Global AI Trend Tracker

Global Markets Research
23 July 2026

EQUITY: TECHNOLOGY

Alphabet's 2Q26 results read-through

Quick Note

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Alphabet (GOOG US, Not rated) reported its June quarter earnings on 22 July after US market close, following which management hosted an earnings call at 1:30pm PT. During the call, management discussed the company's AI cloud business performance, its progress on monetizing AI chips and AI products, as well as outlook for FY26E. **The company recorded strong capex of USD44.9bn (+100.1% y-y) in 2Q26, and management raised FY26E capex guidance to USD195-205bn (from USD180-190bn, with the midpoint of USD200bn indicating +118.7% y-y growth).** Given Google's continuous robust investment in AI infrastructure in 2026 and 2027, we believe Google supply chain companies, which in our view include **optical transceiver players such as Innolight (300308 CH, Buy)** and PCB companies such as **WUS PCB (002463 CH, Buy, covered by Anne Lee) and Victory Giant (300476 CH / 2476 HK, Buy)**, are well positioned to benefit from the sequential tech upgrades and infra spending in the next few quarters.

Top-line growth beats consensus estimates in 2Q26; strong uptick in Google Cloud with 81.8% y-y revenue growth

- Alphabet reported 24.2% y-y (+9.0% q-q) revenue growth in 2Q26, **beating the Bloomberg consensus estimate by 2.4%**, while it recorded net profit growth of 297.6% y-y, **due partially to net unrealized gains on equity securities**.
- The company booked Google Cloud revenue growth of 81.8% y-y (23.7% q-q) to USD24.8bn in 2Q26, **beating the consensus by 10%**, while its **operating margin improved 2.6pp q-q** to 35.6% in 2Q26.
- Alphabet had **negative free cash flow of USD5.9bn** in 2Q26, driven by its investments in capex.
- In terms of capex, Alphabet spent USD44.9bn in 2Q26 (**+100.1% y-y and 25.9% q-q), beating the consensus by 2%**, with majority of investment in tech infrastructure – **~60% in servers and ~40% in data centers and networking equipment**, according to management.
- Management **raised FY26E capex guidance to USD195-205bn (previously USD180-190bn)**, primarily for AI compute capacity to support cloud customer demand. Moreover, management continues to expect capex to **increase significantly in 2027E**.

Google Cloud: significant revenue growth driven by strong demand for AI infra and AI solutions

- Cloud revenue **grew 82% y-y** and cloud **backlog grew to USD514bn**, powered by strong demand for AI infrastructure and AI solutions.
- Google Cloud's product differentiation is driving expansion in three ways: 1) Winning **new customers, more than doubling the acquisition velocity y-y.**2) Deepening relationships with existing customers **who are expanding their usage and exceeding their commitments by more than 50%.** 3) Driving growth with partners with **transactions on Google Cloud Marketplace growing over 7x y-y**.

AI progress: Gemini app now has 950 million MAUs; Gemini 4 in pre-training

- **Gemini 3.5 Pro is currently under testing**, and Google's team is building the next generation of models (Gemini 4).

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

- Google's model APIs are now processing **~22 billion tokens per minute**, up from 16 billion a quarter ago. **Over the last 12 months, more than 2,000 enterprises consumed over 100 billion tokens**, and nearly 500 cloud customers each processed more than 1 trillion tokens in the last year.
- Gemma family have been downloaded over 900 million times and the latest Gemma 4 models have been downloaded over 300 million times since the launch in April.
- Agentic development platform Antigravity has more than 2.4 million weekly active users.
- **Gemini app now has 950 million monthly active users** with daily active users tripling in the last year.
- Google **has reduced the cost of AI mode responses for Search to its lowest level since its launch**, thanks to engineering and hardware optimization.

