

Networking sector

Data center demand stronger than telecom; Chinese handset demand to affect power amplifier supply chain

Key message

1. Telco demand to trough in 2H24F.
2. AI demand is strong.
3. 2H24F industry views on handset PA supply chain diverging; strong iPhone inventory stocking; conservative Chinese Android demand.

Event

We highlight the key messages of the 2Q24 earnings calls with EU and US networking companies, showing that demand from telcos will bottom in 2H24F, while demand for AI-related products is strong.

Impact

Telco demand to trough in 2H24F. Broadcom (US), Cisco (US) and Lumentum (US) all expect demand from telcos will bottom in 2H24F, and orders to pick up gradually. Telcos, including Verizon (US), AT&T (US), T-Mobile (US) and Comcast (US), expressed they will strengthen fixed-access broadband and FWA businesses. They also said the effects of the 2Q24 end of the US government-provided affordable connectivity program (ACP) have been limited, and that they will assist customers in transferring to other suitable programs. Meanwhile, Ericsson (SE) and Nokia (FI) noted that India's RAN investment has normalized since peaking in 2Q23. Ericsson, in particular, said sales in Northeast Asia, the Middle East and Africa have been falling, and observes intensifying competition from Chinese peers.

AI demand most promising. Arista (US) said the firm connected several thousand GPUs in 2Q24, and management maintains goals of connecting 100k GPUs and AI related sales of US\$750mn in 2025F. Cisco is upbeat on the potential for US\$1bn worth of AI orders in FY2025, mainly for Ethernet and optical communication products. Lumentum and Coherent (US) both expect sales of 1.6T related products will grow significantly in 2025F, with indium phosphide being a key material, while VCSEL and EML supplies need to be improved. Overall, various AI related companies are sending the following messages: (1) AI demand remains strong; (2) 800G switches will become the mainstream in 2025F; and (3) 1.6T optical transceiver module products will ramp up in 2025F.

2H24F industry views on handset PA supply chain diverging; strong iPhone inventory stocking; conservative Chinese Android demand. Pull-in of iPhone related products is robust in 3Q24, while demand for Android handsets in China will fall significantly in 2H24F. Therefore, 3Q24F sales for the Taiwanese power amplifier supply chain was revised down by a large margin (Figures 4-6). Skyworks (US) said that Apple (US) contributed lower sales QoQ, with a steeper-than-seasonality decline, and that pull-in during June was slower than in March-April. We therefore believe Skyworks has lost its RFFE market for new iPhone models to Qualcomm (US) and Qorvo (US). Visual Photonics Epitaxy (VPEC; 2455 TT, NT\$137.5, OP) and Win Semiconductors (3105 TT, NT\$130, OP) stand to benefit.

Stocks for Action

Our top pick in the data center switch supply chain is Accton (2345 TT, NT\$526, OP). In terms of materials makers, we are positive on LandMark (3081 TT, NT\$209, N) due to growing demand for InP. Elite Advanced Laser (3450 TT, NT\$179.5, NR) will benefit from EML/ VCSEL shortages from Lumentum and Coherent. On a rebound in demand from telcos and enterprises, we favor Wistron NeWeb (6285 TT, NT\$114, N), Sercomm (5388 TT, NT\$102.5, OP), Arcadyan (3596 TT, NT\$140.5, N) and Gemtek (4906 TT, NT\$40.4, OP). In the GaAs sector, our top pick is VPEC, due to strong US handset client inventory stocking, and robust shipments of data center optoelectronics products, partially offsetting the effects of muted demand for Android handsets in China. We adjust our target prices for Arista and Cisco to a respective US\$389 (35x 2025F EPS) and US\$54 (15x 2025F EPS) in response to 2Q24 results and guidance, and maintain Outperform on both. We maintain Neutral on Comcast, with a target price of US\$42 (10x 2025F EPS).

Risks

Disappointed AI demand; slow recovery from telcos and enterprises; macroeconomic risk.

