

Semiconductors

Nvidia's 1Q beat and solid 2Q guidance confirm AI demand remains resilient

Nvidia (NVDA US, NR) announced 1QFY26 results. Revenue was US\$44.1bn, up 69.2% YoY/12.0% QoQ, 1.8%/2.5% above Bloomberg consensus of US\$43.3bn and guidance of US\$43bn. Non-GAAP GPM came in at 61.0% or 71.3% if excluding US\$4.5bn H20-related charges/tax impact (vs. consensus/guidance of 71.0%/71.0%). Quarterly revenue increased by US\$4.7bn (vs. US\$4.2bn in 4Q). Blackwell ramp-up was fast, accounting for 70% of DC compute revenue in 1Q, up from 34% in 4Q. Blackwell accelerators were deployed at high volume with major hyperscalers (Microsoft, Google, Meta) scaling at a pace of 72k Blackwell accelerators weekly each, per mgmt. Looking forward, mgmt. guides 2Q revenue to be US\$45bn, up 50% YoY and 12% QoQ, excluding a US\$8bn H20 loss (implying 14% QoQ growth if without the curb, per our est.). Non-GAAP GPM was 72.0% in 1QFY26, slightly improved sequentially driven by better Blackwell profitability. **Nvidia's strong 1Q results and solid 2Q guidance suggest AI demand remains resilient.**

- **Nvidia's DC segment remained the dominant growth driver**, with revenue rising 73% YoY and 10% QoQ to reach US\$39bn, fueled by surging inference workloads and robust shipments of Blackwell GPUs. The company also began sampling its next-generation GB300 system (50% performance uplift over GB200) and expects product shipments in 2Q. Meanwhile, networking revenue saw a sharp rise of 56% YoY and 64% QoQ, driven by the rapid scale-up of AI infra. globally. NVLink exceeded US\$1bn in shipments during the quarter, while Spectrum-X is now annualizing over US\$8bn, with major new wins from Meta and Google Cloud. CPO is adopted for scale-out solutions. In other segments, auto saw remarkable momentum with 72% YoY sales growth on broader adoption of its self-driving stack across OEMs. Gaming segment hit a record sales of US\$3.8bn on successful launches of Blackwell GPUs amid increased AI PC adoption. Pro. viz revenue was flat sequentially, affected by tariffs-related uncertainties, but the company expected it to resume growth in 2Q.
- **US\$2.5bn/US\$8bn H20 loss estimated for 1Q/2Q under the April curb, with US\$4.5bn inventory/purchase obligations write-off as certain materials can be reused, per the company.** In 1Q, the company recognized US\$4.6bn in H20-related revenue prior to 9 April. Total revenue from China was US\$5.5bn, up 122% YoY and flattish QoQ. Without the chip export ban from the US, China's revenue should be US\$8.0bn in 1Q, up 222% YoY and 45% QoQ, reflecting strong demand. Mgmt. further guided that 2Q would reflect an additional US\$8bn in lost H20 revenue (vs. US\$7bn in 1Q if without the ban). While the company acknowledged that the China data center market (est. at US\$50bn by mgmt.) is now effectively inaccessible, they emphasized that robust demand from non-China regions, particularly hyperscalers, is helping offset the shortfall. Notably, the ramp-up of Blackwell is progressing faster-than-expected and contributing meaningfully to growth. For China's market, domestic AI accelerator players will benefit from this landscape, in our view.
- **Nvidia's results confirm ongoing AI capex driven by significant acceleration in inference demand**, esp. from reasoning and agentic AI, expanding compute demand beyond training. We are optimistic on the global AI infra. capex as hyperscalers, both domestic and overseas, continue to enhance their investments which may benefit domestic players, such as **Innolight (300308 CH, BUY, TP: RMB151)**, **Shengyi Tech (600183 CH, BUY, TP: RMB34.5)**, and **SCC (002916 CH, BUY, TP: RMB146.81)**.

