

NVIDIA Corp. (NVDA US)

Strong quarter ahead

- Confident in NVIDIA's upcoming results, forecasting revenue/adj. net profit +84%/86% YoY in 3QFY25E (vs. prior +80%/82%), 1%/1% above consensus.
- Revising up Data Center growth for recent CSP CAPEX expansion and ongoing supply improvement. Eyes on Blackwell ramp starting from 4Q.
- Limited impact of potential export restrictions of supply chain; Trump's election victory would create a favorable environment for US AI chips sector through reduced regulations and tax cuts.
- Maintain **BUY**; lifting our earnings forecast by 1.7%-5.7% in FY25E-27E, with higher TP to US\$ 172.0 (39.7x FY26E P/E).

A strong quarter ahead. Our confidence in NVIDIA's upcoming quarterly results and FY26 momentum increased based on recent hyperscalers' raised CAPEX and strong demand from inference compute. We lift our revenue/adj. net profit forecasts in 3QFY25E by 2%/3%, suggesting +84%/86% YoY in 3QFY25E, 1%/1% above consensus. By segment, we forecast Data Center/Gaming/Professional Visualization/Automotive revenue to grow 102%/8%/14%/42% YoY in 3Q, respectively. Data Center segment should maintain a strong momentum in 3Q, boosted by H200 ramp and sovereign AI tailwinds. Coupled with Blackwell ramp in 4Q, we expect a robust revenue guidance ahead (to beat US\$ 2bn+ vs. consensus). NVIDIA anticipates generating several billion dollars from Blackwell revenue in 4Q. On the margin side, we expect GPM to decline sequentially in 3QFY25E due to margin dilution from new product lineups, and to pick up from 1QFY26 with the Blackwell ramp. We project an adj. EPS of US\$0.75 in 3QFY25E, 2% above consensus.

Benefiting from hyperscalers' CAPEX revising up. In our previous sector report, we revised up total 2025E CAPEX by 2% (implying CAPEX +21% YoY) to reflect hyperscalers' strong optimism on AI investment and decent AI monetization after their 3Q24 results. We expect NVIDIA to be the largest beneficiary of CSP CAPEX expansion, for its GPU competitiveness and high barrier with CUDA and NVLink. On the supply side, TSMC (TSM US) delivered eye-catching sales growth in Oct 2024 (+29.2% YoY or +24.8% QoQ), suggesting ongoing supply improvement. As such, we revise up NVIDIA's topline forecast by 1.5%-5.2% in FY25-27E to reflect increasing CAPEX.

Eyes on Blackwell ramp. We see high visibility for NVIDIA's Data Center strong momentum into 1H25E (or 1HFY26E) since GB200 orders for the next 12 months have been fully booked, based on our channel checks. Blackwell supply chain noises might affect short-term sentiment, but fundamentals stay intact. We forecast Blackwell to contribute US\$ 4bn revenue in 4QFY25E for conservative estimates; its contribution would exceed 60% of Data Center revenue in FY26E with GB200 mass shipments.

Maintain BUY with higher TP at US\$ 172.0. Given AI CAPEX revising up and higher demand visibility from inference compute, we lift our earnings forecast by 1.7%-5.7% in FY25-27E. Our DCF-based TP is adjusted from US\$ 146.6 to US\$ 172.0 (implying 39.7x FY26E P/E, or 1.17x PEG), largely in line with its three-year historical forward P/E mean of 40x, but above the industry average. Catalysts: 1) upcoming Blackwell ramp; 2) potential AI models upgrades in 4Q; and 3) potential CoWoS expansion.

Risk factors: 1) Demand uncertainty; 2) Fierce competition; 3) Supply challenges; 4) Macro uncertainty; 5) Geopolitical risks; and 6) Margin dilution on investment.