Figure 1: Breakdown of European & US networking supply chains 2Q24 results and 3Q24F & 2024F guidance vs. consensus

Company	Ticker	2Q24 review		3Q24/2024 guidance vs. consensus		Industry outlook
		Sales (US\$bn)	EPS (US\$)	Guidance	Consensus	
Nokia	NOK US	4.8	0.063	2024 operating profit of €2.3-2.9bn	€2.5bn	<ul style="list-style-type: none"> Sales of networking infrastructure remained stagnant in most regional markets except North America; India's 5G network buildout peaked in 2Q23, resulting in a higher sales base for comparison 2H24 sales to grow HoH and will be skewed to 4Q24; recovery will take place later than expected and likely extend to 2025 Clients in mature markets have begun to adopt XGS-PON or 25G PON; acquisition of Infinera will strengthen firm's position in the North American optical communication market
Ericsson	ERICB SS	5.6	0.02	3Q24 networking sales to grow 1% QoQ to 38.4bn Swedish krona	40bn Swedish krona	<ul style="list-style-type: none"> North America is the only regional market that registered networking sales growth (up 20% YoY), driven in part by a new O-RAN contract with AT&T, which will contribute more significantly to 2H24 sales Sales in Europe and Latin America fell 3% YoY in 2Q24, and management has observed intensifying competition from Chinese peers Sales in Southeast Asia and India dropped 44% YoY, mainly as 5G network buildout in India returned to normal and demand was relatively weak; capex for operators in Northeast Asia, the Middle East and Africa is losing steam Client capex on C-band has decelerated after swift uptick; subsequent investment will hinge on successful monetization of the network
Verizon	VZ US	32.8	1.15	2024 adjusted EPS of US\$4.5-4.7	US\$4.58	<ul style="list-style-type: none"> FWA subscribership increased 378k (versus 354k in 1Q24) to 3.81mn ACP affected 2Q24 wireless service sales by 0.3%, and we expect the impact to expand to 0.5% in 3Q24F; fiber-optic service sales were also affected Investment in C-band helping to expand total addressable market of FWA; management will talk about further expansion opportunities after subscribership hits 4-5mn
T-Mobile	TMUS US	19.8	2.49	2024 adjusted EBITDA of US\$31.5-31.8bn	US\$31.67bn	<ul style="list-style-type: none"> 2024 capex guidance was revised to US\$8.7-9.1bn from US\$8.6-9.4bn, mainly for spectrum refarming and deployment in 2.5GHz spectrums; long-term capex remains unchanged at US\$9-10bn per year FWA subscribership increased 406k to 5.59mn; net increase was almost on par with that in 1Q24 ACP termination to affect 2024 sales by US\$350-450mn; termination began in 1Q24 and will peak in 2H24, with sales impact likely to be more significant in 4Q24 than 3Q24 The firm has adopted a pure-play fiber strategy. Acquisition of Lumos will help expand coverage to 3.5mn households by 2028F, and acquisition of Metronet will further boost coverage to 6.5mn households by 2030
AT&T	T US	29.8	0.57	2024 adjusted EPS of US\$2.15-2.25	2024 adjusted EPS of US\$2.2	<ul style="list-style-type: none"> Fiber-optic service user base increased 239k to 8.8mn in 2Q24; management aims to expand the number of sites to 30mn by end-2025F; more favorable seasonality in 3Q24 than in 2Q24 FWA subscribership increased 139k to 342k ACP termination to have a minor impact on broadband service sales
Celestica	CLS US	2.39	0.91	3Q24 adjusted EPS of US\$0.86-0.96	US\$0.82	<ul style="list-style-type: none"> CCS sales grew 51% YoY on robust demand from enterprise clients for AI and machine learning computing projects, and accelerating investment in AI/ML infrastructure by hyperscale data center operators Projects from hyperscale data center operators will exceed US\$4.6bn in value in 2024F, contributing more than 70% of CCS sales, driven by robust demand for 400G/800G solutions and a growing storage business; power supply constraints will stimulate demand for distributed regional data center networking products CCS sales to lose steam in 2H24 as a single AI project undergoes technological transition, but sales will resume growth in 2H25F when shipments of new products ramp-up 400G product sales to remain resilient in 2024-25F; 800G products will enter mass production in 2025F; 1.6T products won't ramp-up in a couple of years, although development is progressing faster New plant in Malaysia commenced operations in March, while the new facility in Thailand won't come on stream before 2025; combined production capacity should be enough to address all demand from existing clients
