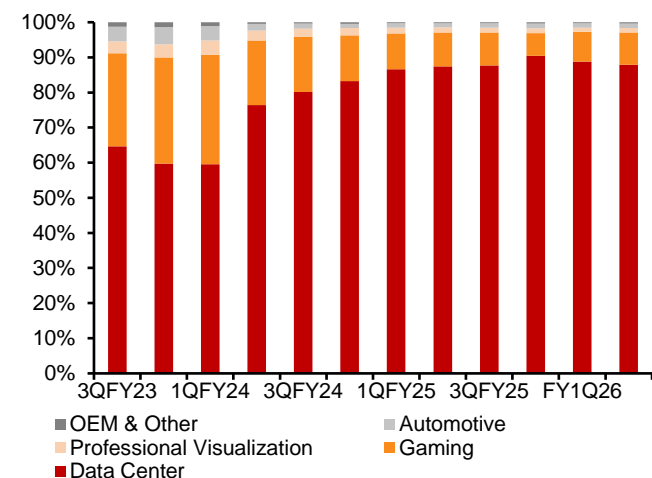
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Figure 1: Nvidia's quarterly revenue and YoY / QoQ growth

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\$m	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Revenue	6,051	7,192	13,507	18,120	22,103	26,044	30,040	35,082	39,331	44,062	46,743
... YoY	-20.8%	-13.2%	101.5%	205.5%	265.3%	262.1%	122.4%	93.6%	77.9%	69.2%	55.6%
... QoQ	2.0%	18.9%	87.8%	34.2%	22.0%	17.8%	15.3%	16.8%	12.1%	12.0%	6.1%
GAAP GP	3,833	4,648	9,462	13,400	16,791	20,406	22,560	26,171	28,723	26,668	26,668
... GPM	63.3%	64.6%	70.1%	74.0%	76.0%	78.4%	75.1%	74.6%	73.0%	60.5%	72.4%
GAAP NP	1,414	2,043	6,188	9,243	12,285	14,881	16,599	19,309	22,091	18,775	26,422
... YoY	-52.9%	26.3%	843.3%	1259.3%	768.8%	628.4%	168.2%	108.9%	139.0%	26.2%	59.2%
... QoQ	107.9%	44.5%	202.9%	49.4%	32.9%	21.1%	11.5%	16.3%	14.4%	-95.8%	40.7%
... NPM	23.4%	28.4%	45.8%	51.0%	55.6%	57.1%	55.3%	55.0%	56.2%	42.6%	56.5%

Source: Company data, CMBIGM

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

	2QFY25	1QFY26			2QFY26			3QFY26E	
(US\$m)	Actual	Actual	Actual	BBG est.	Beat/(miss)	Guidance	Beat/(miss)	BBG est.	Guidance
Revenue	30,040	44,062	46,743	46,231	Beat by 1.1%	45,000	Beat by 3.9%	53,461	54,360
YoY%	122.4%	69.2%	55.6%					52.4%	55.0%
QoQ%	15.3%	12.0%	6.1%					14.4%	16.3%
Non-GAAP GPM	75.7%	71.3%	72.3%	72.1%	Beat by 0.2ppt	72.0%	Beat by 0.3ppt	73.4%	73.5%
Non-GAAP EPS	0.68	0.96	1.04	0.75	Beat by 2.6%			1.21	
YoY%	151.9%		52.9%	10.0%				61.8%	
QoQ%	11.1%		8.3%	-22.1%				16.1%	

Source: Company data, Bloomberg consensus, CMBIGM

Note: Non-GAAP GPM and EPS exclude H2O charge and related tax impact

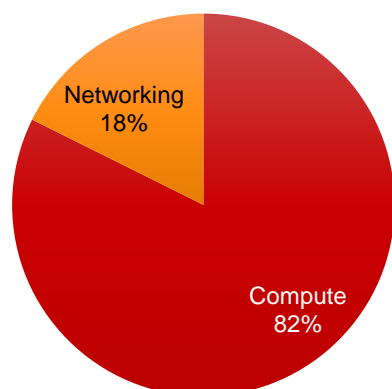
Figure 5: Nvidia's quarterly segment revenue

