

# Semi

## Marvell FY1Q25 earnings: Harnessing the AI revenue

Marvell (MRVL US, NR) released its FY1Q25 results. Revenue was down by 12.2% YoY/18.6% QoQ to US\$1.16bn, in line with the company's guidance (US\$1.16bn). Non-GAAP GPM was 62.4%, down from 63.9% in FY4Q24. Adj. EPS was US\$0.24 in FY1Q25, down 22.6% YoY/47.8% QoQ.

Mgmt. guided Q2 revenue to grow 8% QoQ at the midpoint, and mentioned growth will accelerate in Q3 and Q4, driven by DC/AI sales. Non-GAAP GPM is expected to be around 62%. We think **Marvell's earnings confirmed AI demand remains strong, which should continue to benefit the supply chain.**

- **By segment, data center (DC) remained the primary revenue driver** (70% of total revenue) due to strong demand from cloud AI applications. 1) DC revenue grew by 87.3% YoY/6.7% QoQ in Q1 and is expected to grow mid-single digit in Q2. 2) Enterprise and Carrier sales dropped 58.0% and 75.2% YoY in Q1. The company expected these two segments to bottom in 1H, with Q2 revenue remaining flat. 3) While Consumer business revenue was down 70.4% YoY, Marvell expected the sales to double in Q2. 4) Auto and industrial will continue to go through inventory correction and Q2 sales could be similar, according to the company.
- **Marvell is expected to beat its previous AI revenue guidance of US\$1.5bn in FY2025 (vs. US\$550+mn in FY2024), implying 170%+ YoY growth.** AI revenue remains the key focus. The company thinks yearly incremental sales will be at least US\$1bn. Marvell presented its AI opportunities on its Analyst Day, with a 29% 2023-28E CAGR for DC TAM, of which custom compute's TAM would expand even faster, at a 45% 5-year CAGR, from US\$7bn in FY2023 to US\$40bn+ in FY2028. The company disclosed it has won three customers out of the Big Four hyperscalers (Amazon, Google, Meta, and Microsoft).
- **Optics business continued to be "very strong".** The company said electro-optics revenue is expected to account for two-thirds of the US\$1.5bn projection this year. The growth drivers will be: 1) 800G support for AI buildouts (from both GPU and ASIC); 2) A broad upgrade of DC networking in standard cloud infrastructure; 3) Increasing sales of interconnect solutions from new customers; 4) The launch of new 1.6T products in Q1 with shipments later this year, which should contribute meaningfully to revenue growth in 2024/25.

We think the recent tech earnings have all led to optimistic prospects for the ongoing AI momentum. We believe the supply chain will continue to benefit. We remain positive on the AI supply chain, especially for those key beneficiaries with greater revenue contribution from AI. Maintain BUY rating on Innolight (300308 CH). We also see TFC (300394 CH), AMD (AMD US), Broadcom (AVGO US), Marvell (MRVL US), Arista (ANET US), SMCI (SMCI US), SK Hynix (000660 KS) and TSMC (TSM US) as indispensable names in this AI boom.

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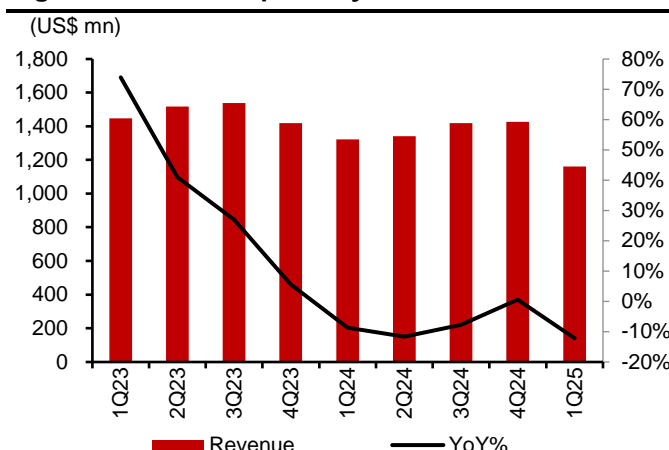
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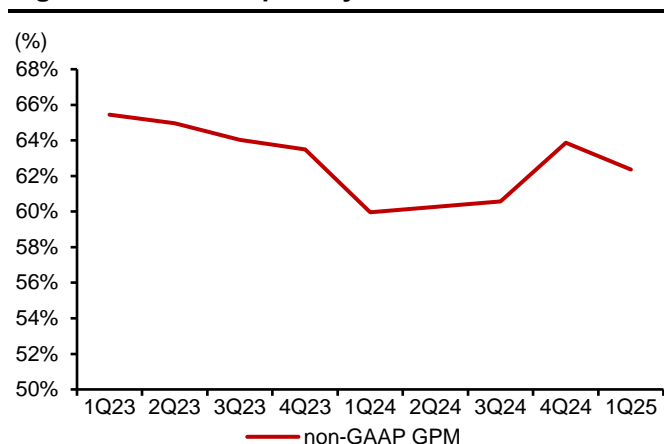
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Figure 1: Marvell's quarterly revenue



