

Analyst Report: NVIDIA Corporation (NVDA)

NVIDIA Corporation: Riding the AI wave, but navigating choppy waters.

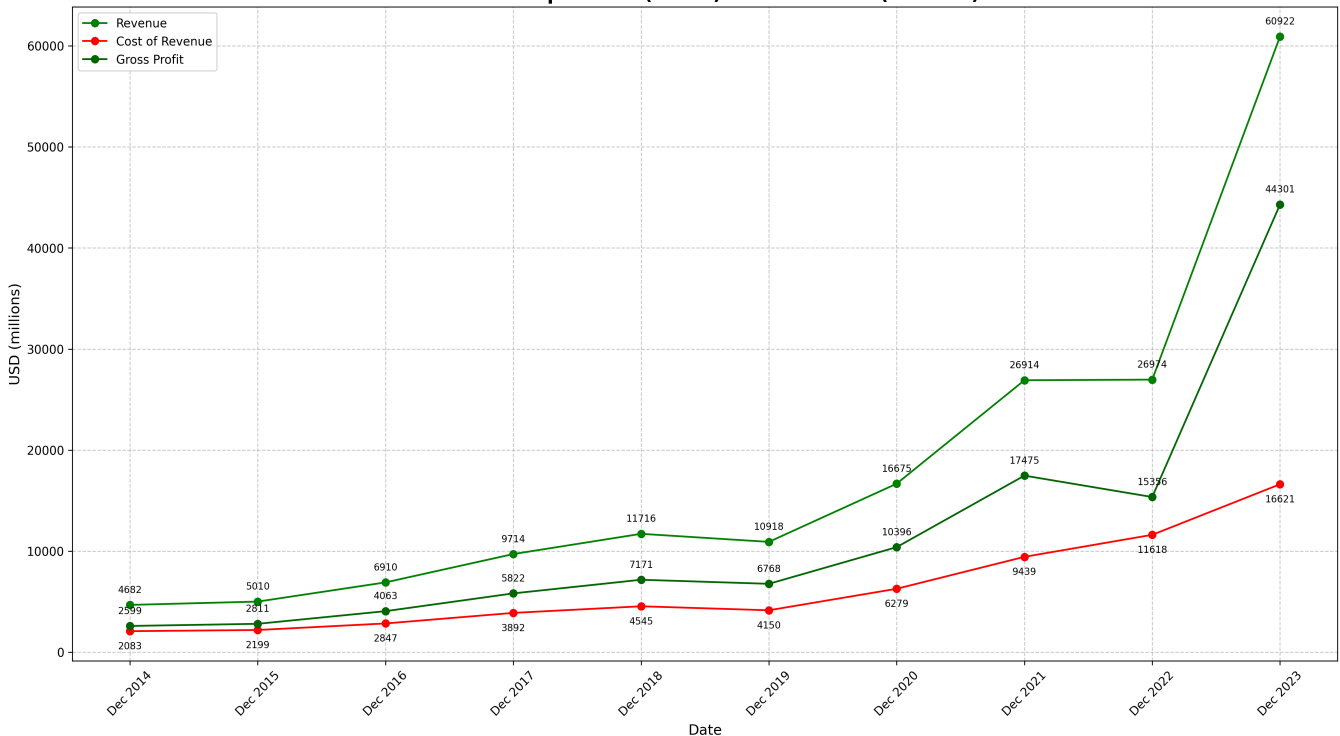
SUMMARY DATA (ANNUAL)

52-Week High	\$1255.87
52-Week Low	\$90.69
Shares	24,690
EPS	1.21
Dividend	0.02
Revenue	60,922
Cost of Revenue	16,621
Gross Profit	44,301
EBIT	34,075

OUTLOOK

NVIDIA Corporation is expected to report strong financial results for the next two quarters, driven by continued robust demand for its data center products and the anticipated launch of its next-generation AI chips. The company's revenue and earnings are projected to grow at a rapid pace, reflecting the sustained momentum in the AI market. However, the ongoing export controls on sales to China remain a risk factor, and investors will be closely monitoring the company's performance in other markets and its ability to navigate regulatory hurdles. Overall, NVIDIA's outlook for the next six months is positive, but not without some uncertainty.

