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Technology Hardware
Taiwan

MPI Corp

#Flashnote

Buy
α Portfolio

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Winning Bigger: A Clean Sweep of Vera CPU and Mellanox

MPI's winning streak continues, as it takes further share at both Nvidia and Mellanox, amplified by share losses at a Taiwanese peer. That vendor – formerly the lead probe card supplier – has already lost Nvidia's Vera CPU (TB500) business outright and is now excluded from the next-gen Vera CPU (TB600). At Mellanox, MPI has secured near-exclusive share across all three networking devices (ConnectX, SpectrumX, QuantumX) at the same competitor's expense, and is already engaged on the next-gen projects – from which that competitor is again excluded. MPI is our Alpha Portfolio stock on the rising chip probing trend; our TP remains at NT$12,000.

Vera CPU: In our early-June report we flagged MPI's meaningful share gain in Nvidia's Vera CPU (TB500). MPI was initially allocated only 30%, with a Taiwanese peer holding the remaining 70%. Following quality issues at that peer — stemming from weaker support by its probe needle partner and its lack of turnkey experience — MPI has become the near-monopoly supplier on this project. Our recent checks indicate the peer will ship its final batch of Nvidia orders this month, with no follow-on orders, while MPI continues to ramp deliveries. On the next-generation Vera CPU (TB600), MPI is likely to be the sole probe card vendor, with the peer excluded entirely for now. Nvidia did approach a second Taiwanese vendor for Vera CPU probe cards, but that vendor was disqualified on quality grounds.

Mellanox: The current generation of Mellanox devices (ConnectX, SpectrumX, QuantumX) was originally split roughly evenly between MPI and the same Taiwanese competitor. For the same quality and support reasons, MPI has since absorbed nearly all of that allocation. On the next generation, we expect MPI to share SpectrumX with TSMC's in-house probe cards and to be the sole vendor on ConnectX and QuantumX, with the peer again excluded for now.

MPI is our top pick to capture the massive chip probing proliferation: TSMC is more than doubling its leading-edge (N3 and below) capacity additions next year (+150kwpm in FY27E vs +70kwpm in FY26E). That incremental wafer volume reaches the chip probing stage in FY28E, given the c.9-month lag from front-end capacity installation to wafer-out. We regard probe cards — a semi-consumable — as essential strategic exposure within semiconductor testing, and MPI as the best way to own it.

We also believe the Street materially underestimates MPI's FY27E earnings power: excluding CPO, we see EPS of NT$170-180, assuming capacity covers only 80% of total demand (10-11mn VPC/MEMS monthly pins, versus company guidance of 8.5mn by end-FY27E, which we view as a guide-to-beat). Including CPO, and assuming a smooth ramp that fully meets pent-up demand, EPS would reach NT$206 in FY27E — leaving MPI on just 25-30x our pre- and post-CPO earnings base, versus a peak multiple of 50x.

Furthermore, we believe consensus still fails to capture (1) the meaningful cantilever probe card ASP hike and (2) the significant ASP uplift from a more favourable VPC/MEMS mix (Nvidia/AMD/Mellanox), leaving Street FY27E earnings estimates 30% below ours.

Lastly, despite the negative rumblings around MPI's CPO progress, our latest checks suggest the progress remains on track: MPI is currently validating its full insertion-2 system (probe cards plus probers) at the foundry site, while its closest competitors may only complete their gen-2 prober by year end and would still face mass-production qualification thereafter — a timeline likely no earlier than MPI's.

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