AI infra: TPU started shipment to external customers in 2Q26

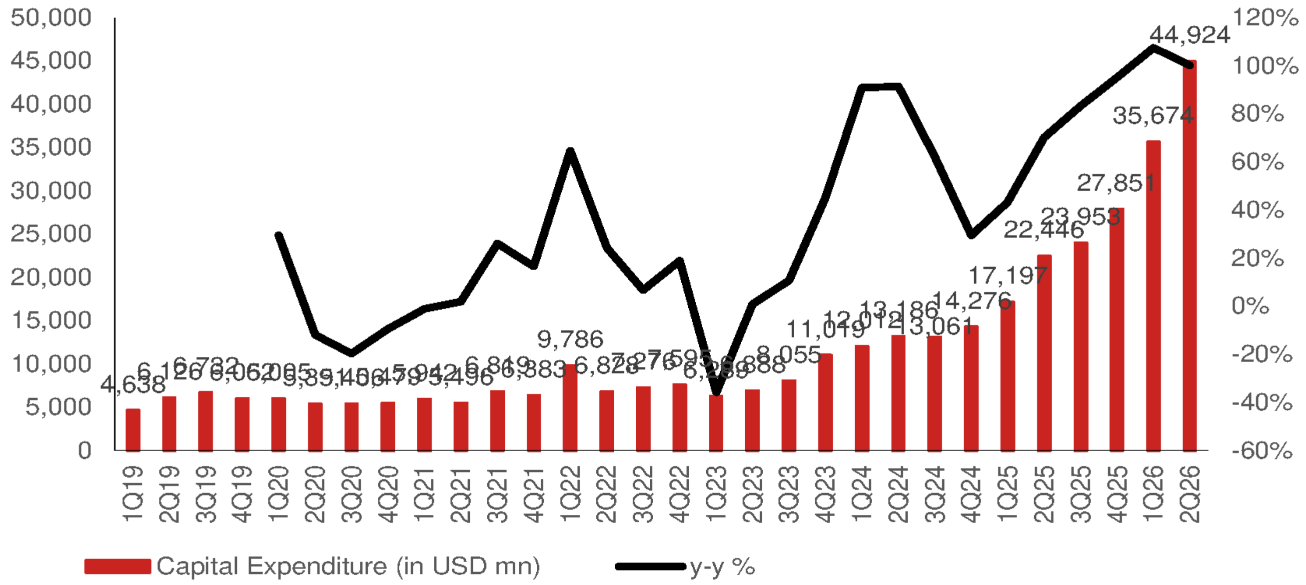
- The new agent-optimized **Axion CPU provides 30% better performance per dollar compared to peer offerings**, and management are seeing strong growth in demand for AI infrastructure offerings.
- **TPU system delivered to customer data centers for the first time in 2Q26**. Management expects to recognize a relatively small portion of revenue from existing TPU system sales agreements this year, and believes the vast majority of revenue from these agreements will be realized in 2027E.
- Given the supply-constrained environment, management plans to **expand the use of third-party capacity in 3Q26** as a bridging strategy while it builds out more internal capacity. However, it will create **modest margin pressure in the near term** as it utilizes this capacity.

Fig. 1: Google – quarterly financial summary

Unit: USD mn		1Q26	2Q26 actual	2Q26E	Actual vs BBG Cons
Revenue		109,896	119,796	117,022	2.4%
	y-y %	21.8%	24.2%	21.4%	
	q-q %	-3.5%	9.0%	6.5%	
Gross Profit		68,625	73,853	70,934	4.1%
	Gross margin %	62.4%	61.6%	60.6%	
Operating profit		39,696	40,770	40,484	0.7%
	Operating margin %	36.1%	34.0%	34.6%	
Net profit		62,578	112,107	35,432	216.4%
	y-y %	81.2%	297.6%	25.7%	

Note: Significant increase in net profit is primarily attributable to an increase in other income due to the result of net unrealized gains on equity securities
Source: Bloomberg Finance L.P., Nomura research

