

## Asian Tech

### Key takeaways from Broadcom's Apr-Q results

- 2H26 AI revenue double versus 1H and to surpass \$100bn in FY27:** Broadcom's AI revenue reached \$10.8bn in 2Q26, up 143% YoY and representing 49% of total revenue. Management guided for 2H AI revenue to double versus 1H, implying FY26 AI semiconductor revenue of ~US\$56bn, and reiterated its FY27 target of exceeding US\$100bn, with further substantial growth into FY28. On program cadence, management highlighted multi-year, multi-GW ramps across Google (multi-generation TPUs plus AI networking under a long-term agreement), Anthropic (additional TPU-based compute beginning 2027), OpenAI (production in late 2026 with contractual deployments in 2027), and Meta (MTIA XPU partnership; initial 1GW order with deliveries starting 2H27). Management also referenced another two customers (ByteDance and SoftBank/ARM, based on our supply chain checks) with shipments starting in late 2026 and accelerating into 2027, with purchase orders to date cited at ~US\$6bn. Broadcom's lack of numerical upside to 2027 guidance, while TPU ests have moved up and Mediatek pulling in its ASIC guidance ahead by a year is likely to be seen as a concession of meaningful share loss within the TPU program, in our view.
- TPU supply diversification acknowledged by the management; positive for Mediatek:** Management acknowledged that, despite a very substantial long-term commitment under the Google agreement, Google is likely to maintain some diversity of sources for its TPU/AI compute stack. This is consistent with MediaTek's collaboration with Google on TPU (v8t Zebrafish and upcoming v9 Humufish) and the potential for Marvell to cooperate with Google on an LPU-like chip. Longer term, we believe it could become the norm for large CSPs to engage 2–3 back-end design service vendors, driven by: (1) a broader set of product types (AI accelerators, AI CPUs, LPU-like, etc.); and (2) customers experimenting with different commercial structures (e.g., semi-CoT vs. full CoT) as their front-end design capabilities mature. In this context, we see MediaTek and Alchip as key potential beneficiaries as CSPs move towards CoT / semi-CoT models, given their structurally lower margin profiles (40%+/teens% GM for MediaTek/ Alchip) versus turnkey service vendors with front-end design services (60+% GM).
- AI bookings >\$30bn; visibility extended into 2028:** Management disclosed AI semiconductor bookings of over US\$30bn in the quarter, noting customers are pulling orders forward due to long lead times—not only for wafers and memory (HBM/DRAM), but also for power readiness. Importantly, management said visibility now extends into 2028, adding that Broadcom is comfortable securing supply for 2026–27 and is already working on 2028–29. This aligns with our Asia supply-chain checks that 3–5Y LTAs are increasingly in place across key bottlenecks such as substrates, HBM, and CCL, while leading-edge wafers still remain on annual negotiation cycles. We therefore have higher confidence that key supply constraints could persist through 2027 and potentially into 2028. Key beneficiaries, in our view, will be TSMC, ASE, SK Hynix, Samsung, Unimicron, Ibiden, and EMC.

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- **Strong Networking performance (now ~40% of AI revenue):** Networking/interconnect is a key theme at 2026 Computex Taipei (June 2-5), supported by strong demand for high-bandwidth data transmission as agentic AI drives larger scale-up, scale-out domains. Broadcom indicated networking represented nearly 40% of 2Q AI revenue, reflecting strong attach of switching/SerDes/connectivity content across both its custom XPU and non-XPU products. That said, management suggested the ~40% mix is likely elevated and could normalize closer to ~30% over time as XPUs ramp faster in the next few quarters. On products, management emphasized leadership in scale-up copper/SerDes and switching, including over 1 year shipments of the 100Tb Ethernet switch (Tomahawk 6), and highlighted optics/CPO building blocks (1.6T DSPs, CW/EML lasers) positioning Broadcom as the industry standard. Management also noted that the next-generation 200Tb switch is planned to tape out this quarter. We expect networking to remain an increasingly important investor focus. While CPO is a key long-term topic as copper approaches its limits, Broadcom appears to be still more conservative on CPO ramp, aligned with the ramp schedule for ASIC customers (likely two years later than NVDA, in our view).
- **Non-AI semi improving; margins are mix-driven while operating leverage holds:** Outside AI, management highlighted non-AI semiconductor revenue of US\$4.2bn (+6% YoY) and bookings above US\$6bn as early signs of a cyclical recovery, and guided for 3Q non-AI semiconductor revenue to improve sequentially to ~US\$4.5bn (+12% YoY). Our Asia supply-chain checks echo Broadcom's commentary, with mainstream seeing some momentum supported by: (1) a gradual recovery in auto and industrial; (2) an AI crowd-out effect that is tightening capacity in mainstream; and (3) rising AI-adjacent demand (e.g., PMIC). We believe the latter two drivers could support stronger momentum as pricing improves under tighter S/D, benefiting mature foundries such as VIS, OSATs such as ASE, and passive component vendors such as YAGEO and Murata.

*Broadcom (AVGO US, OW) is covered by J.P. Morgan US analyst Harlan Sur.*