Results and Valuation

FY ended Jan	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	26,974	60,922	125,803	187,329	221,804
Chg (% YoY)	0.2	125.9	106.5	48.9	18.4
Adj. net profit* (US\$ mn)	8,365	32,312	70,978	105,943	127,614
Chg (% YoY)	(25.7)	286.3	119.7	49.3	20.5
Adj. EPS* (US\$)	0.33	1.30	2.86	4.34	5.35
Chg (% YoY)	(25.0)	289.1	120.7	51.6	23.3
P/E (x)	447.3	115.0	52.1	34.3	27.9
P/S (x)	135.0	59.8	28.9	19.4	16.4
ROAA (%)	19.6	60.4	81.4	80.1	70.9
ROAE (%)	34.3	99.3	114.5	101.8	84.4
DPS (US\$)	0.02	0.02	0.03	0.04	0.04
Yield (%)	0.01	0.01	0.02	0.03	0.03

Source(s): Company data, Bloomberg, ABCI Securities estimates

Note: Adj. net profit* = Non-GAAP net income; Adj. EPS* = Non-GAAP EPS

Company Report

Nov 14, 2024

Rating (US): BUY
 TP: US\$ 172.0

Analyst : Huang Qun
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 Email: sophiehuang@abci.com.hk

Price (US\$)	146.3
Est. price return	17.6%
Est. dividend yield	0.02%
Est. total return	17.62%
Last Rating & TP	BUY I
	US\$ 146.6

Previous Report Date Sep 30, 2024

Source(s): Bloomberg, ABCI Securities estimate

Key Data

52Wk H/L (US\$)	149.8/45.0
Total issued shares (mn)	24,578
Market cap (US\$ bn)	3,588.0
3-mth avg daily turnover (US\$ mn)	34,932

Major shareholder(s) (%):

The Vanguard Group	8.74
Blackrock	7.50

Source(s): Bloomberg, ABCI Securities

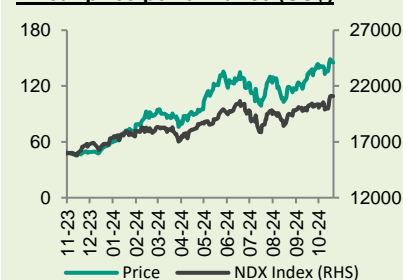
Price performance

	Absolute	Relative*
1-mth	7.76	3.50
3-mth	23.02	10.87
6-mth	59.00	38.03

*Relative to NASDAQ 100

Source(s): Bloomberg, ABCI Securities

1-Year price performance (US\$)



Source(s): Bloomberg, ABCI Securities

Note:

- 1) Market data as of Nov 13, 2024

Related reports:

1. **AI Technology sector: More upside for AI CAPEX** | Update | Nov 7, 2024
2. **AI Technology sector: Still in early innings of AI boom** | Update | Oct 10, 2024
3. **NVIDIA Corp. (NVDA US): The Engine of AI** | Initiation | Sep 30, 2024

A strong quarter ahead. We expect NVIDIA to deliver solid quarterly results and forecast revenue/adj. net profit +84%/86% YoY in 3QFY25E (vs. prior +80%/82%), 1%/1% above consensus.

By segment, we forecast Data Center/Gaming/Professional Visualization/Automotive revenue to grow 102%/8%/14%/42% YoY (vs. previous estimates of +97%/8%/14%/42% YoY), respectively. Data Center segment would sustain a strong momentum in 3Q, boosted by H200 ramp and sovereign AI tailwinds. Coupled with Blackwell ramp in 4Q, we expect a robust revenue guidance ahead (to beat US\$ 2bn+ vs. consensus). NVIDIA anticipates generating several billion dollars in Blackwell revenue in 4Q.

On the margin side, we expect gross margin to see a slight sequential decline in 3QFY25E to 74.6% (vs. consensus of 75%) due to margin dilution from new product lineups, though we believe such decline has been well anticipated by the market. As we stated in our initiation report, Blackwell products require higher manufacturing costs due to advanced 4nm process technology employed and double GPU chips bonded, but they can ultimately generate higher GPM in the long term with broader adoption. We estimate Blackwell series revenue to surpass Hopper in 1QFY26 (or 1Q25) and NVIDIA's gross margin to gradually recover from then onward. We project adj. EPS at US\$0.75 in 3QFY25E, 2% above consensus.