Comcast	CMCSA US	29.7	1.21	N/A	3Q24 sales of US\$31.7bn	<ul style="list-style-type: none"> 2024 domestic broadband subscribership decreased 120k, mainly due to intensifying competition; impact from full termination of ACP was limited in June, but the impact will arrive in full swing in 3Q24 Negatives of the broadband business on the back of ACP termination and market competition will be offset by favorable seasonality in 3Q24 Theme park business has returned to normal levels post-pandemic in the face of competition from other alternative travel options; theme park visitor number could disappoint in 2024 Streaming subscribership grew 38% YoY to 33mn, thanks to the Paris Olympic Games and NFL in 2H24; streaming of NBA games will boost sales for 2025-26
Coherent	COHR US	1.3	0.61	3Q24 (1Q FY25; FY ends July) sales of US\$1.27-1.35bn; adjusted EPS of US\$0.53-0.69	Sales of US\$1.3bn; adjusted EPS of US\$0.65	<ul style="list-style-type: none"> Sales grew 9% QoQ, driven mainly by 800G data center transceiver modules, and order backlog is still growing; samples of 1.6T products have been delivered to clients with mass production scheduled for 2025 Datacom sales to remain robust in coming quarter, but benefit will be partially offset by anemic demand from industrial and telecom sectors Despite aggressive destocking by telecom clients, management remains cautious about market outlook in next 6-12 months; shipments of 100G/400G ZR products to ramp-up in 2H FY25
Lumentum	LITE US	0.31	0.06	3Q24 (1Q FY25; FY ends July) sales of US\$315-335mn; adjusted EPS of US\$0.07-0.17	Sales of US\$310mn; adjusted EPS of US\$0.12	<ul style="list-style-type: none"> 200G EML passed client certifications, and adoption is growing among clients for applications in 1.6T modules with shipments set to rise in FY25 Existing InP capacities have been fully booked through end-2025; management will continue to expand new capacity at a faster pace compared to average industry growth of 30-40%; new factory in Thailand will begin trial production of optical transceiver modules in 1Q FY25 for production ramp-up in the next 18 months 1Q FY25 sales to grow 3.8% QoQ; cloud and networking sales may grow QoQ on improving telecom demand; industrial sales will be flat QoQ as the decline in industrial laser sales will be offset by favorable seasonality for 3D sensing Datacom sales will be uninspiring in 4Q FY24 and 1Q FY25 during the technological transition period, but sales should improve in 2Q FY25 Management aims to deliver quarterly sales of US\$500mn by end-FY25, driven mainly by shipments of optical transceiver modules and migration to 200G single-lane EML; contribution from telecom applications will be infinitesimal
Arista	ANET US	1.7	2.1	3Q24 sales of US\$1.72-1.75bn	US\$1.72bn	<ul style="list-style-type: none"> 2025 AI sales guidance of US\$750mn remains unchanged; 2024 AI sales weighting to be low single-digit; thousands of GPUs have been connected versus long-term connection target of 10-100k units Ethernet technologies should remain competitive; ethernet adoption will become more common in back-end applications Sales contribution from Microsoft and Meta to both exceed 10% The firm to benefit from digitization demand from clients for new buildings in 2025-26
Cisco	CSCO US	13.6	0.87	1Q FY25 (FY ends July) sales of US\$13.65-13.85bn; adjusted EPS of US\$0.86-0.88	Sales of US\$13.7bn; adjusted EPS of US\$0.85	<ul style="list-style-type: none"> Gross margin arrived better than expected at 67.9% mainly thanks to a higher sales weighting of Splunk (software) Orders for data center switches grew by double-digits; orders for enterprise routers, campus switches and other wireless solutions remains robust US\$1bn worth of orders in FY25 are mainly for ethernet and optical communication products Median of 1Q FY25 sales guidance implies a 6% YoY decline, due to a high 1Q FY24 base on excess order backlog; orders will return to normal levels moving forward
Broadcom	AVGO US	13.1	1.24	4Q FY24 (FY ends October) sales of US\$14.0bn	Sales of US\$14.1bn	<ul style="list-style-type: none"> Sales of custom AI accelerators, ethernet switching and optical interconnection products grew 3.5x, 4x and 3x, respectively, leading to FY24 AI sales guidance of US\$12bn, up from US\$11bn Demand for broadband products remains lackluster due to sluggish capex by telecom and service providers, but expect demand to recover in FY25 Non-AI business en masse has bottomed, as 3Q24 orders grew 20% and will likely recover in 4Q FY24 VMWare sales climbed 40% QoQ; management will continue to reduce operating expenses to achieve FY25 EBITDA target of US\$8.5bn (better than original target for FY26) Management is focused on hyperscaler ASIC products and chose not to engage the enterprise GPU market; AI sales guidance for FY25 has yet to be announced