Fig. 2: Google - quarterly capex trend



Source: Company data, Bloomberg Finance L.P., Nomura research

Appendix A-1

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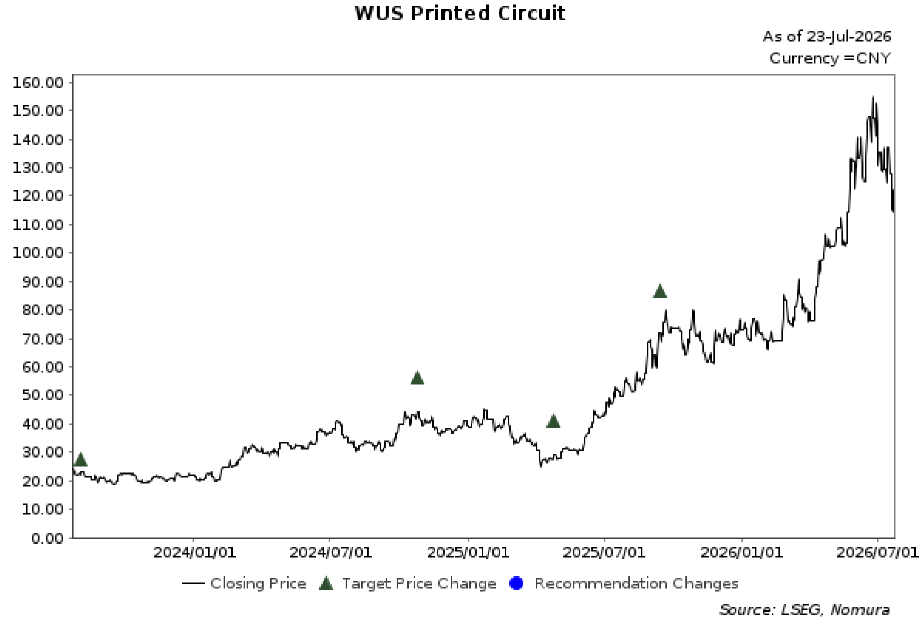
Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
WUS Printed Circuit	002463 CH	CNY 114.23	22-Jul-2026	Buy	N/A	
Zhongji InnoLight	300308 CH	CNY 1,060.80	22-Jul-2026	Buy	N/A	
Victory Giant	300476 CH	CNY 240.40	22-Jul-2026	Buy	N/A	

WUS Printed Circuit (002463 CH) **CNY 114.23 (22-Jul-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



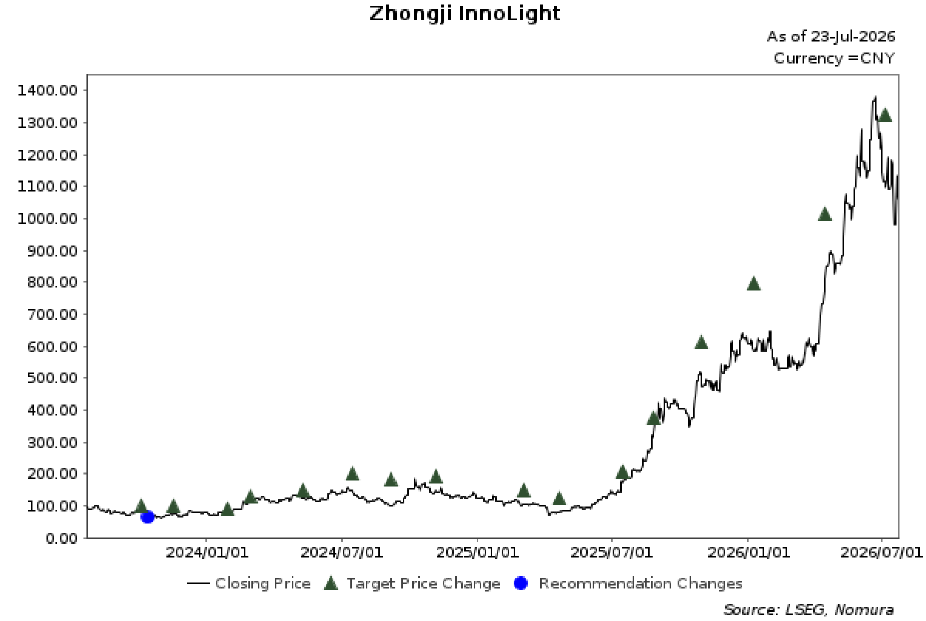
Date	Rating	Target price	Closing price
14-Sep-25		86.80	71.90
25-Apr-25		41.22	29.20
25-Oct-24		56.40	44.28
03-Aug-23		27.70	21.81

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of CNY86.8 is based on 38x 2026F EPS of CNY2.28. Our target P/E multiple of 38x is close to the high-end of its historical 13-40x range. The benchmark index for this stock is CSI 300 Index.
Risks that may impede the achievement of the target price 1) Slower-than-expected PCB growth from 5G basestation PCBs, 2) weaker-than-expected datacenter demand, 3) slower-than-expected network product/platform upgrades from Intel and AMD, 4) worse-than-expected auto demand.