Source: Company data, CMBIGM

Figure 2: Marvell's quarterly GPM



Source: Company data, CMBIGM

Figure 3: Marvell's quarterly revenue breakdown

US\$ mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
<b>Data Center</b>	<b>641</b>	<b>643</b>	<b>627</b>	<b>498</b>	<b>436</b>	<b>460</b>	<b>556</b>	<b>765</b>	<b>816</b>
yoy%	NA	48.4%	25.5%	-13.3%	-32.0%	-28.5%	-11.4%	53.8%	87.3%
qoq%	11.6%	0.5%	-2.5%	-20.7%	-12.4%	5.5%	20.9%	37.7%	6.7%
%	44.3%	42.4%	40.8%	35.1%	33.0%	34.3%	39.2%	53.6%	70.3%
<b>Enterprise Networking</b>	<b>287</b>	<b>340</b>	<b>376</b>	<b>366</b>	<b>365</b>	<b>328</b>	<b>271</b>	<b>265</b>	<b>153</b>
yoy%	NA	52.8%	52.1%	39.3%	27.2%	-3.7%	-27.9%	-27.7%	-58.0%
qoq%	9.0%	18.7%	10.5%	-2.6%	-0.5%	-10.1%	-17.3%	-2.3%	-42.2%
%	19.8%	22.4%	24.5%	25.8%	27.6%	24.4%	19.1%	18.6%	13.2%
<b>Carrier Infrastructure</b>	<b>252</b>	<b>285</b>	<b>271</b>	<b>275</b>	<b>290</b>	<b>276</b>	<b>317</b>	<b>170</b>	<b>72</b>
yoy%	NA	45.0%	26.2%	14.3%	15.0%	-3.4%	16.6%	-38.3%	-75.2%
qoq%	4.6%	13.2%	-4.8%	1.5%	5.3%	-5.0%	14.9%	-46.3%	-57.8%
%	17.4%	18.8%	17.7%	19.4%	21.9%	20.5%	22.3%	11.9%	6.2%
<b>Consumer</b>	<b>179</b>	<b>164</b>	<b>178</b>	<b>180</b>	<b>142</b>	<b>168</b>	<b>169</b>	<b>144</b>	<b>42</b>
yoy%	NA	-0.6%	-2.2%	-3.0%	-20.4%	2.0%	-5.4%	-20.0%	-70.4%
qoq%	-3.7%	-7.9%	8.5%	0.8%	-21.0%	18.0%	0.6%	-14.7%	-70.8%
%	12.3%	10.8%	11.6%	12.7%	10.8%	12.5%	11.9%	10.1%	3.6%
<b>Automotive / Industrial</b>	<b>89</b>	<b>84</b>	<b>84</b>	<b>99</b>	<b>89</b>	<b>110</b>	<b>107</b>	<b>82</b>	<b>78</b>
yoy%	NA	45.6%	26.2%	25.0%	0.0%	31.8%	26.5%	-17.2%	-13.1%
qoq%	12.3%	-6.4%	0.7%	18.1%	-10.2%	23.4%	-3.4%	-22.7%	-5.7%
%	6.2%	5.5%	5.5%	7.0%	6.8%	8.2%	7.5%	5.8%	6.7%
<b>Total revenue</b>	<b>1,447</b>	<b>1,517</b>	<b>1,537</b>	<b>1,419</b>	<b>1,322</b>	<b>1,341</b>	<b>1,419</b>	<b>1,427</b>	<b>1,161</b>
yoy%	73.9%	41.0%	26.9%	5.6%	-8.7%	-11.6%	-7.7%	0.6%	-12.2%
qoq%	7.7%	4.8%	1.3%	-7.7%	-6.8%	1.5%	5.8%	0.6%	-18.6%

Source: Company data, CMBIGM

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