Flash | Citi Research

27 Aug 2026 04:07:04 ET | 10 pages

Asia Pacific Semiconductors and Electronic Components & Equipment

Nvidia's bullish result and outlook positive for the supply chain

CITI'S TAKE

NVIDIA's earnings call reinforced exceptionally strong AI growth, with management expecting ~70% revenue growth in FY28 despite supply being constrained. Vera Rubin has entered full production and is expected to support continued growth across GPU, networking and rack-scale systems. Vera CPU sales is also expected to be more than double in FY28. Against ASIC competition, NVIDIA continues to emphasize its full AI-factory advantage spanning various chip, NVLink fusion and software rather than competing at the chip level alone. Importantly, bottlenecks are broadening from chips to rack integration, power and physical data-center capacity. **We are positive on Nvidia's supply chain and expect ODMs including Hon Hai, Wistron and Quanta start to see strong momentum in 2H26. Nvidia's strong visibility should also bolster its key suppliers including TSMC, OSATs and substrates makers' growth outlook into next year.**

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- **Supply Chain Implications -** NVIDIA's management did not provide explicit rack shipment guidance, but indicated that demand continues to exceed supply, making the pace of Vera Rubin rack deployment increasingly dependent on the synchronization of GPUs, HBM, advanced packaging, networking, rack integration, liquid cooling and power infrastructure. More importantly, NVIDIA's growing involvement in securing land, power and shell capacity suggests that electricity availability is becoming a strategic supply-chain resource, similar to advanced-node and CoWoS capacity in earlier AI cycles. This should broaden the beneficiaries of AI infrastructure spending beyond semiconductor suppliers toward rack ODMs, power-management vendors, liquid-cooling suppliers, networking and optical-component companies, and data-center electrical infrastructure providers. The key implication is that AI demand remains strong, but revenue realization will increasingly depend on how quickly the entire physical infrastructure—from chips to racks to megawatts—can be deployed, making system-level supply-chain execution more important than GPU production alone. We see are positive on Delta for power infrastructure built up. We also see solid order visibility for ODMs into next year thanks to remaining strong AI infrastructure development. **Hon Hai remains our topic thanks to its greater share in VR NVL72 and CPO/NVLink Switch. Nvidia's recent rack pricing upward revision could also lead greater revenue upside for its ODMs.**

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- **Custom ASIC Competition –** NVIDIA framed the ASIC competition around the economics and flexibility of the entire "AI factory." NVIDIA's competitive advantage increasingly comes from integrating GPU compute, CPU, networking, rack-scale architecture and software into one platform that can support multiple models and workloads across different clouds. This changes the competitive discussion from whether a custom ASIC can outperform a GPU on a specific task to whether hyperscalers can reproduce the same flexibility, software ecosystem and infrastructure efficiency at scale. In our view, custom ASICs remain a credible competitive threat, particularly for stable and highly optimized inference workloads, but NVIDIA's broader platform approach can defend its position even as the accelerator market becomes. We would expect NVLink fusion more ready with AWS first in Trainium 4 generation, we see Alchip would be the beneficiary as the major partner. We also see that Mediatek's early engagement with Nvidia could be helpful for the company to generate more opportunity for second customer in ASIC in the longer term.

Companies Mentioned:
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