

# Semiconductors

## Nvidia's 4Q earnings: Widening the moat with multi-year visibility

Nvidia (NVDA US, NR) released its 4QFY26 earnings, with revenue up 73% YoY/20% QoQ to US\$68bn (beating BBG consensus by 2.6%), and EPS up 82% YoY/25% QoQ to US\$1.62 (beating BBG consensus by 5.0%). GPM was 75.2%, improving from 73.6% in 3Q and beating BBG consensus of 74.3%. Mgmt. guides 1QFY27 revenue to be US\$78bn, implying ~US\$10bn step-up (vs. US\$11bn last quarter), while GPM is guided to be 75%. Overall, Nvidia delivered another strong beat-and-raise 4Q, confirming the robust compute demand from hyperscalers, neo-clouds, sovereign AI, enterprises, etc. Mgmt. also highlights now is an inflection point for agentic AI, with compute capacity now directly translating into revenue generation for customers, per mgmt.

■ **Data Center saw increasing contribution from networking while compute remains dominant.** DC revenue reached US\$62bn (up 75% YoY/22% QoQ) in 4Q, with Blackwell now accounting for ~2/3 and hyperscalers making up 50%+ of total DC sales. Mgmt. highlighted a meaningful inflection in demand mix, noting that inference is rapidly strengthening and has reached revenue parity with training for its customers, as every token generated directly translates into monetization. In addition, networking segment revenue reached a record US\$11bn in 4Q (up 263% YoY/34% QoQ), driven by robust demand for NVLink switches (scale-up) and accelerating adoption of Spectrum-X Ethernet across both scale-up and scale-across architectures. As customers increasingly interconnect distributed data centers into integrated, gigascale AI supercomputers, Nvidia's networking segment is evolving from a supporting component into a structural competitive moat.

■ **The Vera Rubin platform is on track for mass shipments in 2H26 with GPM sustaining in mid-70s.** The Rubin platform is engineered to reduce inference token costs by up to 10x and can train Mixture of Experts (MoE) models using only a quarter of the GPUs required for Blackwell. Mgmt. expects every cloud model builder to deploy Rubin even as Blackwell continues to sell throughout the year. Financially, the Company expects to maintain GPM in the mid-70s throughout CY26 as the Rubin platform ramps, driven by X-factor leaps in performance per watt and performance per dollar, which significantly improves tokenomics. By allowing customers to generate more revenue per unit of investment, Nvidia makes it economically rational for AI factories to transition to its latest products.

■ **Sales across ex-DC segments remain uneven.** ProViz revenue reached US\$1.3bn (+159% YoY/74% QoQ) as developers adopt Blackwell workstations for agentic workflows. Gaming was US\$3.7bn, down 12.6% QoQ as mgmt. expects supply constraints will remain a persistent headwind for the segment in the near term. Auto reached US\$604mn, up 6% YoY/2% QoQ as Physical AI begins to gain traction, which has generated revenue of US\$6bn+ in FY26, anchored by robotaxi fleets providers (Waymo, Tesla, etc.) that continue to scale over the next decade.

■ **Maintain BUY on Innolight (300308 CH, TP: RMB707) and Shengyi Tech (600183 CH, TP: RMB90),** both of which remain direct beneficiaries of Nvidia's sustained demand momentum and platform upgrade cycle.

■ **Other observations from 4Q earnings call:**

- ❖ **China revenue de-risking:** China-related revenue continues to be excluded from the Company's revenue guidance for 1QFY27.
- ❖ **GPM resilience:** Strong GPM guidance of mid-70s throughout CY26 alleviates inflated memory cost concerns.

**OUTPERFORM**  
(Maintain)

### China Semiconductors Sector

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1. Innolight (300308 CH) - Pluggables first, new architecture later ([link](#))
2. Semiconductors - TSMC earnings: Cautious optimism confirmed by AI profitability ([link](#))
3. Semiconductors - Nvidia: Solid 3Q results; 4Q guidance should alleviate AI bubble concerns ([link](#))
4. Semiconductors - Thematic investing and megatrends: 1H25 AI demand check; Compute demand continues to grow ([link](#))
5. Semiconductors - Solid 2Q results for Broadcom; eyes on the development of AI inference ([link](#))
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7. Semiconductors - Thematic investing and megatrends: China's hyperscalers accelerate AI infra. buildout amid strengthening cloud demand ([link](#))
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12. Semiconductors - TSMC: Surging AI demands propelled strong results and guidance ([link](#))
13. Semiconductors - Nvidia's 3Q earnings takeaway: Strong demand for Blackwell well into next year ([link](#))
14. Semiconductors - AMD "Advancing AI" event ([link](#))

- ❖ **Agentic AI inflection:** the arrival of agentic systems like OpenAI Codex and Claude Cowork is driving a surge in token and compute demand.
- ❖ **Sovereign AI scale:** National investments have tripled YoY to US\$30bn+ as countries fund AI infrastructure proportional to their GDP, according to Nvidia.