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY1Q26	FY2Q26
(US\$m)												
Data Center	3,833	3,616	4,284	10,323	14,514	18,404	22,563	26,272	30,771	35,580	39,112	41,096
YoY			14.2%	171.2%	278.7%	409.0%	426.7%	154.5%	112.0%	93.3%	73.3%	56.4%
QoQ	0.7%	-5.7%	18.5%	141.0%	40.6%	26.8%	22.6%	16.4%	17.1%	15.6%	9.9%	5.1%
%	64.6%	59.8%	59.6%	76.4%	80.1%	83.3%	86.6%	87.5%	87.7%	90.5%	88.8%	87.9%
Compute			3,357	8,612	11,908	15,073	19,392	22,604	27,644	32,556	34,155	33,844
YoY							477.7%	162.5%	132.1%	116.0%	76.1%	49.7%
QoQ				156.5%	38.3%	26.6%	28.7%	16.6%	22.3%	17.8%	4.9%	-0.9%
%			46.7%	63.8%	65.7%	68.2%	74.5%	75.2%	78.8%	82.8%	77.5%	72.4%
Networking			927	1,711	2,606	3,331	3,171	3,668	3,127	3,024	4,957	7,252
YoY							242.1%	114.4%	20.0%	-9.2%	56.3%	97.7%
QoQ				84.6%	52.3%	27.8%	-4.8%	15.7%	-14.7%	-3.3%	63.9%	46.3%
%			12.9%	12.7%	14.4%	15.1%	12.2%	12.2%	8.9%	7.7%	11.3%	15.5%
Gaming	1,574	1,831	2,240	2,486	2,856	2,865	2,647	2,880	3,279	2,544	3,763	4,287
YoY			-38.1%	21.7%	81.4%	56.5%	18.2%	15.8%	14.8%	-11.2%	42.2%	48.9%
QoQ	-22.9%	16.3%	22.3%	11.0%	14.9%	0.3%	-7.6%	8.8%	13.9%	-22.4%	47.9%	13.9%
%	26.5%	30.3%	31.1%	18.4%	15.8%	13.0%	10.2%	9.6%	9.3%	6.5%	8.5%	9.2%
ProViz	200	226	295	379	416	463	427	454	486	511	509	601
YoY			-52.6%	-23.6%	108.0%	104.9%	44.7%	19.8%	16.8%	10.4%	19.2%	32.4%
QoQ	-59.7%	13.0%	30.5%	28.5%	9.8%	11.3%	-7.8%	6.3%	7.0%	5.1%	-0.4%	18.1%
%	3.4%	3.7%	4.1%	2.8%	2.3%	2.1%	1.6%	1.5%	1.4%	1.3%	1.2%	1.3%
Automotive	251	294	296	253	261	281	329	346	449	570	567	586
YoY			114.5%	15.0%	4.0%	-4.4%	11.1%	36.8%	72.0%	102.8%	72.3%	69.4%
QoQ	14.1%	17.1%	0.7%	-14.5%	3.2%	7.7%	17.1%	5.2%	29.8%	26.9%	-0.5%	3.4%
%	4.2%	4.9%	4.1%	1.9%	1.4%	1.3%	1.3%	1.2%	1.3%	1.4%	1.3%	1.3%
OEM & Other	73	84	77	66	73	90	78	88	97	126	111	173
YoY			-51.3%	-52.9%	0.0%	7.1%	1.3%	33.3%	32.9%	40.0%	42.3%	96.6%
QoQ	-47.9%	15.1%	-8.3%	-14.3%	10.6%	23.3%	-13.3%	12.8%	10.2%	29.9%	-11.9%	55.9%
%	1.2%	1.4%	1.1%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
Revenue	5,931	6,051	7,192	13,507	18,120	22,103	26,044	30,040	35,082	39,331	44,062	46,743
YoY%			-13.2%	101.5%	205.5%	265.3%	262.1%	122.4%	93.6%	77.9%	69.2%	55.6%
QoQ%	-11.5%	2.0%	18.9%	87.8%	34.2%	22.0%	17.8%	15.3%	16.8%	12.1%	12.0%	6.1%

Source: Company data, Bloomberg, CMBIGM

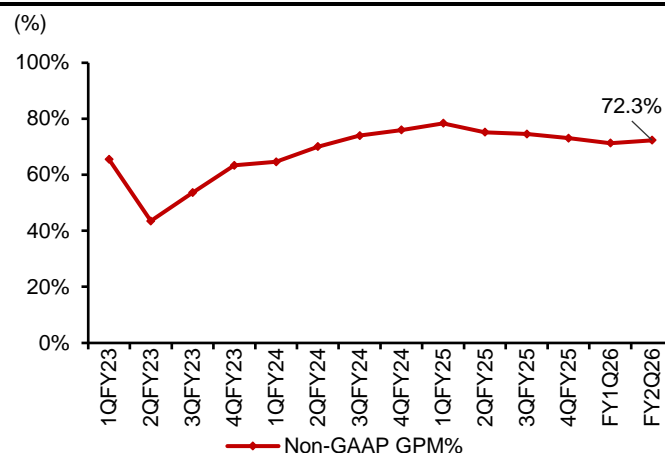
Breaking down the datacenter revenue in 2QFY26, **82.4% was compute** (US\$33.8bn, up 49.7% YoY but down 0.9% QoQ), while **17.6% was networking** (US\$7.3bn, up 97.7% YoY and 46.3% QoQ). Based on management guidance, Nvidia's non-GAAP GPM is guided to be 73.5% (GAAP: 73.2%) in 3QFY26.

Figure 6: Nvidia's datacenter quarterly revenue breakdown by segment (2QFY26)



Source: Company data, CMBIGM

Figure 7: Nvidia's non-GAAP GPM



Source: Company data, CMBIGM

Note: Excluding H20 charge and related tax impact

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