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J.P.Morgan

US Hardware / Semiconductors Sector Specialist Commentary
Hardware • Semiconductors

OpenAI Worries, Updated HW Industry Model/CPU Impact, CDNS, CLS, Mediatek, SANM

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Two small freakouts impacting our names this morning. First, the [WSJ is out with an article](#) “**OpenAI Misses Key Revenue, User Targets in High-Stakes Sprint Toward IPO.**” The gist is that OpenAI missed targets for new users and revenue, a development that’s worrying leadership in making decisions to support datacenter spending (they cite concerns raised internally by CFO Sarah Friar. My own view is that between initial positive feedback on ChatGPT5.5 and broad optimism on Codex - along with the fact that as recently as last week people were worried about compute scarcity - this is not worrisome news...

The other not worrisome news: all eyes will be on what **Mediatek** says overnight on Wednesday during its 1Q results – especially after reports in Ars Technica and elsewhere that it’s exclusively won the GOOGL TPU v8i project, and on a Twitter posting from well-followed Jukan that seems so spurious that I won’t share it (the claim, citing an alleged Weibo post from 手機晶片達人 on Sunday, is that GOOGL is moving to an Annapurna-like COT model at TPU v9). Harlan’s view ([here](#)) remains crystal clear: the GOOGL/AVGO 6-year agreement carries us to TPU v10, and we expect the partnership to remain strong. He agrees to disagree with Gokul Hariharan, who wrote in his Mediatek preview that GOOGL’s long term goal will be to do just what the Weibo post suggests. Gokul doesn’t speculate on whether that happens with v9, v10 or sometime later, but his supply chain checks suggest TPU v9 has a high-end AVGO variant, a Mediatek SKU and one COT project. As for Mediatek results, Gokul looks for the team to reiterate the \$1bn+ guide and multiple billion \$ in 2027, and to share some updates on the TPU v9 project (with no discussion of other DC ASIC projects); Gokul is not optimistic that the Chip will ramp without hiccups.

Quick US market thoughts from Drew Tyler in Market Intelligence... Futs are lower, dragged by Tech, following a WSJ report that OpenAI missed revenue and user targets. Keep an eye on 2 of our D1 baskets, Google AI Ecosystem {JPAIGOOG Index<go>} vs. OpenAI Ecosystem {JPAIOPEN Index<go>}. Our Positioning Intel team flag that Mag7 L/S ratio is ~36th percentile, so there is room to add should these concerns dissipate based on earnings releases tomorrow. There are no material updates on US / Iran but an Iranian two-stage proposal appears to be positively received by the US. Pre-mkt, bond yields are +1-2 as the yield curve flattens and USD appreciates. Cmdtys continue to be led by Energy with WTI approaching \$100/bbl there is material weakness in Precious metals with silver’s underperformance possibly tied to Tech weakness. In Eqys, Semis and Mag7 are under pressure. Defensives are leading Cyclical ex-Energy. Today’s macro data focus is on weekly ADP, home price data, regional Fed activity indicators, and Consumer Confidence (though spending has de-coupled from sentiment).

Finally, Samik shared [this quick-take](#) on **CLS results** out just after close yesterday. His view is that results & guide were broadly in line (with modest margin upside), and the company raised its 2026 revenue & margin outlook more than expected...signaling stronger 2H program visibility, with higher margin expectations. The full-year guide now implies a meaningful 2H26 ramp & higher EPS trajectory, with management also pointing to stronger 2027 growth potential on improved visibility and new wins (including a hyperscaler CPO Ethernet switching award). Investor focus is centering on the limited 1H upside despite strong cloud spend, what underpins the 2H’26 ramp, and how to quantify the step-up implied for 2027. *My first cut after chatting with investors was also that this looks like a very solid print. Could be the stock works tomorrow if management says the right things on the call; could just be that the stock is up 64% in a month, and near-term numbers are simply not enough to give confidence in the \$19+ the buy-side now seem to expect for F27.* The company hosts its analyst call this morning (just started).

Calls & Events

- This **Friday, May 1 @ 11am ET**, Samik Chatterjee hosts **QCOM IR Sasmit Dwivedi** for a post-EPS follow-up call. Register [here](#).
- On **Monday, May 4 @ 10am ET**, Samik Chatterjee & Comm Infra Analyst Richard Choe host **data center expert Chris Pedersen** in a discussion on the Data Center Infrastructure Market. Register [here](#).
- On **Thursday, May 7 @ 2pm ET**, Samik Chatterjee hosts **LITE CEO Michael Hurlston & CFO Wajid Ali** for a post-EPS follow-up call. Register [here](#).
- On **Friday, May 8 @ 11am ET**, Samik Chatterjee hosts **NSIT CEO Jack Azagury & CFO James Morgado** for a post-EPS follow-up call. Register [here](#).
- On **Tuesday, May 12 @ 10am ET**, Samik Chatterjee hosts **GLW IR Chris Keenan** for a post-EPS follow-up call. Register [here](#).