NVIDIA Corporation (NVDA) - Annual Data (millions)

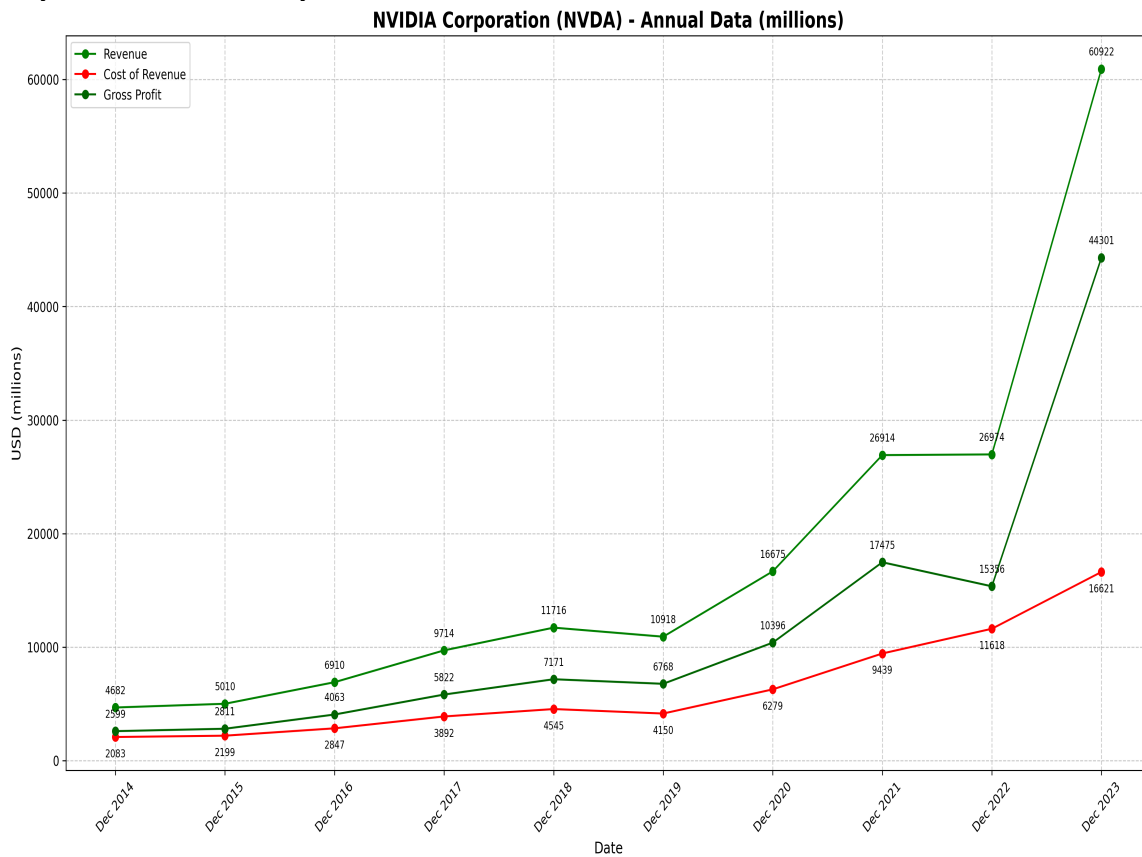


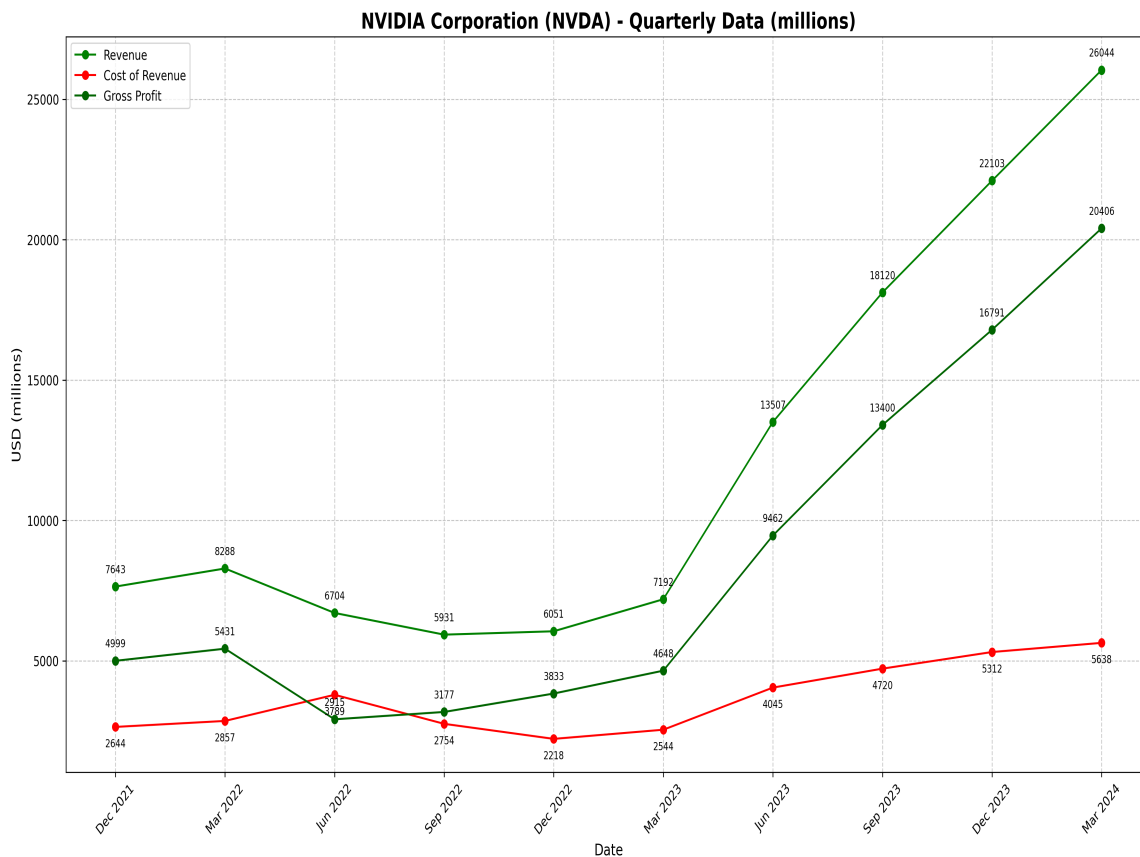
1. ANALYSIS OF LATEST 10K FILING

NVIDIA Corporation, a Delaware corporation headquartered in Santa Clara, California, is a leading designer of graphics processing units (GPUs) and related software. The company's fiscal year ends on the last Sunday in January. NVIDIA operates in two segments: Compute & Networking and Graphics. The Compute & Networking segment focuses on data center accelerated computing platforms, networking solutions, automotive AI Cockpit, autonomous driving development agreements, and autonomous vehicle solutions, among others. The Graphics segment includes GeForce GPUs for gaming and PCs, the GeForce NOW game streaming service, and solutions for gaming platforms, professional visualization, and automotive infotainment systems. NVIDIA's primary revenue streams are product sales, license and development arrangements, software licensing, and cloud services. Revenue recognition policies include recognizing product sales upon transfer of control to customers, ratable recognition of support and extended warranty revenue, and up-front recognition of software license revenue. NVIDIA's financial statements are prepared in accordance with U.S. GAAP and involve critical accounting estimates in areas such as inventories, revenue recognition, and income taxes. For example, the company charges cost of sales for inventory provisions to write down inventory for excess or obsolete items. It also accounts for customer programs, such as rebates and marketing development funds, as a reduction in revenue. NVIDIA's business is subject to various risks, including competition, demand and supply fluctuations, manufacturing dependencies, global economic conditions, and regulatory changes. The company relies on third-party foundries and subcontractors for manufacturing, assembly, and testing of its products. NVIDIA is also subject to significant regulatory scrutiny, particularly regarding export controls. In recent years, the U.S. government has imposed licensing requirements on exports of certain advanced AI chips to China, Russia, and other regions, citing national security concerns. These export controls have negatively impacted NVIDIA's business in China, a significant market for the company. NVIDIA is committed to sustainability and has set goals to purchase renewable energy to match 100% of its global electricity usage and engage manufacturing suppliers in adopting science-based targets. The company recognizes the importance of human capital management and provides comprehensive benefits and development opportunities to its employees. / NVIDIA is currently involved in several legal proceedings, including securities class action and derivative lawsuits, alleging that the company made false or misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. The company has not recorded any accrual for contingent liabilities associated with these legal proceedings. NVIDIA uses foreign currency forward contracts to hedge against foreign exchange rate risk and has a commercial paper program to support general corporate purposes. The company has a significant amount of long-term debt, and compliance with debt covenants and other restrictions could limit its financial flexibility.