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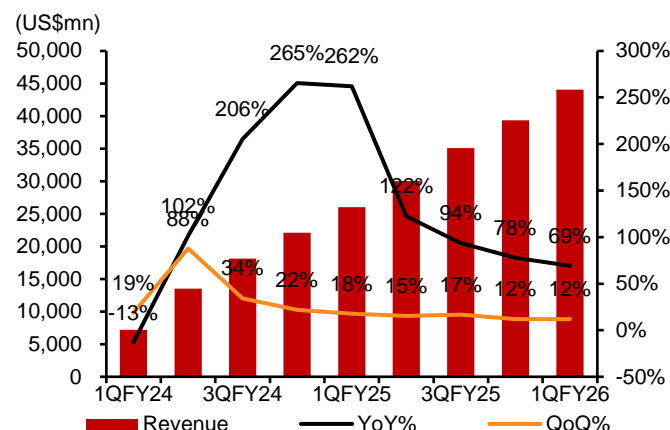
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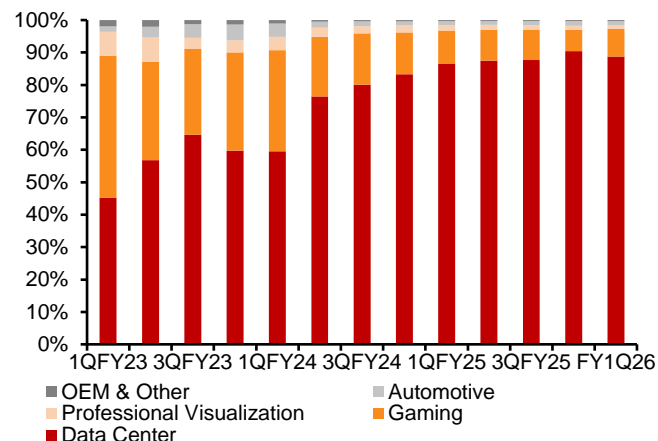
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Figure 1: Nvidia's quarterly revenue and YoY / QoQ growth

Source: Company data, Bloomberg

Figure 2: Nvidia's quarterly revenue breakdown by segment

Source: Company data, Bloomberg

Figure 3: Nvidia's quarterly results

US\$ mn	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Revenue	5,931	6,051	7,192	13,507	18,120	22,103	26,044	30,040	35,082	39,331	44,062
... YoY	-16.5%	-20.8%	-13.2%	101.5%	205.5%	265.3%	262.1%	122.4%	93.6%	77.9%	69.2%
... QoQ	-11.5%	2.0%	18.9%	87.8%	34.2%	22.0%	17.8%	15.3%	16.8%	12.1%	12.0%
GAAP GP	3,177	3,833	4,648	9,462	13,400	16,791	20,406	22,560	26,171	28,723	26,668
... GPM	53.6%	63.3%	64.6%	70.1%	74.0%	76.0%	78.4%	75.1%	74.6%	73.0%	60.5%
Net profit	680	1,414	2,043	6,188	9,243	12,285	14,881	16,599	19,309	22,091	18,775
... YoY	-72.4%	-52.9%	26.3%	843.3%	1259.3%	768.8%	628.4%	168.2%	108.9%	139.0%	26.2%
... QoQ	3.7%	107.9%	44.5%	202.9%	49.4%	32.9%	21.1%	11.5%	16.3%	14.4%	-15.0%
... NPM	11.5%	23.4%	28.4%	45.8%	51.0%	55.6%	57.1%	55.3%	55.0%	56.2%	42.6%

Source: Company data, Bloomberg

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

(US\$mn)	1QFY25	4QFY25	1QFY26				2QFY26E	
	Actual	Actual	Actual	BB est.	Beat/(miss)	Guidance	Beat/(miss)	BB est.
Revenue	26,044	39,331	44,062	43,309	Beat by 1.7%	43,000	Beat by 2.5%	45,507
YoY%	262.1%	77.9%	69.2%					51.5%
QoQ%	17.8%	12.1%	12.0%					3.3%
Non-GAAP GPM	78.9%	73.5%	71.3%	71.0%	In-line	71.0%	In-line	71.7%
Non-GAAP EPS (US\$)	0.60	0.90	0.81	0.75	Beat by 8.3%			0.95

Source: Company data, Bloomberg consensus

Note: 1QFY26 GPM excludes H2O charge and related tax impact

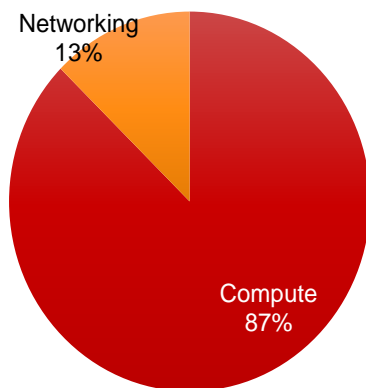
Figure 5: Nvidia's quarterly segment revenue