Source: Company data; Bloomberg; KGI Research

Note: Green - above forecast; red - below forecast; white - in line with forecast

Figure 2: T-Mobile's & Verizon's net quarterly addition of FWA users slowing, while AT&T's FWA user growth accelerating

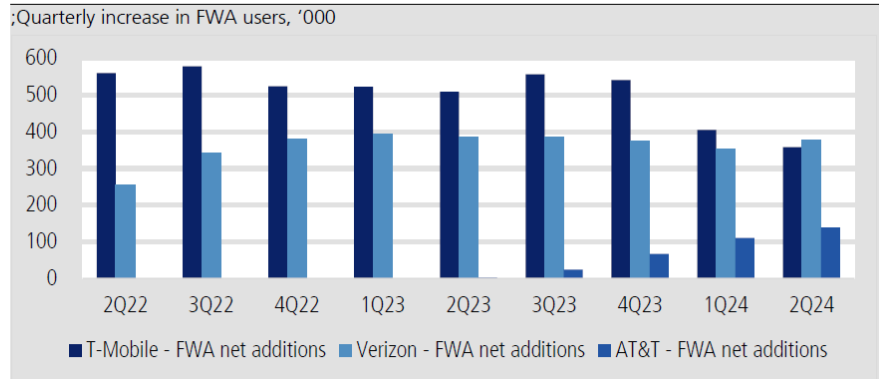


Figure 3: Breakdown of US PA supply chains 2Q24 results and 3Q24F & 2024F guidance vs. consensus

Company	Ticker	CY2Q24 Review		3Q24 Guidance		Industry View
		Sales (US\$m)	EPS (US\$)	Sales (US\$b)	EPS (US\$)	
Qualcomm	QCOM US	9,391	2.33	9.5-10.3	2.45-2.65	<ul style="list-style-type: none"> - 2Q24 QCT handset business in line, reflecting YoY growth of high-end Android handset sales in China of greater than 50% - 3Q24F QCT handset sales up by low single digits QoQ as higher pull-in from Modem clients offset an Android sales slowdown - Maintain 2024F global handset shipment forecast of flat or slight growth YoY - 4Q24F the peak season, driven by high-end Android chips in 4Q24, partially offset by lack of contributions from Huawei(CN). YoY sales growth expected to arrive at levels similar to 4Q23
Skyworks	SWKS US	906	1.21	1-1.04	1.52	<ul style="list-style-type: none"> - Non-mobile sales grew for two consecutive quarters after troughing in 4Q23. QoQ uptrend to continue, with growth of the Wi-Fi segment outpacing others - Inventory levels for traditional data centers and wireless infrastructure are high, as the recovery schedule is deferred; inventory digestion in the automotive and industrial segments continues - Apple accounts for 65% of 2Q24 sales, down QoQ with the contraction exceeding seasonality on lower market share; 3Q24F sales weighting expected to surpass 65%, up by 20% QoQ; 4Q24F sales to trend up QoQ on seasonality - Co-operates with Google and Samsung, focusing on high-end Android models, and skirts the mid-to low end handset business in China
Qorvo	QRVO US	887	0.87	1-1.05	1.75-1.95	<ul style="list-style-type: none"> - Sales beat on handset-related sales of US\$642mn, exceeding consensus of US\$590mn, driven by pull-in from Apple - Lower UTR affected 1H24 gross margin by 2%, but will improve on a better mix of customized solutions for flagship-tier phones - 3Q24 sales guidance down 7% YoY, as Android handsets will ramp up until end-3Q24F - Management states AI may lead to high transmission speeds, lowering latency, higher advanced 5G adoption, and may drive up content of the RF front-end. Management is also upbeat about Apple market share in 2024-25F.