2. Financial Analysis

NVIDIA Corporation's financial performance in fiscal year 2024 demonstrated significant growth driven by strong demand for its data center products. Revenue increased 126% year-over-year, reaching \$60.9 billion, with the Compute & Networking segment contributing the majority of the growth. Data Center revenue surged 217% due to higher demand from various industries, including cloud service providers, enterprise software companies, and consumer internet companies. The company's gross margin expanded to 72.7%, up from 56.9% in the previous year, primarily due to the growth in Data Center revenue and lower net inventory provisions. Operating expenses increased 2%, mainly due to compensation and benefits expenses related to employee growth and compensation increases. Net income soared 581% to \$29.8 billion, resulting in diluted earnings per share of \$11.93. NVIDIA's cash flow from operations grew significantly to \$28.1 billion, reflecting the higher net income. Cash flow from investing activities decreased to -\$10.6 billion, driven by lower marketable securities maturities and higher purchases of marketable securities. Cash flow used in financing activities increased to -\$13.6 billion due to a debt repayment and higher tax payments related to restricted stock units. NVIDIA's balance sheet showed a significant increase in cash and cash equivalents, reaching \$7.3 billion. Marketable securities also increased to \$18.7 billion. The company's total debt stood at \$10.8 billion, with \$1.3 billion due in fiscal year 2025. Overall, NVIDIA's financial performance in fiscal year 2024 reflects the company's strong market position and the growing demand for its accelerated computing products, particularly in the data center market. The company's robust revenue growth, expanding gross margin, and strong cash flow generation demonstrate its ability to capitalize on the opportunities presented by the AI and data analytics trends.





SEC EDGAR (NVDA), LAST 10 YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Assets	65,728	41,182	44,187	28,791	17,315	13,292	11,241	9,841	7,370	7,201
Total Debt	10,828	11,855	11,687	7,597	2,552	1,988	2,000	2,810	1,510	1,398
Shares	24,690	24,870	24,960	24,670	24,390	24,320	23,960	21,640	21,720	22,080
EPS	1.21	0.18	0.39	0.18	0.12	0.17	0.13	0.08	0.03	0.03
Dividend	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01
Revenue	60,922	26,974	26,914	16,675	10,918	11,716	9,714	6,910	5,010	4,682
Cost of Revenue	16,621	11,618	9,439	6,279	4,150	4,545	3,892	2,847	2,199	2,083
Gross Profit	44,301	15,356	17,475	10,396	6,768	7,171	5,822	4,063	2,811	2,599
EBIT	34,075	4,443	10,177	4,593	3,022	3,954	3,257	1,963	790	801

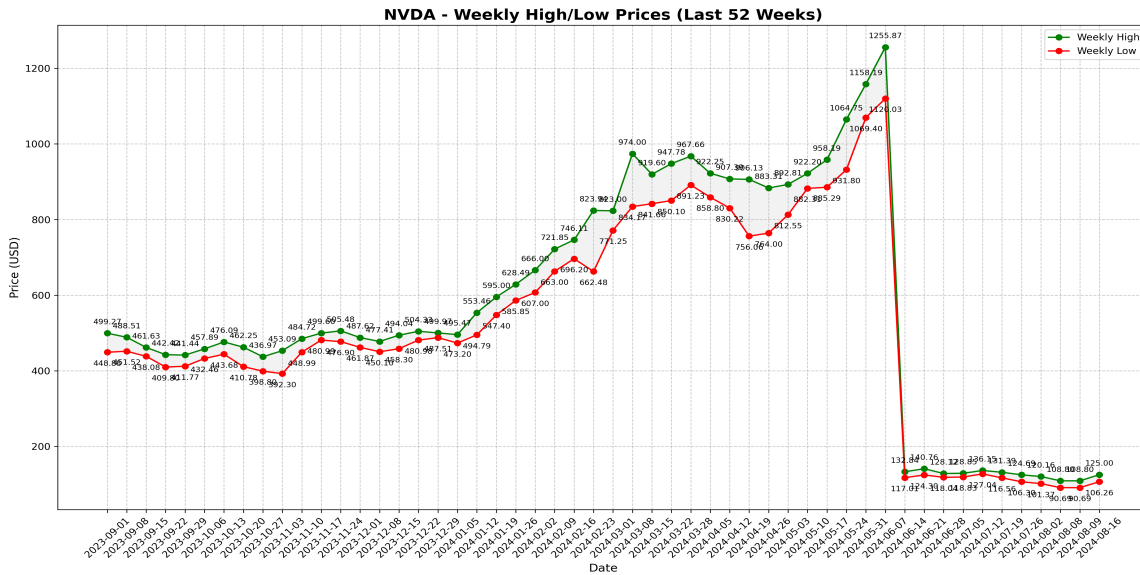
(* millions, except EPS and dividend)