Zhongji InnoLight (300308 CH) **CNY 1,060.80 (22-Jul-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



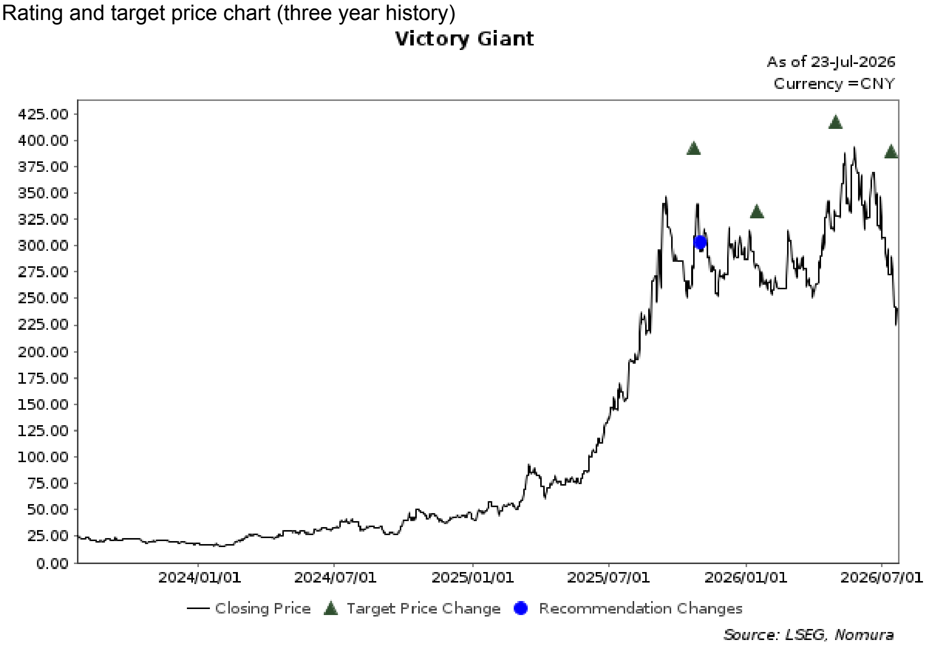
Date	Rating	Target price	Closing price
06-Jul-26		1,325.00	1,098.92
16-Apr-26		1,015.00	809.61
09-Jan-26		799.00	583.20
31-Oct-25		612.00	473.01
27-Aug-25		375.00	325.10
16-Jul-25		208.50	170.76
21-Apr-25		125.00	81.19
04-Mar-25		150.00	102.46
06-Nov-24		190.00	142.90
06-Sep-24		180.00	99.42
16-Jul-24		200.00	148.12
10-May-24		149.29	122.29
29-Feb-24		128.57	110.83
29-Jan-24		91.43	74.16
17-Nov-23		100.00	75.42
06-Oct-23	Buy		82.71
06-Oct-23		98.57	82.71

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of CNY1,325.00 is based on 20x 2027F EPS of CNY66.06, in line with the WIND China's A share tech / electronic component sector median P/E range. The benchmark index is CSI300.
Risks that may impede the achievement of the target price Downside risks: 1) weaker-than-expected demand for high-end optical modules in both the datacom and telecom markets; 2) fierce competition in the 400G and 800G optical modules segments; 3) slower-than-expected product upgrades (i.e., 800G, 1.6T); and 4) escalated price war which may affect company's export to global customers.

Victory Giant (300476 CH) **CNY 240.40 (22-Jul-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
13-Jul-26		389.00	273.01
30-Apr-26		417.00	328.49
15-Jan-26		333.00	283.07
24-Oct-25	Buy		308.98
24-Oct-25		392.00	308.98

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of CNY389.00 is based on 27x 2027F EPS of CNY14.41, in line with company's historical median P/E of 27x. The benchmark index is CSI300.
Risks that may impede the achievement of the target price Downside risks include: 1) key customers' supply chain diversification and more intensified competition from peers; 2) technology changes such as COWOP which may change the competition landscape and threat company's market shares; 3) slower technology upgrade in AI PCB market; and 4) escalations on geopolitical tensions.

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