Source: Company data; Bloomberg; KGI Research
 Note: Green - above forecast; red - below forecast; white - in line with forecast

Figure 4: Visual Photonics Epitaxy's 3Q24 forecast revisions

NT\$m	Revision	Previous	Chg. (%)	3Q24F		Consensus	Diff. (%)
				QoQ (%)	YoY (%)		
Sales	855	1,004	(14.9)	(2.4)	11.2	982	(13.0)
Gross profit	359	418	(14.1)	3.3	16.7	410	(12.6)
Operating income	216	269	(19.8)	5.3	40.3	253	(14.7)
Pretax income	210	273	(23.1)	(9.0)	16.9	256	(18.0)
Net income	168	219	(23.3)	(16.4)	16.6	207	(18.9)
EPS (NT\$)	0.91	1.18	(23.3)	(16.4)	16.6	1.13	(19.6)
Gross margin (%)	42.0	41.6	0.4 ppts	2.3 ppts	2.0 ppts	41.8	0.2 ppts
OP margin (%)	25.3	26.8	(1.5)ppts	1.8 ppts	5.2 ppts	25.8	(0.5)ppts
Net margin (%)	19.6	21.8	(2.2)ppts	(3.3)ppts	0.9 ppts	21.1	(1.4)ppts

Source: Bloomberg; KGI Research
 Note: Last updated 2024-08-13

Figure 5: Win Semiconductors' 3Q24 forecast revisions

NT\$mnn	3Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	4,560	5,591	(18.4)	(8.1)	9.5	5,555	(17.9)
Gross profit	1,192	1,522	(21.7)	(11.8)	29.6	1,557	(23.5)
Operating income	385	644	(40.3)	(23.2)	448.8	705	(45.5)
Pretax income	390	541	(27.9)	(14.3)	-	660	(41.0)
Net income	412	533	(22.7)	(15.0)	1,109.6	624	(34.0)
EPS (NT\$)	0.97	1.26	(22.7)	(15.0)	1,109.6	1.50	(35.3)
Gross margin (%)	26.1	27.2	(1.1)ppts	(1.1)ppts	4.1 ppts	28.0	(1.9)ppts
OP margin (%)	8.4	11.5	(3.1)ppts	(1.7)ppts	6.8 ppts	12.7	(4.3)ppts
Net margin (%)	9.0	9.5	(0.5)ppts	(0.7)ppts	8.2 ppts	11.2	(2.2)ppts

Source: Bloomberg; KGI Research
 Note: Last updated 2024-07-30

Figure 6: Advanced Wireless Semiconductor's 3Q24 forecast revisions

NT\$mnn	3Q24F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	1,165	1,327	(12.2)	(10.9)	48.5	1,349	(13.6)
Gross profit	278	329	(15.5)	(17.7)	43.8	334	(16.7)
Operating income	185	241	(23.4)	(23.0)	71.0	233	(20.6)
Pretax income	196	254	(23.0)	(20.1)	55.9	250	(21.6)
Net income	167	209	(20.2)	(20.3)	34.2	217	(23.3)
EPS (NT\$)	0.85	1.06	(20.2)	(20.1)	34.2	0.97	(12.9)
Gross margin (%)	23.9	24.8	(0.9)ppts	(2.0)ppts	(0.8)ppts	24.8	(0.9)ppts
OP margin (%)	15.9	18.2	(2.3)ppts	(2.5)ppts	2.1 ppts	17.3	(1.4)ppts
Net margin (%)	14.3	15.7	(1.4)ppts	(1.7)ppts	(1.5)ppts	16.1	(1.8)ppts