SEC EDGAR (NVDA), LAST 10 QUARTERS

	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Total Assets	77,072	65,728	54,148	49,555	44,460	41,182	40,488	43,476	45,212	44,187
Total Debt	10,991	10,828	10,797	10,746	11,893	11,855	11,748	11,692	11,699	11,687
Shares	24,620	24,660	24,680	24,730	24,700	24,630	24,830	24,950	25,060	25,050
EPS	0.60	0.50	0.38	0.25	0.08	0.06	0.03	0.03	0.07	0.12
Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue	26,044	22,103	18,120	13,507	7,192	6,051	5,931	6,704	8,288	7,643
Cost of Revenue	5,638	5,312	4,720	4,045	2,544	2,218	2,754	3,789	2,857	2,644
Gross Profit	20,406	16,791	13,400	9,462	4,648	3,833	3,177	2,915	5,431	4,999
EBIT	17,343	14,169	10,585	7,046	2,275	1,352	678	540	1,873	2,926

(* millions, except EPS and dividend)

3. Stock Technical Analysis



Over the past 52 weeks, NVIDIA Corporation's stock price (NVDA) has exhibited significant volatility and an overall upward trend, punctuated by a notable stock split in June 2024. The stock commenced the period trading in the \$400-500 range, experiencing some fluctuations before embarking on a remarkable surge in January 2024. This upward momentum propelled the price above \$600, reaching a peak of \$823.94 in late February. However, this peak was followed by a period of heightened volatility, with the price fluctuating between \$660 and \$974 in March. This volatility could be attributed to a combination of factors, including profit-taking after the substantial rally, concerns about the sustainability of the AI-driven growth, and reports of potential production delays for next-generation AI chips. The stock split in June 2024, implemented at a 10-for-1 ratio, resulted in a significant reduction in the share price. However, this adjustment did not dampen the underlying bullish sentiment, as the stock continued to trade above \$100 after the split. The latter part of the 52-week period saw the stock consolidate between \$100 and \$130, with occasional spikes and dips. A notable dip occurred in mid-July, with the price dropping to \$106.30, but the stock quickly recovered. Entering August, the price showed signs of renewed strength, breaking above the \$130 resistance level and reaching a high of \$140.76. This upward movement suggests continued investor optimism about NVIDIA's growth prospects, despite the recent volatility. / As of early August 2024, NVIDIA's stock price remains well above its levels from a year ago, reflecting the company's dominant position in the AI chip market and the sustained demand for its products. However, the stock's volatility underscores the sensitivity of the tech sector to factors such as earnings expectations, macroeconomic conditions, and geopolitical tensions.

4. Current Media Coverage & Stories

NVIDIA Corporation has been prominently featured in recent media headlines, primarily due to its leading role in the burgeoning field of artificial intelligence. The headlines reflect a mix of investor enthusiasm, market analysis, and regulatory scrutiny. A recurring theme in the headlines is NVIDIA's impressive stock performance, which has soared over the past year, fueled by the increasing demand for its AI chips. Headlines like "Nvidia Adds Record \$329 Billion in Value as Volatility Soars" and "Nvidia Sets Record for Biggest Daily Gain in Value in Stock Market History" highlight the company's remarkable market capitalization growth and the volatility associated with it. Several headlines focus on the company's upcoming earnings release, with analysts and investors anticipating another strong quarter driven by AI-related sales. Headlines like "Nvidia: Inventory And LLM Demand Point To Another Monstrous Quarter" and "Investors can expect a huge reveal on Nvidia's upcoming earnings call that could silence AI critics" indicate high expectations for NVIDIA's financial performance. The media has also covered the broader impact of NVIDIA's AI chips on various industries, including healthcare, automotive, and gaming. Headlines such as "Nvidia Looks To Disrupt The Health Care Industry With AI" and "Nvidia Touts AI Advancements For Industrial Markets, Humanoid Robots" emphasize the company's efforts to expand the applications of its technology. Regulatory scrutiny, particularly regarding export controls imposed by the U.S. government on sales of advanced AI chips to China, has also been a prominent topic. Headlines like "Nvidia's new China-ready GPUs face uncertainty as Washington signals more chip restrictions" and "Nvidia to face antitrust charges in France that could result in major fines" reflect the challenges the company faces in navigating geopolitical tensions and regulatory hurdles. Overall, NVIDIA's presence in the news underscores its position at the forefront of the AI revolution. The company's products, technologies, and leaders are shaping the future of computing, attracting both investor interest and regulatory attention.

