

Semiconductors

Nvidia's 3Q earnings takeaway: Strong demand for Blackwell well into next year

Nvidia (NVDA US, NR) announced 3QFY25 results on 21 Nov (HKT). Quarterly revenue was US\$35.1bn, up 93.6% YoY and 16.8% QoQ (vs. 17.8%/15.3% QoQ in 1Q/2Q). Revenue beat guidance (US\$32.5bn) by 7.9% and Bloomberg consensus (US\$33.3bn) by 5.5%. Non-GAAP GPM was 75.0% in FY3Q25 (down 0.6ppts sequentially), meeting guidance and Bloomberg estimates. Non-GAAP EPS was US\$0.81, up 101.0% YoY and 18.4% QoQ, above consensus by 8.9%. FY4Q25 revenue guidance is set at US\$37.5bn, implying another 6.9% QoQ growth which slightly exceeded Bloomberg consensus of US\$37.1bn. Nvidia expected non-GAAP GPM of 73.5% in the next quarter, in-line with Bloomberg consensus of 73.5%.

Nvidia's share price saw little volatility during after-hours trading as its earnings have largely met investors' expectations.

- **By segment, Data Center (DC) revenue reached another historic high to US\$30.8bn (88% of 3Q sales), up 112.0% YoY and 17.1% QoQ.** Gaming/ProViz/Auto grew 13.9%/7.0%/29.8% QoQ. Breaking down DC revenue, 90% was contributed by compute (US\$27.6bn, up 22.3% QoQ), while the rest was from networking (US\$3.1bn, down 14.7% QoQ). **We believe compute business will continue to be the key growth driver considering strong Hopper demand and ramp-up of Blackwell production.** Despite a sequential decline in networking in 3Q, mgmt. anticipates QoQ growth in 4Q.
- **Demand outlook remains rosy.** Hopper demand is exceptional with double-digit billions revenue from H200 sales in Oct-Q. Mgmt. said Hopper demand will continue to grow in CY2H24 and throughout next year. On top of that, Blackwell is "in full production after a successfully executed mass change". Nvidia has shipped 13k GPU samples in 3Q and is expected to deliver more than its previous estimates in 4Q (2Q guidance was several billion dollars). CSPs accounted for half of DC revenue (over 2x YoY growth) in 3Q, which was approx. US\$15bn. Alphabet, Microsoft and Amazon spent an aggregate of ~US\$50bn capex in 3Q, which means ~30% of the capex went to Nvidia.
- **Temporary gross margin pressure during Blackwell's initial ramp.** Mgmt. projects margins to be 71.0%-72.5% during the initial phase, with recovery to mid-70% levels as production stabilizes and scales (possibly to reach mid-70% in 2H FY26, depending on product mix).
- **AI beneficiaries:** Mgmt. highlighted the complexity of the Blackwell product lineup, which relies on a global supply chain involving several key partners like TSMC, Amphenol, Vertiv, SK Hynix, Micron, Amkor, KYEC, Foxconn, Quanta, Wiyynn, Spil, Dell, HP, Super Micro and Lenovo. 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) with TP at RMB186.0.**

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China Semiconductors Sector

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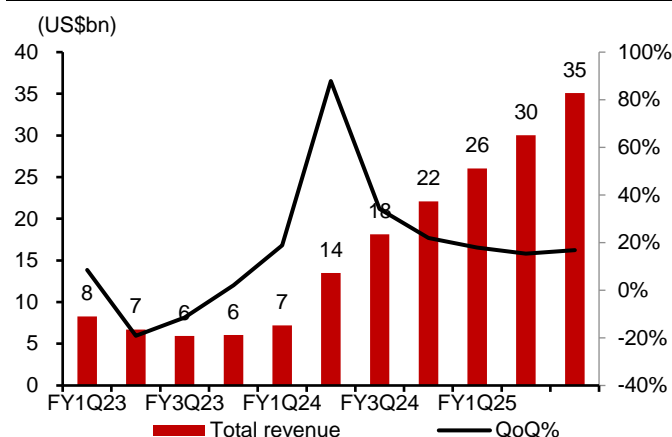
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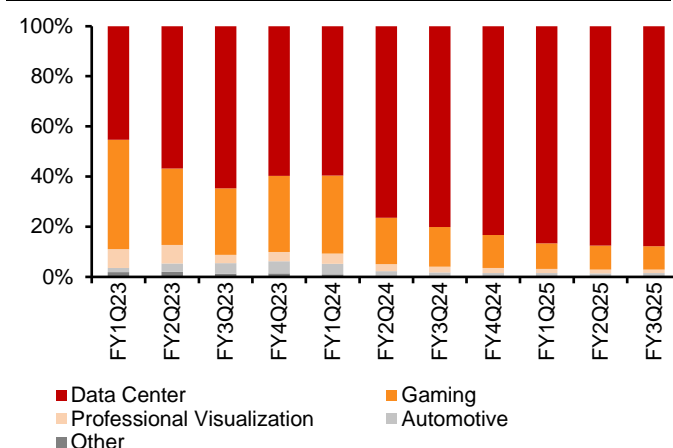
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Figure 1: Nvidia's quarterly revenue and QoQ growth