Exhibit 1: Quarterly financial forecasts

(US\$ mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25E	QoQ	YoY	Consensus	Diff %
Revenue	5,931	6,051	7,192	13,507	18,120	22,103	26,044	30,040	33,264	10.7%	83.6%	33,081	1%
Gross profit	3,177	3,833	4,648	9,462	13,400	16,791	20,406	22,574	24,826	10.0%	85.3%	24,814	0%
Operating profit	601	1,257	2,140	6,800	10,417	13,615	16,909	18,642	20,514	10.0%	96.9%	21,662	-5%
Adj. net profit	1,456	2,174	2,713	6,740	10,020	12,839	15,238	16,952	18,662	10.1%	86.2%	18,457	1%
Adj. EPS (US\$)	0.06	0.09	0.11	0.27	0.40	0.52	0.61	0.68	0.75	10.3%	87.4%	0.74	2%
Margin (%)													
Gross margin	53.6%	63.3%	64.6%	70.1%	74.0%	76.0%	78.4%	75.1%	74.6%			75.0%	
Operating margin	10.1%	20.8%	29.8%	50.3%	57.5%	61.6%	64.9%	62.1%	61.7%			65.5%	
Adj. net margin	24.5%	35.9%	37.7%	49.9%	55.3%	58.1%	58.5%	56.4%	56.1%			55.8%	
Growth (%)													
Revenue (YoY)	-16.5%	-20.8%	-13.2%	101.5%	205.5%	265.3%	262.1%	122.4%	83.6%			82.6%	
Revenue (QoQ)	-11.5%	2.0%	18.9%	87.8%	34.2%	22.0%	17.8%	15.3%	10.7%			10.1%	
Operating profit	-77.5%	-57.7%	14.6%	1262.7%	1633.3%	983.1%	690.1%	174.1%	96.9%			107.9%	
Adj. net profit	-51.0%	-35.1%	-21.2%	421.7%	588.2%	490.6%	461.7%	151.5%	86.2%			84.2%	

Source(s): Company data, Bloomberg, ABCI Securities estimates

Exhibit 2: Quarterly revenue breakdown forecasts

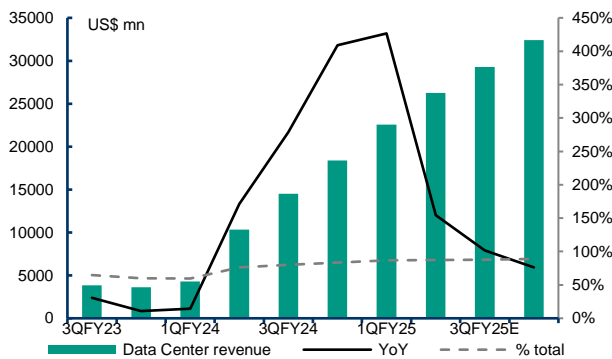
(US\$ mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25E	QoQ	YoY
Revenue	5,931	6,051	7,192	13,507	18,120	22,103	26,044	30,040	33,264	10.7%	83.6%
Gaming	1,574	1,831	2,240	2,486	2,856	2,865	2,647	2,880	3,073	6.7%	7.6%
Professional Visualization	200	226	295	379	416	463	427	454	472	4.0%	13.5%
Data Center	3,833	3,616	4,284	10,323	14,514	18,404	22,563	26,272	29,260	11.4%	101.6%
Automotive	251	294	296	253	261	281	329	346	371	7.2%	42.1%
OEM & Other	73	84	77	66	73	90	78	88	88	0.1%	20.7%