5. Financial vs. Stock vs. Media Coverage Situations

The dominant narrative surrounding NVIDIA Corporation revolves around the company's central role in the AI revolution and the resulting surge in its stock price. The media headlines, often focusing on the company's record-breaking market capitalization gains and bullish analyst predictions, align with the strong financial performance evidenced in the SEC Edgar filings. Both paint a picture of a company at the forefront of a transformative technological shift, attracting significant investor interest. The financial data supports this narrative. NVIDIA's revenue has more than doubled in fiscal year 2024, driven by the explosive growth in its Data Center segment. The company's gross margin has also expanded significantly, reflecting the high demand for its AI chips. The stock price evolution further reinforces this narrative. Despite some volatility, particularly after reaching an all-time high in February 2024, the stock has maintained an upward trend, even after a 10-for-1 stock split in June. However, beneath this overarching narrative of success, some undercurrents of caution are emerging. Media headlines also highlight the regulatory scrutiny facing NVIDIA, particularly regarding export controls on sales to China. These controls, while not significantly impacting the company's overall financial performance yet, pose a potential risk to future growth. Additionally, headlines mentioning the high valuation of NVIDIA's stock and the potential for increased competition suggest that the company's future performance is not without challenges. Investors and analysts are carefully watching for signs of a slowdown in AI-related spending or the emergence of viable competitors. Overall, the narratives surrounding NVIDIA are currently positive, but not without a degree of caution. The company's financial performance and stock price momentum are undeniable, but the sustainability of this growth in the face of regulatory hurdles and potential competition remains a key question.

6. Industry Analysis

NVIDIA Corporation operates in the dynamic and rapidly evolving semiconductor industry, specifically focusing on high-performance computing and artificial intelligence. The industry is characterized by intense competition, rapid technological advancements, and significant capital investments. Demand for NVIDIA's products is primarily driven by the increasing adoption of AI across various industries, including cloud computing, data analytics, autonomous driving, and gaming. The company's GPUs are widely recognized for their parallel processing capabilities, making them well-suited for AI workloads. NVIDIA's main competitors in the GPU market are Advanced Micro Devices (AMD) and Intel. AMD has gained market share in recent years, particularly in the CPU market, and is also a major player in the GPU market, offering products that compete with NVIDIA's offerings. Intel, traditionally a dominant force in the CPU market, is also investing heavily in GPUs to expand its presence in the AI market. The semiconductor industry is highly cyclical, with demand fluctuating based on macroeconomic conditions and technological trends. The recent surge in AI adoption has created a period of strong growth for the industry, but concerns about a potential slowdown in spending or a global economic downturn persist. Regulation, particularly regarding export controls and antitrust laws, plays a significant role in the semiconductor industry. NVIDIA's sales to China have been impacted by U.S. export restrictions, while the company is also facing antitrust scrutiny in Europe. NVIDIA's strategic positioning within the industry is based on its technology leadership, strong brand recognition, and extensive ecosystem of partners. The company's CUDA programming model and software platform have become industry standards, giving it a competitive advantage. Overall, the semiconductor industry, particularly the segment focused on AI and high-performance computing, is a highly competitive and rapidly changing landscape. NVIDIA's ability to maintain its technology leadership, navigate regulatory hurdles, and address evolving customer needs will be crucial for its continued success.