Source: Company data

Figure 2: Nvidia's quarterly revenue breakdown by segment

Source: Company data

Figure 3: Nvidia's quarterly results

US\$ mn	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Revenue	8,288	6,704	5,931	6,051	7,192	13,507	18,120	22,103	26,044	30,040	35,082
... YoY	46.4%	3.0%	-16.5%	-20.8%	-13.2%	101.5%	205.5%	265.3%	262.1%	122.4%	93.6%
... QoQ	8.4%	-19.1%	-11.5%	2.0%	18.9%	87.8%	34.2%	22.0%	17.8%	15.3%	16.8%
GAAP GP	5,431	2,915	3,177	3,833	4,648	9,462	13,400	16,791	20,406	22,560	26,171
... GPM	65.5%	43.5%	53.6%	63.3%	64.6%	70.1%	74.0%	76.0%	78.4%	75.1%	74.6%
Net profit	1,618	656	680	1,414	2,043	6,188	9,243	12,285	14,881	16,599	19,309
... YoY	-15.4%	-72.4%	-72.4%	-52.9%	26.3%	843.3%	1259.3%	768.8%	628.4%	168.2%	108.9%
... QoQ	-46.1%	-59.5%	3.7%	107.9%	44.5%	202.9%	49.4%	32.9%	21.1%	11.5%	16.3%
... NPM	19.5%	9.8%	11.5%	23.4%	28.4%	45.8%	51.0%	55.6%	57.1%	55.3%	55.0%

Source: Company data

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

	3QFY24	2QFY25			3QFY25			4QFY25E	
(USD\$mn)	Actual	Actual	Actual	BB est.	Beat/(miss)	Guidance	Beat/(miss)	BB est.	Guidance
Revenue	18,120	30,040	35,082	33,250	Beat by 5.5%	32,500	Beat by 7.9%	37,080	37,500
YoY%	205.5%	122.4%	93.6%					67.8%	69.7%
QoQ%	34.2%	15.3%	16.8%					5.7%	6.9%
Non-GAAP GPM	75.0%	75.7%	75.0%	75.0%	In-line	75%	In-line	73.5%	73.5%
Non-GAAP EPS	0.402	0.680	0.810	0.744	Beat by 8.9%			0.821	
YoY%	593.1%	151.9%	101.5%					59.1%	
QoQ%	48.9%	11.1%	19.1%					1.4%	

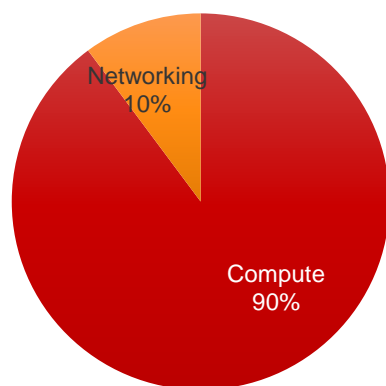
Source: Company data, Bloomberg consensus