Source: Bloomberg; KGI Research
 Note: Last updated 2024-08-12

Figure 7: Breakdown of Arista 2Q24 results and 3Q24F guidance vs. consensus

US\$mnn	2Q24					3Q24F				
	Actual	Consensus	Diff. (%)	QoQ (%)	YoY (%)	Guidance (Midpoint)	Consensus	Diff. (%)	QoQ (%)	YoY (%)
Revenue	1,690	1,647	2.6	7.6	15.9	1,735	1,714	1.2	2.6	14.9
Breakdown										
Product	1,423	1,400	1.7	7.1	12.8		1,451			
Service	267	247	8.1	10.1	35.3		259			
Gross profits	1,106	1,054	4.9	10.4	25.0		1,083			
Product	883	855	3.2	9.4	21.3		875			
Service	223	198	12.5	14.9	42.8		208			
Product_cost	540	545	(0.8)	3.6	1.3		576			
Service_cost	44	49	(9.7)	(8.9)	6.8		51			
Total expenses	905	912	(0.8)	9.4	6.2		975			
Operating income	786	735	6.8	5.6	29.5		738			
EBITDA	801	741	8.2	5.4	28.2		740			
Pretax income	770	781	(1.4)	6.6	31.4		789			
Net income	673	617	9.0	5.5	34.2		622			
EPS (US\$)	2.10	1.94	8.2	5.5	32.9		1.94			
Gross margin (%)	65.4	64.0	1.4 ppts	1.7 ppts	4.8 ppts	63.5	63.2	0.3 ppts	(1.9)ppts	0.4 ppts
Product	62.0	61.1	0.9 ppts	1.3 ppts	4.3 ppts		60.3			
Service	83.5	80.3	3.2 ppts	3.5 ppts	4.4 ppts		80.2			
OP margin (%)	46.5	44.6	1.8 ppts	(0.9)ppts	4.9 ppts	44.0	43.1	0.9 ppts	(2.5)ppts	(2.1)ppts
EBITDA margin (%)	47.4	45.0	2.4 ppts	(1.0)ppts	4.6 ppts		43.2			
Net margin (%)	39.8	37.5	2.3 ppts	(0.8)ppts	5.4 ppts		36.3			

Source: Company data; Bloomberg; KGI Research

Figure 8: Arista 2021-25F key financial data & forecasts

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (US\$mn)	2,948	4,381	5,860	6,800	7,919
Gross profit (US\$mn)	1,910	2,711	3,667	4,357	5,141
Operating profit (US\$mn)	1,141	1,796	2,257	3,091	3,700
EBITDA (US\$mn)	1,191	1,859	2,328	3,135	3,882
Net profit (US\$mn)	915	1,448	2,199	2,646	3,579
EPS (US\$)	2.87	4.58	6.94	8.23	11.10
Revenue growth (%)	27.2	48.6	33.8	16.0	16.5
EPS growth (%)	27.0	59.6	51.5	18.6	34.8
Gross margin (%)	64.8	61.9	62.6	64.1	64.9
Operating margin (%)	38.7	41.0	38.5	45.5	46.7
EBITDA margin (%)	40.4	42.4	39.7	46.1	49.0
Net debt to equity (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Return on average equity (%)	23.0	29.6	24.7	27.9	25.3

Source: Company data; Bloomberg; KGI Research

Figure 9: Arista sales by product line

Sales (US\$mn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24F	3Q24F	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F	2023	2024F	2025F
Product	1,172	1,262	1,286	1,310	1,329	1,423	1,479	1,509	1,544	1,644	1,723	1,781	5,029	5,740	6,692
Service	179	197	224	230	243	267	270	281	300	308	307	312	831	1,060	1,227
Mix (%)															
Product	87	86	85	85	85	84	85	84	84	84	85	85	86	84	85
Service	13	14	15	15	15	16	15	16	16	16	15	15	14	16	15
YoY (%)															
Product	62	42	27	19	13	13	15	15	16	15	16	18	35	14	17
Service	18	19	33	29	35	35	20	22	24	15	14	11	25	28	16