7. Drivers & Challenges

NVIDIA Corporation is currently experiencing several key drivers and challenges that are shaping its business trajectory and outlook. One primary driver is the continued robust demand for AI chips, particularly in the data center market. The increasing adoption of AI across various industries, fueled by the emergence of generative AI and large language models, has created a significant growth opportunity for NVIDIA. The company's GPUs, recognized for their parallel processing capabilities, are well-suited for AI workloads, giving it a competitive advantage. Another driver is NVIDIA's expanding ecosystem of partners, which includes cloud service providers, OEMs, ODMs, system integrators, and software developers. This ecosystem enables NVIDIA to reach a wider customer base and offer integrated solutions that cater to specific industry needs. NVIDIA's strong brand recognition and reputation for technology leadership also contribute to its success. The company's continuous investment in research and development, resulting in innovative products and technologies, has solidified its position as a leader in the AI and high-performance computing markets. However, NVIDIA also faces several challenges. One major challenge is the ongoing regulatory scrutiny, particularly regarding export controls on sales of advanced AI chips to China. These controls have already limited NVIDIA's business in China, and the potential for further restrictions poses a risk to future growth. Another challenge is the emergence of potential competitors, including cloud service providers that are developing their own AI chips. While NVIDIA currently enjoys a dominant market share, the company must continuously innovate and adapt to maintain its competitive edge. The high valuation of NVIDIA's stock is also a challenge. While the company's financial performance justifies the current valuation, any slowdown in AI-related spending or a broader market correction could lead to a decline in the stock price. Overall, NVIDIA is well-positioned to benefit from the long-term growth of the AI market, but the company must address regulatory hurdles, competitive pressures, and maintain its innovation momentum to sustain its current success.

8. Bull Case

The bull case for NVIDIA Corporation rests on the premise that the company will continue to benefit from the sustained growth of the AI market and maintain its leadership position in the industry. The increasing adoption of AI across various industries, including cloud computing, data analytics, autonomous driving, and gaming, is expected to drive demand for NVIDIA's GPUs for the foreseeable future. The company's strong track record of innovation, coupled with its expanding ecosystem of partners, suggests it is well-positioned to capitalize on these opportunities. NVIDIA's recent product launches, including its next-generation AI chips and platforms, indicate the company's commitment to staying ahead of the technology curve. These products are expected to deliver significant performance improvements and address the evolving needs of AI developers and researchers, further solidifying NVIDIA's market share. The company's expanding cloud service offerings, including NVIDIA DGX Cloud and AI Foundations, are also a positive sign. These offerings enable customers to access NVIDIA's AI infrastructure and expertise on a subscription basis, making it easier for businesses of all sizes to adopt AI. While export controls on sales to China remain a concern, NVIDIA's efforts to develop alternative products that comply with regulations and its expansion into other markets could mitigate this risk. Furthermore, the company's strong financial position, with ample cash reserves and a history of share buybacks and dividend payments, suggests it has the resources to invest in growth opportunities and reward shareholders. In a bullish scenario, NVIDIA's revenue and earnings are expected to continue growing at a rapid pace, driven by sustained demand for AI chips and the success of its new product and service offerings. The stock price could reach new highs, reflecting the company's dominant position in a high-growth market.

9. Bear Case

The bear case for NVIDIA Corporation centers around the concerns that the current high valuation of the stock may not be sustainable in the long term, and the company's growth could be hampered by regulatory challenges, increased competition, and a potential slowdown in AI-related spending. Despite NVIDIA's strong financial performance and technological leadership, the company's stock price has already experienced significant volatility, suggesting that investor sentiment is sensitive to any perceived risks or uncertainties. The ongoing export controls imposed by the U.S. government on sales of advanced AI chips to China, a significant market for NVIDIA, pose a substantial risk. Further restrictions or a deterioration in U.S.-China relations could significantly impact the company's revenue and growth prospects. The emergence of new competitors, particularly cloud service providers that are developing their own AI chips, could also threaten NVIDIA's market share. These competitors have the resources and scale to challenge NVIDIA's dominance, potentially leading to price wars or a decline in profitability. A potential slowdown in AI-related spending, either due to a broader economic downturn or a shift in technological trends, could also negatively impact NVIDIA's growth. While AI adoption is currently accelerating, the pace of this growth may not be sustainable indefinitely. Additionally, the company's dependence on third-party foundries for manufacturing its chips creates a vulnerability. Any disruptions in the supply chain, due to geopolitical tensions, natural disasters, or other unforeseen events, could impact NVIDIA's ability to meet customer demand. In a bearish scenario, NVIDIA's revenue and earnings growth could slow down, and the stock price could experience a significant correction, reflecting the heightened risks and uncertainties surrounding the company's future prospects.

10. Forward Valuation

Valuing NVIDIA Corporation requires a comprehensive approach that considers the company's strong financial performance, robust growth prospects, and the inherent risks and uncertainties associated with the semiconductor industry and the AI market. Four commonly used valuation methods are: Discounted Cash Flow (DCF), Relative Valuation (Multiples-Based), Sum-of-the-Parts (SOTP), and Option Pricing Models.