Key Highlights

Hardware & Networking: Updated Industry Model – Detailed Accounting of our Robust Outlook Across Markets AI-Leveraged Markets.[Here](#)

In this 20-page note, Samik updates his Hardware Industry model. We forecast global server market growth of ~30% CAGR through 2030 (reaching ~\$1.07t), with AI servers comprising 75% of the total (expanding at ~37% CAGR) and Data Center Ethernet Switching tracking at a ~29% CAGR (driven by 800G, 1.6T, and 3.2T speed transitions). The AI Data Center Switch market is expected to grow at ~51% CAGR through 2030, with Ethernet (backend ~64% CAGR) rapidly displacing InfiniBand switches (~12% CAGR), causing NVDA's share in this segment to continue declining. In the overall server market, NVDA leads with ~33% share followed by DELL at ~13% and SMCI at ~9%, while in AI servers specifically NVDA holds ~48% share with DELL & SMCI each at ~11%. Traditional end-markets including External Storage (~6% CAGR), Campus Switching (~6%), Wireless LAN (~4%), Routers (~4%), and Broadband Access (~6%) remain in a low-to-mid single-digit growth range, underscoring the stark bifurcation between AI-linked and legacy infrastructure spending. The "Rest of Cloud" customer segment is the fastest-growing buyer across servers (~45% CAGR) and DC Ethernet (~37% CAGR), suggesting Tier 2 cloud providers are rapidly scaling AI infrastructure alongside the hyperscalers.

Hardware & Networking: Cores Strike Back – INTC Agrees a CPU Renaissance is At Hand, Good News for DELL, Hardware & Networking.[Here](#)

In the wake of INTC's bullish comments on CPU outlook during their recent earnings call (specifically that attach rates would move toward or below 3:1), Samik Chatterjee examines the impact of AI training to inference and agentic workloads on CPU demand. Such a move would reinforce double-digit server CPU unit growth extending into 2027. ARM already estimates agentic workloads will expand CPU cores per gigawatt by ~4x (from ~30 million to ~120 million) and increase tokens per human by 15x+, pointing to a future AI data center CPU TAM of \$100b. This theme strengthens the bull case for Dell and HPE as primary beneficiaries on the IT hardware side; Samik argues a DELL bull-case EPS could top \$17 in C27 (vs. consensus ~\$14.90) and warrant high-teens valuation multiples. Networking beneficiaries including ANET, CSCO, APH, CRDO, COHR & LITE are also beneficiaries given the higher I/O and interconnect requirements that accompany increased compute density.

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CDNS: Results Recap - Multi-Year Growth Setup Reinforced by Record Breaking Backlog, Agentic AI Build-Out and Explicit Pricing Power Inflection.[Here](#)

Last night [I shared my thoughts and investor feedback](#) on CDNS' after-market results. Basically, bulls underscored that organic growth is being raised - mostly accruing to 2Q, and with a conservative guide (pointing in particular to Harlan's questions on the call)... A good setup. Bear pushback was either big-picture (that growth is still too slow, the names stuck in a software no-man's land, or that the moat against AI isn't strong enough) or nitpickey (that too many questions remain about 2H, that the \$8b backlog embeds Hexagon backlog, etc.). Today Harlan Sur is out with his take – it was a strong quarter and an impressive guide, well-above Street expectation driven by broad-based strength across EDA, IP, and hardware (Palladium Z3 had its best quarter ever). The headline FY26 EPS guide cut of \$0.20 masks organic strength — stripping out \$0.28 of Hexagon dilution, organic EPS was raised \$0.08 and organic revenue raised \$65M (~14% organic growth), supported by a record \$8B backlog that grew \$200M Q/Q even in a typically seasonally weak quarter. The agentic AI portfolio is now fully built out (with agents driving 10–100x EDA tool consumption per design block) and management flagged an improving pricing environment with EDA's share of customer R&D expanding from ~7% historically to ~11%, both representing multi-year upside levers not yet in consensus.

Samik also recaps SANM results out overnight [here](#) and Peter Peng AMKR [here](#).

Macro : Top of the Agenda

SPX -0.2%, NDX -0.6%, RTY -0.1%. WTI +342bps at \$99.67, NatGas -145bps to \$2.51, UK NatGas +110bps to £1.1201, Gold -153bps to \$4,610, Silver -343bps to \$72.93, 10Y @ 4.356%, and VIX @ 18.35.

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EU/UK: Major markets are higher led by Italy; this is a region that may benefit from weakness in the AI theme especially if concerns on the Middle East Conflict abate. BOJ held rates steady in a split vote flagging June as being a likely hike. Recession / Value / Beta are leading Growth / Momentum are lagging; Cyclical flat to Defensives. UKX +0.5%, SX5E +0.3%, SXXP +0.1%, DAX +0.2%. CSI -0.3%, HSI -0.9%, NKY -1.0%, ASX -0.6%, KOSPI +0.4%.