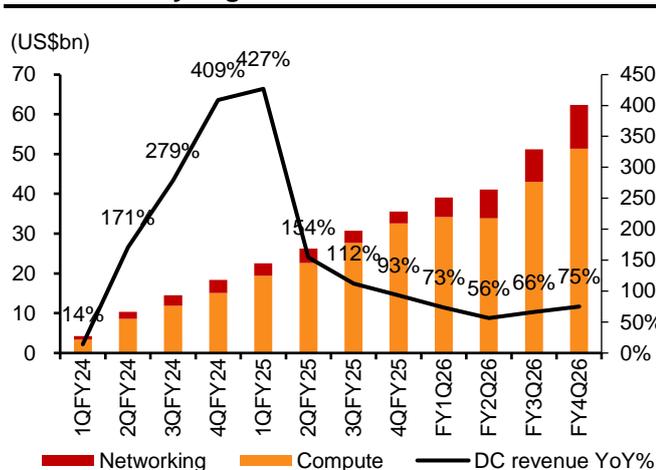
Figure 1: Nvidia's quarterly segment revenue

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
(US\$m)												
<b>Data Center</b>	<b>4,284</b>	<b>10,323</b>	<b>14,514</b>	<b>18,404</b>	<b>22,563</b>	<b>26,272</b>	<b>30,771</b>	<b>35,580</b>	<b>39,112</b>	<b>41,096</b>	<b>51,215</b>	<b>62,314</b>
YoY	14.2%	171.2%	278.7%	409.0%	426.7%	154.5%	112.0%	93.3%	73.3%	56.4%	66.4%	75.1%
QoQ	18.5%	141.0%	40.6%	26.8%	22.6%	16.4%	17.1%	15.6%	9.9%	5.1%	24.6%	21.7%
%	59.6%	76.4%	80.1%	83.3%	86.6%	87.5%	87.7%	90.5%	88.8%	87.9%	89.8%	91.5%
<b>Compute</b>	<b>3,357</b>	<b>8,612</b>	<b>11,908</b>	<b>15,073</b>	<b>19,392</b>	<b>22,604</b>	<b>27,644</b>	<b>32,556</b>	<b>34,155</b>	<b>33,844</b>	<b>43,000</b>	<b>51,334</b>
YoY					477.7%	162.5%	132.1%	116.0%	76.1%	49.7%	55.5%	57.7%
QoQ		156.5%	38.3%	26.6%	28.7%	16.6%	22.3%	17.8%	4.9%	-0.9%	27.1%	19.3%
% revenue	46.7%	63.8%	65.7%	68.2%	74.5%	75.2%	78.8%	82.8%	77.5%	72.4%	75.4%	75.4%
<b>Networking</b>	<b>927</b>	<b>1,711</b>	<b>2,606</b>	<b>3,331</b>	<b>3,171</b>	<b>3,668</b>	<b>3,127</b>	<b>3,024</b>	<b>4,957</b>	<b>7,252</b>	<b>8,215</b>	<b>10,980</b>
YoY					242.1%	114.4%	20.0%	-9.2%	56.3%	97.7%	162.7%	263.1%
QoQ		84.6%	52.3%	27.8%	-4.8%	15.7%	-14.7%	-3.3%	63.9%	46.3%	13.3%	34.1%
% revenue	12.9%	12.7%	14.4%	15.1%	12.2%	12.2%	8.9%	7.7%	11.3%	15.5%	14.4%	16.1%
<b>Gaming</b>	<b>2,240</b>	<b>2,486</b>	<b>2,856</b>	<b>2,865</b>	<b>2,647</b>	<b>2,880</b>	<b>3,279</b>	<b>2,544</b>	<b>3,763</b>	<b>4,287</b>	<b>4,265</b>	<b>3,727</b>
YoY	-38.1%	21.7%	81.4%	56.5%	18.2%	15.8%	14.8%	-11.2%	42.2%	48.9%	30.1%	46.5%
QoQ	22.3%	11.0%	14.9%	0.3%	-7.6%	8.8%	13.9%	-22.4%	47.9%	13.9%	-0.5%	-12.6%
%	31.1%	18.4%	15.8%	13.0%	10.2%	9.6%	9.3%	6.5%	8.5%	9.2%	7.5%	5.5%
<b>ProViz</b>	<b>295</b>	<b>379</b>	<b>416</b>	<b>463</b>	<b>427</b>	<b>454</b>	<b>486</b>	<b>511</b>	<b>509</b>	<b>601</b>	<b>760</b>	<b>1,321</b>
YoY	-52.6%	-23.6%	108.0%	104.9%	44.7%	19.8%	16.8%	10.4%	19.2%	32.4%	56.4%	158.5%
QoQ	30.5%	28.5%	9.8%	11.3%	-7.8%	6.3%	7.0%	5.1%	-0.4%	18.1%	26.5%	73.8%
%	4.1%	2.8%	2.3%	2.1%	1.6%	1.5%	1.4%	1.3%	1.2%	1.3%	1.3%	1.9%
<b>Automotive</b>	<b>296</b>	<b>253</b>	<b>261</b>	<b>281</b>	<b>329</b>	<b>346</b>	<b>449</b>	<b>570</b>	<b>567</b>	<b>586</b>	<b>592</b>	<b>604</b>
YoY	114.5%	15.0%	4.0%	-4.4%	11.1%	36.8%	72.0%	102.8%	72.3%	69.4%	31.8%	6.0%
QoQ	0.7%	-14.5%	3.2%	7.7%	17.1%	5.2%	29.8%	26.9%	-0.5%	3.4%	1.0%	2.0%
%	4.1%	1.9%	1.4%	1.3%	1.3%	1.2%	1.3%	1.4%	1.3%	1.3%	1.0%	0.9%
<b>OEM &amp; Other</b>	<b>77</b>	<b>66</b>	<b>73</b>	<b>90</b>	<b>78</b>	<b>88</b>	<b>97</b>	<b>126</b>	<b>111</b>	<b>173</b>	<b>174</b>	<b>161</b>
YoY	-51.3%	-52.9%	0.0%	7.1%	1.3%	33.3%	32.9%	40.0%	42.3%	96.6%	79.4%	27.8%
QoQ	-8.3%	-14.3%	10.6%	23.3%	-13.3%	12.8%	10.2%	29.9%	-11.9%	55.9%	0.6%	-7.5%
%	1.1%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.3%	0.2%
<b>Revenue</b>	<b>7,192</b>	<b>13,507</b>	<b>18,120</b>	<b>22,103</b>	<b>26,044</b>	<b>30,040</b>	<b>35,082</b>	<b>39,331</b>	<b>44,062</b>	<b>46,743</b>	<b>57,006</b>	<b>68,127</b>
YoY%	-13.2%	101.5%	205.5%	265.3%	262.1%	122.4%	93.6%	77.9%	69.2%	55.6%	62.5%	73.2%
QoQ%	18.9%	87.8%	34.2%	22.0%	17.8%	15.3%	16.8%	12.1%	12.0%	6.1%	22.0%	19.5%