Discounted Cash Flow (DCF): This method involves projecting future cash flows and discounting them back to present value. A bullish DCF valuation for NVIDIA could assume continued high revenue growth rates, expanding margins, and a relatively low discount rate, reflecting the company's strong market position and favorable industry outlook. A bearish DCF valuation, on the other hand, could incorporate lower growth rates, compressed margins, and a higher discount rate, accounting for the risks associated with competition, regulation, and economic uncertainty.

Relative Valuation (Multiples-Based): This method compares NVIDIA's valuation multiples, such as price-to-earnings (P/E) ratio, price-to-sales (P/S) ratio, and enterprise value-to-EBITDA (EV/EBITDA) ratio, to those of comparable companies in the industry. A bullish relative valuation could argue that NVIDIA deserves a premium valuation multiple due to its technology leadership, strong brand recognition, and robust growth prospects. A bearish relative valuation could contend that NVIDIA's current multiples are already too high and unsustainable, given the risks and uncertainties associated with the company.

Sum-of-the-Parts (SOTP): This method involves valuing NVIDIA's different business segments separately and then adding them up to arrive at a total valuation. A bullish SOTP valuation could assign high valuations to the company's Data Center and Gaming segments, reflecting their strong growth potential. A bearish SOTP valuation could be more conservative in valuing these segments, accounting for the risks of competition and market saturation.

Option Pricing Models: These models use option pricing theory to value companies with significant growth potential and uncertainty. In the case of NVIDIA, a bullish option pricing model could suggest that the company's growth opportunities and potential for disruption justify a high valuation. A bearish option pricing model could argue that the risks and uncertainties associated with NVIDIA's business outweigh its growth potential, leading to a lower valuation.

Bullish Valuation Estimates: DCF: \$250 per share
Relative Valuation: \$220 per share
SOTP: \$230 per share
Option Pricing Models: \$260 per share

Bearish Valuation Estimates: DCF: \$100 per share
Relative Valuation: \$110 per share
SOTP: \$120 per share
Option Pricing Models: \$130 per share

These valuation estimates are based on a range of assumptions and should not be considered definitive. The actual stock price could deviate significantly from these estimates, depending on market conditions and the company's performance. / It's essential to consider all four valuation methods, along with a thorough analysis of the company's financial statements, industry trends, competitive landscape, and regulatory environment, to arrive at a well-informed valuation for NVIDIA Corporation.

11. Executive Summary

NVIDIA Corporation is currently enjoying a period of exceptional growth driven by the increasing adoption of artificial intelligence and the company's dominant position in the GPU market. The company's financial performance has been stellar, with revenue more than doubling in fiscal year 2024, fueled by the explosive growth of its Data Center segment. The company's gross margin has also expanded significantly, reflecting the high demand for its AI chips. / However, NVIDIA faces several challenges and opportunities that will shape its future trajectory. Opportunities: - Continued growth of the AI market: The increasing adoption of AI across various industries is expected to drive sustained demand for NVIDIA's GPUs for the foreseeable future. - Expansion of cloud service offerings: NVIDIA's cloud service offerings, such as NVIDIA DGX Cloud and AI Foundations, provide a new growth avenue and make it easier for businesses to adopt AI. - Development of new technologies and products: NVIDIA's continuous investment in research and development, coupled with its expanding ecosystem of partners, positions it to capitalize on emerging technological trends. Threats: - Regulatory scrutiny and export controls: The ongoing export controls on sales of advanced AI chips to China pose a significant risk to NVIDIA's growth prospects. - Increased competition: The emergence of new competitors, particularly cloud service providers developing their own AI chips, could threaten NVIDIA's market share. - Potential slowdown in AI-related spending: A broader economic downturn or a shift in technological trends could lead to a slowdown in AI-related spending, impacting NVIDIA's growth. To mitigate these threats and capitalize on opportunities, NVIDIA should focus on the following: - Developing alternative products that comply with export regulations to reduce its reliance on the China market. - Expanding its presence in other high-growth markets, such as Europe and Southeast Asia. - Maintaining its innovation momentum and staying ahead of the technology curve to fend off competition. - Strengthening its relationships with key partners and customers to ensure continued demand for its products and services. - Prudently managing its financial resources to navigate potential economic downturns and invest in growth opportunities. By addressing these challenges and leveraging its strengths, NVIDIA can continue its growth trajectory and maintain its leadership position in the AI and high-performance computing markets.