News

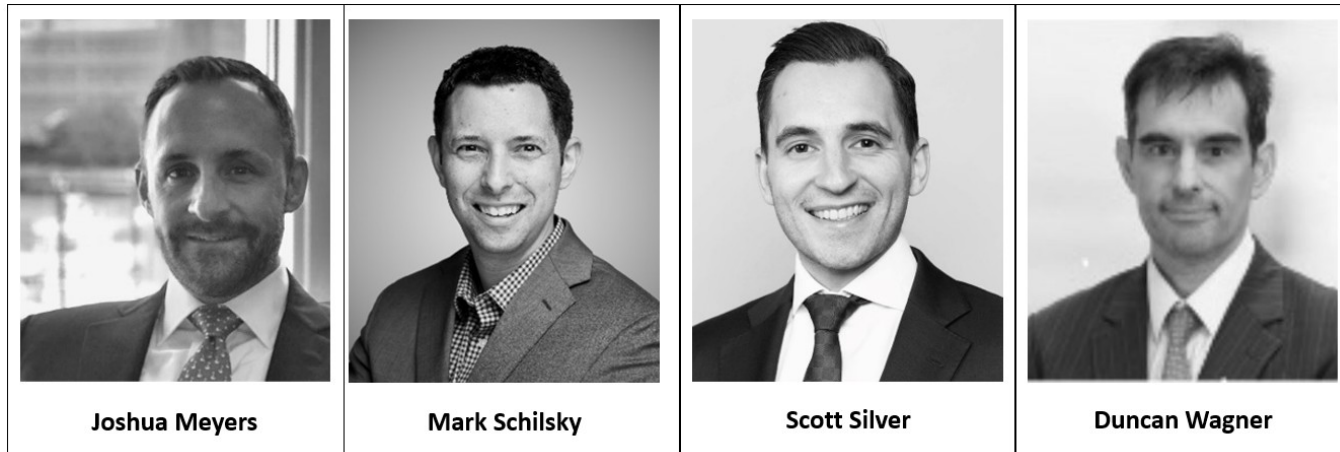
- **OpenAI ends its exclusive partnership with Microsoft.** While OpenAI will continue to make the same 20 percent revenue share payments to Microsoft under the amended deal, that total payment will now be limited to an unspecified cap and is only guaranteed to run through 2030. Importantly, that revenue share is now "independent of OpenAI's technology progress," an apparent reference to the infamous "AGI clause" in the original partnership that would have scrapped the exclusivity deal if and when OpenAI achieved the hard-to-gauge benchmark of artificial general intelligence – [Ars Technica](#)

- **Samsung fast-tracks Pyeongtaek fabs to turn HBM4 edge into AI memory scale.** *Samsung is accelerating one of its most aggressive memory capacity buildouts in years, aiming to bring its Pyeongtaek Line 4 fab, or P4, into full operation by the end of 2026 as the AI server boom reshapes demand for high-bandwidth memory (HBM) and advanced DRAM - [Digitimes](#)*
- **Intel, AMD & MediaTek Are Boosting CPU Production But Prices Continue To Increase & Lead Times Reach 1-Year Mark - [Wccftch](#)**

JPM Global Hardware/Semis Research

- **Cadence Design Systems** -Multi-Year Growth Setup Reinforced by Record-Breaking Backlog, Agentic AI Build-Out and Explicit Pricing Power Inflection; Hexagon Set to Turn Accretive Next Year; Reit OW. [here](#)
- **Amkor Technology** - Solid Results/Guidance on Communications and Better Pricing Trends; Advanced Packaging/AI Ramp On Track; PT to \$85. [here](#)
- **Celestica** - 1Q26 Quick Take: Soft Beat on 1Q Offset by Robust Raise to Full Year Guide; CPO Win Announced. [here](#)
- **Sanmina** - F2Q26 Review: Execution on Accelerated Compute Drives Higher Revenue and EPS Expectations for Out-Year Despite Maintained FY26. [here](#)
- **AMEC - A** - 1Q26 beat on non-op gains, margin pressure better than feared; OW. [here](#)
- **Nordic Semiconductor** - Q1'26 First Take: Q1 revenue and earnings beat, better than expected Q2 guidance. [here](#)
- **J.P. Morgan Taiwan FTM 28 Apr 26** -Delta Electronics, Inc.; Macronix; Consensus Asset Allocation and More. [here](#)
- **Xiaomi (1810)** - 2026 Investor Day Takeaways. [here](#)
- **Asian Tech** - Key takeaways from AMKR 1Q26 results. [here](#)
- **LG Innotek** - 1Q26 beat; Add substrate on top of optics as growth driver; Raise PT to W700K and maintain OW. [here](#)
- **Macronix** - 1Q26 beat and raise; downplaying competition concern; OW with NT\$192 PT and 2027 NT\$30 EPS. [here](#)

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