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	FY1Q26
(US\$mn)												
Data Center	3,806	3,833	3,616	4,284	10,323	14,514	18,404	22,563	26,272	30,771	35,580	39,112
YoY				14.2%	171.2%	278.7%	409.0%	426.7%	154.5%	112.0%	93.3%	73.3%
QoQ	1.5%	0.7%	-5.7%	18.5%	141.0%	40.6%	26.8%	22.6%	16.4%	17.1%	15.6%	9.9%
%	56.8%	64.6%	59.8%	59.6%	76.4%	80.1%	83.3%	86.6%	87.5%	87.7%	90.5%	88.8%
Compute				3,357	8,612	11,908	15,073	19,392	22,604	27,644	32,556	34,155
YoY								477.7%	162.5%	132.1%	116.0%	76.1%
QoQ					156.5%	38.3%	26.6%	28.7%	16.6%	22.3%	17.8%	4.9%
%				46.7%	63.8%	65.7%	68.2%	74.5%	75.2%	78.8%	82.8%	77.5%
Networking				927	1,711	2,606	3,331	3,171	3,668	3,127	3,024	4,957
YoY								242.1%	114.4%	20.0%	-9.2%	56.3%
QoQ					84.6%	52.3%	27.8%	-4.8%	15.7%	-14.7%	-3.3%	63.9%
%				12.9%	12.7%	14.4%	15.1%	12.2%	12.2%	8.9%	7.7%	11.3%
Gaming	2,042	1,574	1,831	2,240	2,486	2856	2865	2647	2,880	3,279	2544	3763
YoY				-38.1%	21.7%	81.4%	56.5%	18.2%	15.8%	14.8%	-11.2%	42.2%
QoQ	-43.6%	-22.9%	16.3%	22.3%	11.0%	14.9%	0.3%	-7.6%	8.8%	13.9%	-22.4%	47.9%
%	30.5%	26.5%	30.3%	31.1%	18.4%	15.8%	13.0%	10.2%	9.6%	9.3%	6.5%	8.5%
Professional Visualization	496	200	226	295	379	416	463	427	454	486	511	509
YoY				-52.6%	-23.6%	108.0%	104.9%	44.7%	19.8%	16.8%	10.4%	19.2%
QoQ	-20.3%	-59.7%	13.0%	30.5%	28.5%	9.8%	11.3%	-7.8%	6.3%	7.0%	5.1%	-0.4%
%	7.4%	3.4%	3.7%	4.1%	2.8%	2.3%	2.1%	1.6%	1.5%	1.4%	1.3%	1.2%
Automotive	220	251	294	296	253	261	281	329	346	449	570	567
YoY				114.5%	15.0%	4.0%	-4.4%	11.1%	36.8%	72.0%	102.8%	72.3%
QoQ	59.4%	14.1%	17.1%	0.7%	-14.5%	3.2%	7.7%	17.1%	5.2%	29.8%	26.9%	-0.5%
%	3.3%	4.2%	4.9%	4.1%	1.9%	1.4%	1.3%	1.3%	1.2%	1.3%	1.4%	1.3%
OEM & Other	140	73	84	77	66	73	90	78	88	97	126	111
YoY				-51.3%	-52.9%	0.0%	7.1%	1.3%	33.3%	32.9%	40.0%	42.3%
QoQ	-11.4%	-47.9%	15.1%	-8.3%	-14.3%	10.6%	23.3%	-13.3%	12.8%	10.2%	29.9%	-11.9%
%	2.1%	1.2%	1.4%	1.1%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Revenue	6,704	5,931	6,051	7,192	13,507	18,120	22,103	26,044	30,040	35,082	39,331	44,062
YoY%				-13.2%	101.5%	205.5%	265.3%	262.1%	122.4%	93.6%	77.9%	69.2%
QoQ%	-19.1%	-11.5%	2.0%	18.9%	87.8%	34.2%	22.0%	17.8%	15.3%	16.8%	12.1%	12.0%

Source: Company data, Bloomberg

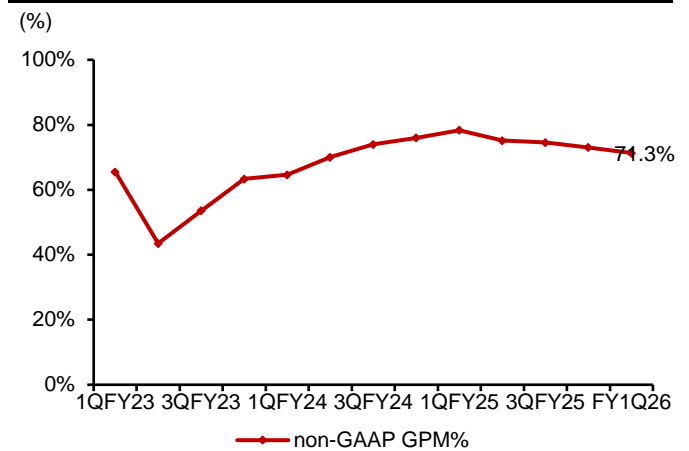
Breaking down the datacenter revenue, **87% was compute** (US\$34.2bn, up 76.1% YoY and 4.9% QoQ), while **13% was networking** (US\$5.0bn, up 56.3% YoY and up 63.9% QoQ). Based on management guidance, Nvidia's non-GAAP GPM is guided to be 72.0% in 2QFY26E.

Figure 6: Nvidia's datacenter quarterly revenue breakdown by segment



Source: Company data

Figure 7: Nvidia's non-GAAP GPM



Source: Company data, Bloomberg

Note: 1QFY26 GPM excludes H2O charge and related tax impact

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