Source(s): Company data, ABCI Securities estimates



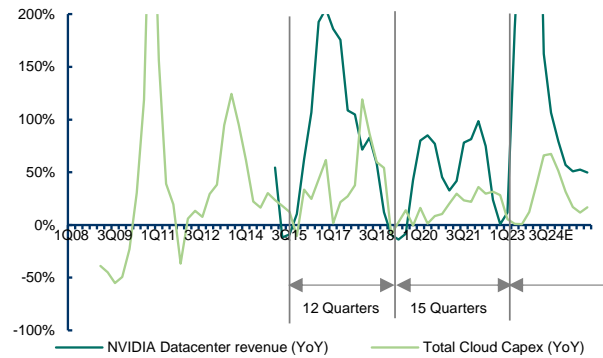
Benefiting from hyperscalers' CAPEX revising up. In our previous sector report, we revised up AI CAPEX based on hyperscalers' 3Q24 results, strong optimism on AI investment for 4Q24E and 2025E, and good progress in AI monetization with cloud acceleration. We lifted total 2025E CAPEX by 2%, implying CAPEX +21% YoY (vs. previous estimate: +19.5% YoY, consensus of +16% YoY). We expect NVIDIA to be the largest beneficiary of CSP CAPEX expansion with its GPU competitiveness and high barrier with CUDA and NVLink. On the supply side, TSMC delivered eye-catching sales growth in Oct 2024 (+29.2% YoY or +24.8% QoQ) and an upbeat 3Q24 results, suggesting ongoing supply improvement. Coupled with potential CoWoS expansion, we revise up NVIDIA's topline forecast by 1.5%-5.2% in FY25-27E to reflect increased CAPEX. Accordingly, we raise our earnings forecast by 1.7%-5.7% in FY25-27E.

Exhibit 3: NVIDIA's Data center revenue estimates



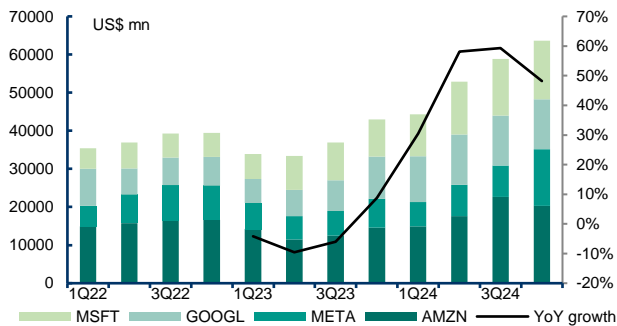
Source(s): Company data, ABCI Securities estimates

Exhibit 4: Cloud capex up-cycle to extend to 2025



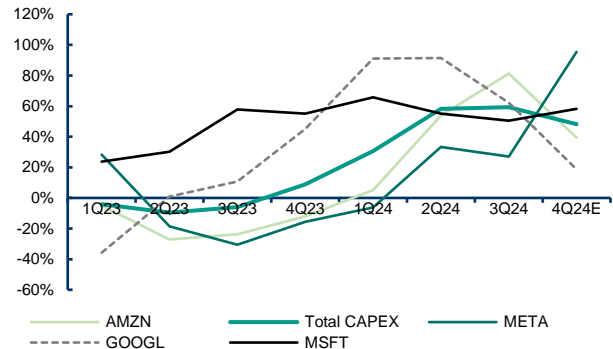
Source(s): Bloomberg, ABCI Securities estimates

Exhibit 5: Four hyperscalers' quarterly capex trend



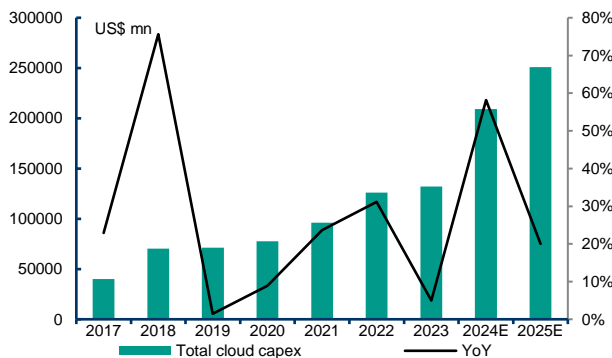
Source(s): Bloomberg, ABCI Securities estimates