Source: Company data; Bloomberg; KGI Research

Figure 10: Breakdown of Cisco FY4Q24 results vs. consensus

US\$mn	4Q24						Guidance (mid-point)	Diff. (%)
	Actual	Consensus	Diff. (%)	QoQ (%)	YoY (%)			
Total revenue	13,642	12,656	7.8	(7.0)	0.4	13,500	1.1	
Product	9,858	8,969	9.9	(11.5)	(2.9)			
Services	3,784	3,688	2.6	7.2	10.1			
Gross profits	9,263	8,430	9.9	(5.9)	6.7	9,045	2.4	
Operating income	4,440	4,168	6.5	(17.4)	0.6	4,320	2.8	
EBITDA	5,263	4,494	17.1	(8.9)	9.5			
Pretax Income	4,235	4,165	1.7	(10.1)	(5.7)			
Net income	3,531	3,347	5.5	(22.0)	(3.0)			
EPS (US\$)	0.87	0.82	6.1	(21.6)	(1.1)	0.85	2.4	
Gross margin (%)	67.9	66.6	1.3 ppts	0.8 ppts	4.0 ppts	67.0	0.9 ppts	
OP margin (%)	32.5	32.9	(0.4)ppts	(4.1)ppts	0.1 ppts	32.0	0.5 ppts	
EBITDA margin (%)	38.6	35.5	3.1 ppts	(0.8)ppts	3.2 ppts			
Net margin (%)	25.9	26.4	(0.6)ppts	(5.0)ppts	(0.9)ppts			

Source: Company data; Bloomberg; KGI Research

Note: Fiscal year ends July

Figure 11: Breakdown of Cisco FY1Q25 and FY2025 guidance vs. consensus

US\$mn	1Q25F					2025F			
	Guidance (mid-point)	Consensus	Diff. (%)	QoQ (%)	YoY (%)	Guidance (mid-point)	Consensus	Diff. (%)	YoY (%)
Total revenue	13,750	13,667	0.6	8.3	0.8	55,600	55,670	(0.1)	(2.5)
Product		9,809					40,429		
Services		3,858					15,241		
Gross profits	9,281	9,177	1.1	7.0	0.2		37,800		
Operating income	4,469	4,391	1.8	2.8	0.6		18,244		
EBITDA		4,821					19,788		
Pretax Income		4,324					19,893		
Net income		3,416					14,170		
EPS (US\$)	0.87	0.85	2.5	(1.1)	0.0	3.55	3.56	(0.3)	(8.7)
Gross margin (%)	67.5	67.2	0.3 ppts	(0.8)ppts	(0.4)ppts		67.9		
OP margin (%)	32.5	32.1	0.4 ppts	(1.7)ppts	(0.0)ppts		32.8		
EBITDA margin (%)		35.3					35.5		
Net margin (%)		25.0					25.5		

Source: Company data; Bloomberg; KGI Research
 Note: Fiscal year ends July

Figure 12: Breakdown of Cisco 2021-25F key financial data & forecasts

	Jul-21A	Jul-22A	Jul-23A	Jul-24A	Jul-25F
Revenue (US\$mn)	49,818	51,557	56,998	53,803	55,903
Gross profit (US\$mn)	32,914	33,326	36,788	36,312	37,791
Operating profit (US\$mn)	16,702	17,345	19,071	18,377	18,306
EBITDA (US\$mn)	18,564	18,824	20,930	20,884	20,587
Net profit (US\$mn)	13,636	14,094	15,979	15,150	14,389
EPS (US\$)	3.22	3.36	3.89	3.73	3.56
Revenue growth (%)	1.0	3.5	10.6	(5.6)	3.9
EPS growth (%)	0.3	4.3	15.8	(4.1)	(4.5)
Gross margin (%)	66.1	64.6	64.5	67.5	67.6
Operating margin (%)	33.5	33.6	33.5	34.2	32.7
EBITDA margin (%)	37.3	36.5	36.7	38.8	36.8
Net debt to equity (%)	Net Cash	Net Cash	Net Cash	3.9	Net Cash
Return on average equity (%)	33.9	33.8	35.7	33.3	31.3

