

Semiconductors

Thematic investing and megatrends: 2H25 AI capex on track; positive on supply chain

The big four overseas hyperscalers (Amazon, Meta, Microsoft, and Alphabet, covered by our internet team) have reported their CY2Q25 earnings, highlighting another quarter of stronger-than-anticipated capex (US\$89bn, beat BBG consensus by 12.8%) and guiding further increases in spending for CY3Q25/CY2H25. Google has raised 2025 capex guidance by 13% to US\$85bn. Meta expects 2026 capex to grow significantly again (2025: 68%-84% YoY), shifting to shorter-lived assets. The strong momentum confirms our previous view that compute demand will continue to grow ([report](#)). **We expect the supply chain to remain a direct beneficiary** of the ongoing AI cluster buildouts and GPU/ASIC cycle upgrades, with 43% YoY capex growth projection for 2025/26E per BBG. We **maintain our positive outlook for Innolight** (300308 CH, BUY, TP: RMB225) ([link](#)) and **Shengyi Tech** (600183 CH, BUY, TP: RMB41.1) ([link](#)), two core AI beneficiaries (optical transceivers and PCB) under our coverage.

- **The Big Four spent US\$89bn capex in 2Q (+67%/+22% YoY/QoQ), with further upside guided for 3Q/2H.** All of them guide capex increases in following 1-2 quarters except for Amazon (flatish in 3Q/4Q): 1) **Google's** 2H capex to be US\$45bn (+14% HoH), 2) **Microsoft's** 3Q capex to exceed US\$30bn (+24% QoQ), and 3) **Meta's** 2H capex to be US\$35-41bn (up 15% to 34% HoH). In our view, this robust capital deployment reflects a persistently tight supply-demand environment for computing power.
- **The Big Four hyperscalers are expected to see a 43% YoY capex growth in 2025** (a meaningful revision from Dec. estimate of 18% YoY), per BBG. **The spending trajectory is in-line with their cloud business growth trend**, despite a record capex-to-revenue ratio (22.9% in 2Q vs. 20.3% in 1Q). We see Google Cloud and Microsoft Cloud revenue rise 32%/ 11% YoY/QoQ and 27%/10% YoY/QoQ in CY2Q25, accelerating from the previous quarter. Amazon lags in capex growth, while AWS's revenue growth was also lower (17%/5% YoY/QoQ). **The accelerated cloud revenue growth should help alleviate investor concerns regarding ROI.** These hyperscalers have begun to demonstrate tangible returns from previous investments.
- **On the domestic front, we believe Alibaba, ByteDance, Tencent, and Baidu are also ramping up AI infrastructure and compute capabilities**, supported by the recent easing of restrictions on Nvidia's H20 shipments to China and growing domestic capabilities. Reuters reports a [300k unit order](#) was recently placed by Nvidia with TSMC, showing strong market demand.
- **We believe this robust capex cycle, both globally and in China, will benefit the entire AI supply chain.** Recent earnings from upstream foundries, supply chain suppliers (optical transceivers, PCB, etc.), to downstream hyperscalers all validate the strong AI infrastructure investment theme. Maintain BUY on Innolight (300308 CH, TP: RMB225) and Shengyi Tech (600183 CH, TP: RMB41.1) as key beneficiaries.

OUTPERFORM
(Maintain)

China Semiconductors Sector

Lily YANG, Ph.D

(852) 3916 3716

lilyyang@cmbi.com.hk

Kevin ZHANG

(852) 3761 8727

kevinzhang@cmbi.com.hk

Jiahao Jiang

(852) 39163739

JiangJiahao@cmbi.com.hk

Related reports:

1. Semiconductors - Thematic investing and megatrends: 1H25 AI demand check; Compute demand continues to grow ([link](#))
2. Semiconductors - Solid 2Q results for Broadcom; eyes on the development of AI inference ([link](#))
3. Semiconductors - Nvidia's 1Q beat and solid 2Q guidance confirm AI demand remains resilient ([link](#))
4. Semiconductors - Thematic investing and megatrends: China's hyperscalers accelerate AI infra. buildout amid strengthening cloud demand ([link](#))
5. Semiconductors - Thematic investing and megatrends: Resilient 1Q25 capex among hyperscalers ([link](#))
6. Semiconductors - Thematic investing and megatrends: Alibaba's bold capex hike a boost to domestic AI infrastructure suppliers ([link](#))
7. Semiconductors - Thematic investing and megatrends: Views on DeepSeek ([link](#))
8. Semiconductors - Thematic investing and megatrends: Stargate poised to accelerate global AI arms race ([link](#))
9. Semiconductors - TSMC: Surging AI demands propelled strong results and guidance ([link](#))
10. Semiconductors - Nvidia's 3Q earnings takeaway: Strong demand for Blackwell well into next year ([link](#))
11. Semiconductors - AMD "Advancing AI" event ([link](#))
12. Semiconductors - Sector valuation revisit after recent rally; Potential rerating opportunities ahead ([link](#))
13. Semiconductors - Nvidia 2Q review: A strong beat-and-raise quarter; eyes on Blackwell shipment and margin ([link](#))
14. Semiconductors - PCB sector: 1H24 earnings preview ([link](#))