Source: Company data, CMBIGM

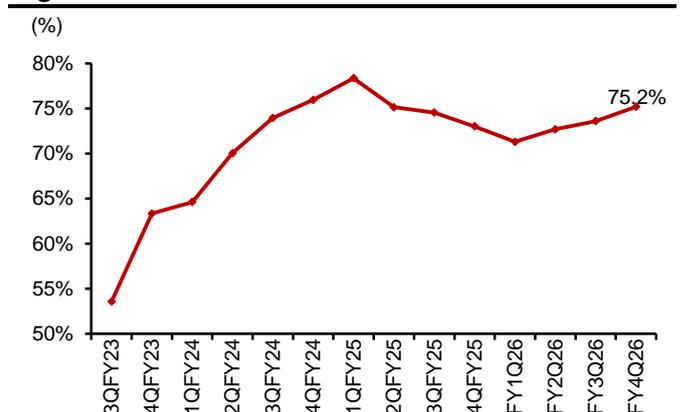
Breaking down the datacenter revenue in 4QFY26, **82% was compute** (US\$51bn, up 58% YoY and 19% QoQ), while **18% was networking** (US\$11bn, up 263% YoY and 34% QoQ). Based on mgmt.'s guidance, Nvidia's non-GAAP GPM is guided to be 75.0% (GAAP: 74.9%) in 1QFY27.

Figure 2: Nvidia's datacenter quarterly revenue breakdown by segment



Source: Company data, CMBIGM

Figure 3: Nvidia's non-GAAP GPM trend



Source: Company data, CMBIGM

Note: Includes H2O charges/(releases), net, which were US\$4.5bn and (US\$180mn) for the first and second quarter of fiscal 2026, respectively, and insignificant for both the third and fourth quarter of fiscal 2026

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