Exhibit 6: Four hyperscalers' quarterly capex growth



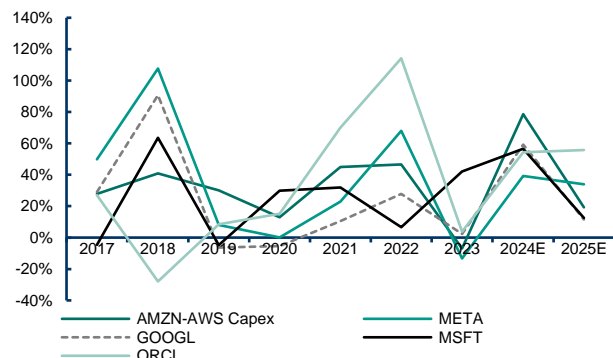
Source(s): Bloomberg, ABCI Securities estimates

Exhibit 7: Global cloud annual capex trend



Source(s): Bloomberg, ABCI Securities estimates

Exhibit 8: Mega-Tech annual capex growth

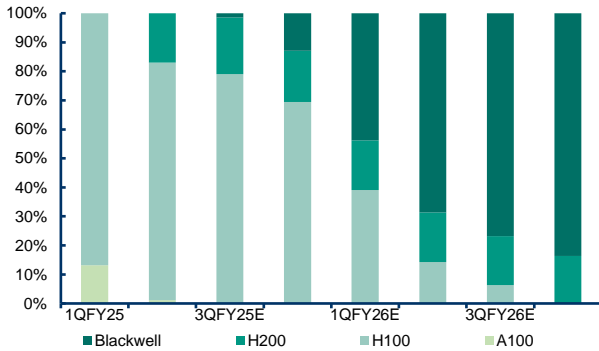


Source(s): Bloomberg, ABCI Securities estimates

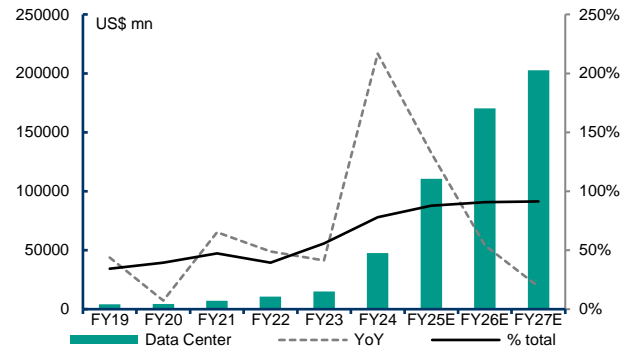


Eyes on Blackwell ramp. We see high visibility for NVIDIA's Data Center strong momentum into 1H25E (or 1HFY26E), as GB200 for the next 12 months have been fully booked, based on our channel checks. Blackwell supply chain noises might affect short-term sentiment, but fundamentals remain intact. Leaning on the conservative side, we forecast Blackwell to contribute US\$ 4bn revenue in 4QFY25E; Blackwell's contribution would exceed 60% of Data Center revenue in FY26E with GB200 mass shipments. Blackwell Ultra will begin to ramp up production starting from 2HFY26E, in our view.

Exhibit 9: Blackwell revenue to surpass Hopper in FY26 **Exhibit 10: Data center revenue and growth estimates**



Source(s): ABCI Securities estimates



Source(s): Company data, ABCI Securities estimates

Limited impact of potential export restrictions on supply chain. While TSMC's export restrictions of 7nm chips to China customers and rumors about potential limitations on HBM could pose challenges in the semiconductor industry, the impact on NVIDIA will be limited, in our view. NVIDIA has designed the H20 chip for the China market to comply with these regulations while still delivering substantial performance for AI applications. China market represents only ~10% of its data center revenue, based on our estimates.