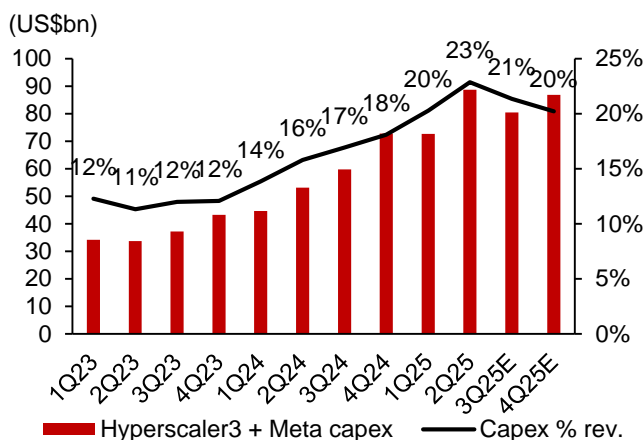
Meta's (META US) capex doubled YoY and grew by 24% QoQ in Q2 to US\$17.0bn, which was allocated primarily to servers, data centers, and networking infrastructure, per mgmt. Meta is aggressively scaling its AI infra., including Prometheus (a gigawatt+ cluster expected for launch in 2026), Hyperion (scalable to 5GW), and multiple Titan clusters. It is also expanding its AI talent base through **Meta Superintelligence Labs**. The company has raised its **CY2025 Capex guidance to US\$66-72bn, up ~US\$30bn YoY at midpoint, and expects a similarly aggressive ramp in 2026.**

Alphabet's (GOOGL US) capex surged by 70% YoY/31% QoQ to US\$22.4bn in Q2, and the company **raised its full-year capex guidance from US\$75bn to US\$85bn**, citing accelerated server deliveries and faster datacenter buildouts. The investment supports both capacity expansion and advanced AI workloads, including the deployment of Google's own TPUs and support for large model training. **Mgmt. forecasts a tight supply-demand dynamic in its cloud business** segment going forward in 2026, further driving its capex growth. Google Q2 cloud sales increased by 32% YoY/11% QoQ.

Microsoft (MSFT US) increased its capex by 23.1% YoY / 2.0% QoQ in CY2Q25 to US\$17.1bn (cash paid to PP&E), citing that over half of the investment was allocated to long-lived assets, while the remainder was directed primarily to **short-lived assets, namely servers, GPUs, CPUs, networking, etc.** to meet continued demand across its cloud and AI businesses. The company expects its capex growth to moderate in FY2026 vs. FY2025, with first half more heavily loaded. Also, **mgmt. forecasts a US\$30bn (inclu. financial leases) in CY3Q25**, reflecting ongoing AI infrastructure scale-out amid sustained demand in AI. Microsoft's Q2 cloud sales increased by 27% YoY/10% QoQ (Azure growth ~39% YoY).

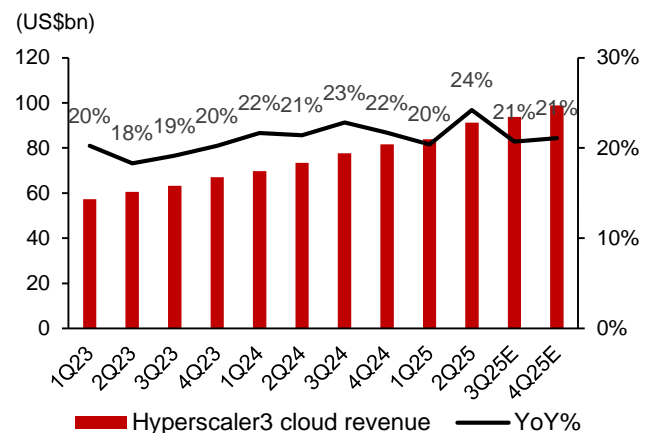
Amazon (AMZN US) reported Q2 capex of US\$31.4bn, allocated towards AWS infrastructure expansion to support accelerating demand for AI compute. Key investments included custom AI silicon (Trainium 2), datacenters, and power infrastructure. The company guided that Q2 capex should remain consistent throughout the rest of 2025. Amazon cited substantial growth opportunities in Gen-AI highlighted by AWS's comprehensive AI ecosystem spanning infrastructure platform, and application layers, as key to maintaining competitive edges. AWS saw 17.5% YoY/5.5% QoQ growth due to higher demand than its current capacity can accommodate.

Figure 1: Hyperscalers' capex and capex intensity



Source: Bloomberg, CMBIGM; data on a calendar year basis

Figure 2: Hyperscalers' cloud rev. and growth



Source: Bloomberg, CMBIGM; data on a calendar year basis

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.