Source: Company data; Bloomberg; KGI Research

Figure 13: Breakdown of Comcast FY2Q24 results vs. consensus

(US\$mn)	2Q24			Consensus	Diff. (%)
	Actual	QoQ (%)	YoY (%)		
Revenue	29,688	(5.0)	(0.0)	31,666	(6.2)
Gross profit	21,726	3.5	5.0	21,755	(0.1)
Gross margin (%)	73.2	6.0 ppts	3.5 ppts	68.7	4.5 ppts
Operating profit	6,635	48.0	17.5	5,989	10.8
Operating margin (%)	22.3	8.0 ppts	3.3 ppts	18.9	3.4 ppts
Pre-tax profit	5,175	20.3	(1.3)	5,059	2.3
Pre-tax margin (%)	17.4	3.7 ppts	(0.2) ppts	16.0	1.5 ppts
Income tax	1,336	49.9	(9.5)	996	34.1
Tax rate (%)	25.8	5.1 ppts	(2.3) ppts	19.7	6.1 ppts
Net profit	4,735	38.9	22.1	4,063	16.5
Net margin (%)	15.9	5.0 ppts	2.9 ppts	12.8	3.1 ppts
Adj. EPS (US\$)	1.21	44.0	31.5	1.06	14.6

Source: Company data; Bloomberg; KGI Research

Figure 14: Breakdown of Comcast 2021-25F key financial data & forecasts

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (US\$m)	116,385	121,427	121,572	122,921	122,232
Gross profit (US\$m)	79,273	83,206	84,827	86,858	87,686
Operating profit (US\$m)	20,895	22,615	23,314	22,756	23,922
EBITDA (US\$m)	34,708	36,459	37,633	36,655	38,272
Net profit (US\$m)	15,044	16,147	16,493	15,259	15,411
EPS (US\$)	3.23	3.64	3.98	3.97	4.20
Revenue growth (%)	12.4	4.3	0.1	1.1	(0.6)
EPS growth (%)	23.8	12.7	9.3	(0.2)	5.7
Gross margin (%)	68.1	68.5	69.8	70.7	71.7
Operating margin (%)	18.0	18.6	19.2	18.5	19.6
EBITDA margin (%)	29.8	30.0	31.0	29.8	31.3
Net debt to equity (%)	106.5	127.2	120.8	108.0	104.6
Return on average equity (%)	15.3	19.7	19.8	18.6	17.2

Source: Company data; Bloomberg; KGI Research

Figure 15: Comcast sales by product line

Sales (US\$m)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24F	3Q24F	4Q24F	1Q25F	2Q25F	3Q25F	4Q25F	2023	2024F	2025F
Connectivity & platforms	20,152	20,360	20,271	20,670	20,275	20,245	20,313	20,545	20,152	20,056	20,007	20,394	81,453	81,378	80,608
Content & experiences	11,075	11,505	10,559	11,499	10,374	9,443	11,353	10,954	9,803	9,780	10,461	11,349	44,638	41,542	41,623
Product mix (%)															
Connectivity & platforms	65	64	66	64	66	68	64	65	67	67	66	64	65	66	66
Content & experiences	35	36	34	36	34	32	36	35	33	33	34	36	35	34	34
YoY (%)															
Connectivity & platforms	-	-	-	-	0.6	(0.6)	0.2	(0.6)	(0.6)	(0.9)	(1.5)	(0.7)	-	(0.1)	(0.9)
Content & experiences	-	-	-	-	(6.3)	(17.9)	7.5	(4.7)	(5.5)	3.6	(7.9)	3.6	-	(6.9)	0.2

Source: Company data; Bloomberg; KGI Research

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