Figure 5: Nvidia's quarterly segment revenue

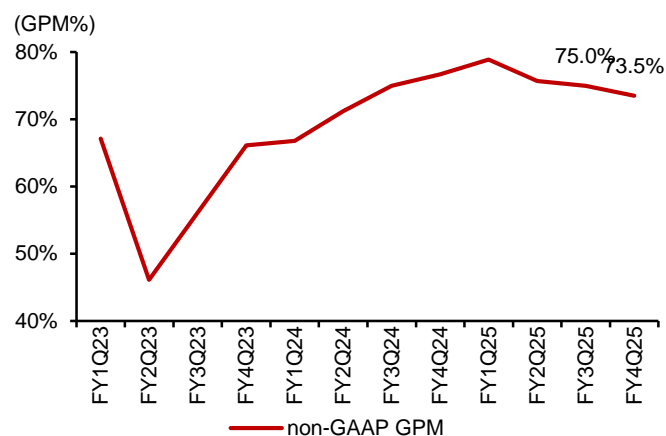
US\$ mn	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25	3QFY25
Data Center	3,750	3,806	3,833	3,616	15,005	4,284	10,323	14,510	18,400	47,517	22,563	26,272	30,771
yoy%	83.1%	60.9%	30.6%	10.8%		14.2%	171.2%	278.6%	408.8%	216.7%	426.7%	154.5%	112.1%
qoq%	14.9%	1.5%	0.7%	-5.7%		18.5%	141.0%	40.6%	26.8%		22.6%	16.4%	17.1%
%	45.2%	56.8%	64.6%	59.8%	55.6%	59.6%	76.4%	80.1%	83.2%	78.0%	86.6%	87.5%	87.7%
Compute						3,357	8,612		15,073	38,950	19,392	22,604	27,644
yoy%							156.5%		349.0%		477.7%	162.5%	132.0%
qoq%											28.7%	16.6%	22.3%
%						78.4%	83.4%		81.9%	82.0%	85.9%	86.0%	89.8%
Network						927	1,711		3,327	8,571	3,171	3,668	3,127
yoy%							84.6%		258.9%		242.1%	114.4%	20.0%
qoq%											-4.7%	15.7%	-14.7%
%						21.6%	16.6%		18.1%	18.0%	14.1%	14.0%	10.2%
Gaming	3,620	2,042	1,574	1,831	9,067	2,240	2,486	2,856	2,865	10,447	2,647	2,880	3,279
yoy%	31.2%	-33.3%	-51.1%	-46.5%		-38.1%	21.7%	81.4%	56.5%	15.2%	18.2%	15.8%	14.7%
qoq%	5.8%	-43.6%	-22.9%	16.3%		22.3%	11.0%	14.9%	0.3%		-8.7%	8.8%	13.9%
%	43.7%	30.5%	26.5%	30.3%	33.6%	31.1%	18.4%	15.8%	13.0%	17.1%	10.2%	9.6%	9.3%
Prof. Visualization	622	496	200	226	1,544	295	379	416	463	1,553	427	454	486
yoy%	67.2%	-4.4%	-65.3%	-64.9%		-52.6%	-23.6%	108.0%	104.9%	0.6%	44.7%	19.8%	16.8%
qoq%	-3.3%	-20.3%	-59.7%	13.0%		30.5%	28.5%	9.8%	11.3%		-7.8%	6.3%	7.0%
%	7.5%	7.4%	3.4%	3.7%	5.7%	4.1%	2.8%	2.3%	2.1%	2.5%	1.6%	1.5%	1.4%
Automotive	138	220	251	294	903	296	253	261	281	1,091	329	346	449
yoy%	-10.4%	44.7%	85.9%	135.2%		114.5%	15.0%	4.0%	-4.4%	20.8%	11.1%	36.8%	72.0%
qoq%	10.4%	59.4%	14.1%	17.1%		0.7%	-14.5%	3.2%	7.7%		17.1%	5.2%	29.8%
%	1.7%	3.3%	4.2%	4.9%	3.3%	4.1%	1.9%	1.4%	1.3%	1.8%	1.3%	1.2%	1.3%
Other	158	140	73	84	455	77	66	73	90	306	78	88	97
yoy%	-51.7%	-65.8%	-68.8%	-56.3%		-51.3%	-52.9%	0.0%	7.1%	-32.7%	1.3%	33.3%	32.9%
qoq%	-17.7%	-11.4%	-47.9%	15.1%		-8.3%	-14.3%	10.6%	23.3%		32.2%	12.8%	10.2%
%	1.9%	2.1%	1.2%	1.4%	1.7%	1.1%	0.5%	0.4%	0.4%	0.5%	0.3%	0.3%	0.3%
Total revenue	8,288	6,704	5,931	6,051	26,974	7,192	13,507	18,120	22,103	60,922	26,044	30,040	35,082
yoy%	46.4%	3.0%	-16.5%	-20.8%		-13.2%	101.5%	205.5%	265.3%	125.9%	262.1%	122.4%	93.6%
qoq%	8.4%	-19.1%	-11.5%	2.0%		18.9%	87.8%	34.2%	22.0%		17.8%	15.3%	16.8%

Source: Company data

Breaking down datacenter revenue, 90% was compute (US\$27.6bn, 132.0% YoY, and 12.3% QoQ), while 10% was networking (US\$3.1bn, 20.0% YoY, and -14.7% QoQ). Nvidia's non-GAAP GPM is guided to be 73.5% in 4QFY25 and mid-70s for FY25.

Figure 6: Nvidia's Data Center quarterly revenue breakdown by segment

Source: Company data

Figure 7: Nvidia's non-GAAP GPM is guided to be 73.5% in 4QFY25 and mid-70s for FY25

Source: Company data

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