Regarding the US election, Trump's election victory would create a more favorable environment for the US AI chips sector through reduced regulations, tax cuts, AI application support and increased US manufacturing incentives. For manufacturing repatriation and Trump's previous comments on TSMC, we think NVIDIA would distance itself from competitors to secure more advanced packaging capacity, with higher tolerance for TSMC's pricing adjustments and potential increase in production costs.

Maintain BUY with higher TP at US\$ 172.0. Given the raised AI CAPEX among hyperscalers and higher demand visibility from inference compute, we lift our earnings forecast by 1.7%-5.7% in FY25-27E. As such, we estimate NVIDIA to deliver 33%/34% revenue/earnings CAGR in FY25E-27E (vs. prior 30%/32%). Our new adj. EPS forecasts in FY25E-27E are 0.8%-7.6% above consensus, for higher margin estimates on stronger data center mix.

Our DCF-based TP is adjusted from US\$ 146.6 to US\$ 172.0 (implying 39.7x FY26E P/E, or 1.17x PEG), largely in line with its three-year historical forward P/E mean of 40x, but above industry average. Catalysts: 1) upcoming Blackwell ramp; 2) potential AI models upgrades in 4Q; and 3) supply expansion.

Exhibit 11: ABCI estimates vs. consensus

US\$ mn, Jan-YE	ABCI			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	125,803	187,329	221,804	125,808	183,664	220,915	0.0%	2.0%	0.4%
Gross profit	94,724	137,637	163,236	94,939	136,765	164,527	-0.2%	0.6%	-0.8%
Adj. operating profit	83,397	123,610	148,016	82,389	118,479	140,325	1.2%	4.3%	5.5%
Adj. net profit	70,978	105,943	127,614	70,458	102,208	121,558	0.7%	3.7%	5.0%
Adj. EPS (US\$)	2.86	4.34	5.35	2.84	4.12	4.97	0.8%	5.2%	7.6%
Gross margin	75.3%	73.5%	73.6%	75.5%	74.5%	74.5%	-0.2ppts	-1.0ppts	-0.9ppts
Adj. OPM	66.3%	66.0%	66.7%	65.5%	64.5%	63.5%	+0.8ppts	+1.5ppts	+3.2ppts
Adj. NPM	56.4%	56.6%	57.5%	56.0%	55.6%	55.0%	+0.4ppts	+0.9ppts	+2.5ppts

Source(s): Company data, Bloomberg, ABCI Securities estimates

Exhibit 12: Earnings revision

US\$ mn, Jan-YE	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	125,803	187,329	221,804	123,929	180,482	210,799	1.5%	3.8%	5.2%
Gross profit	94,724	137,637	163,236	93,303	132,502	154,983	1.5%	3.9%	5.3%
Adj. operating profit	83,397	123,610	148,016	81,976	118,474	139,763	1.7%	4.3%	5.9%
Adj. net profit	70,978	105,943	127,614	69,798	101,681	120,764	1.7%	4.2%	5.7%
Adj. EPS (US\$)	2.86	4.34	5.35	2.81	4.16	5.06	1.7%	4.2%	5.7%
Gross margin	75.3%	73.5%	73.6%	75.3%	73.4%	73.5%	+0.0ppts	+0.1ppts	+0.1ppts
Adj. OPM	66.3%	66.0%	66.7%	66.1%	65.6%	66.3%	+0.1ppts	+0.3ppts	+0.4ppts
Adj. NPM	56.4%	56.6%	57.5%	56.3%	56.3%	57.3%	+0.1ppts	+0.2ppts	+0.2ppts

Source(s): Company data, ABCI Securities estimates

Exhibit 13: DCF valuation

DCF Valuation (US\$ mn)											
	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
EBIT	83,038	127,642	153,752	198,340	249,908	312,386	387,358	476,451	581,270	703,336	844,004
Tax	(13,873)	(20,477)	(24,762)	(31,943)	(40,248)	(50,310)	(62,385)	(76,733)	(93,615)	(113,274)	(135,929)
D&A	1,688	1,750	1,830	1,903	1,979	2,059	2,141	2,226	2,316	2,408	2,504
Change in working capital	(4,120)	(9,511)	(2,513)	(2,463)	(2,414)	(2,365)	(2,318)	(2,272)	(2,226)	(2,182)	(2,138)
CAPEX	(2,346)	(2,000)	(2,000)	(2,100)	(2,205)	(2,315)	(2,431)	(2,553)	(2,680)	(2,814)	(2,955)
FCF	64,387	97,404	126,307	163,737	207,021	259,453	322,365	397,119	485,064	587,475	705,486
FCF Growth	138%	51%	30%	30%	26%	25%	24%	23%	22%	21%	20%
PV	64,387	87,062	100,910	116,925	132,137	148,021	164,386	181,005	197,616	213,927	2,815,876
Terminal Value											7,945,888

Assumptions

WACC	11.9%
Long term growth	3.0%

Equity Value

PV	4,222,250
minus: Net debt (US\$ mn)	(45,748)
minus: Minority interest (US\$ mn)	0
Equity Value(US\$ mn)	4,267,998

Target Price (US\$) based on DCF **172.0**

		WACC				
		10%	11%	12%	13%	14%
Terminal growth rate	-					
	1.5%	204.0	176.5	157.0	136.8	122.1
	2.0%	212.1	182.3	161.5	140.1	124.7
	2.5%	221.2	188.9	166.5	143.7	127.5
	3.0%	231.7	196.2	172.0	147.7	130.5
	3.5%	243.7	204.6	178.3	152.1	133.8
	4.0%	257.8	214.1	185.3	157.0	137.5
4.5%	274.4	225.1	193.2	162.5	141.5	

Source(s): Company data, Bloomberg, ABCI Securities estimates

Exhibit 14: Peer comparison

Company	Ticker	Mkt cap (USD mn)	Currency	Price	PE			PS			24-26E EPS CAGR	PEG
					24E	25E	26E	24E	25E	26E		
AI Chips-related												
NVIDIA	NVDA US	3,588,003	USD	146	52.1	34.3	27.9	28.9	19.4	16.4	34%	1.01
AMD	AMD US	276,599	USD	139	41.3	26.4	21.2	8.8	6.9	5.9	40%	0.66
Marvell	MRVL US	78,019	USD	90	60.8	35.6	26.6	14.1	10.7	8.8	51%	0.70
ARM	ARM US	141,980	USD	135	85.8	66.0	51.8	35.8	28.8	23.6	29%	2.31
Broadcom	AVGO US	810,719	USD	174	34.4	26.8	23.2	15.7	13.4	11.9	22%	1.24
Qualcomm	QCOM US	178,227	USD	160	14.1	13.1	13.3	4.2	3.9	3.8	3%	4.04
Intel	INTC US	107,480	USD	25	NM	25.6	15.2	2.0	1.9	1.8	NA	NA
Apple	AAPL US	3,402,874	USD	225	30.7	28.5	25.7	8.2	7.6	7.1	9%	3.05
Average					45.6	32.0	25.6	14.7	11.6	9.9	27%	1.86
LLMs & AIGC												
Meta	META US	1,464,728	USD	580	24.7	22.2	19.8	9.0	7.8	7.0	12%	1.90
Alphabet	GOOGL US	2,199,275	USD	179	21.2	19.6	17.6	7.4	6.4	5.8	10%	1.97
Amazon	AMZN US	2,251,264	USD	214	33.5	29.3	23.7	3.5	3.2	2.9	19%	1.54
Microsoft	MSFT US	3,161,311	USD	425	32.3	28.1	24.2	11.3	9.9	8.7	16%	1.80
Baidu	BIDU US	29,616	USD	84	8.1	7.8	7.2	1.6	1.5	1.4	6%	1.25
Tencent	700 HK	481,675	HKD	404	16.1	14.5	13.2	5.3	4.9	4.6	10%	1.39
Average					20.9	18.7	16.3	5.7	5.0	4.5	12%	1.53
SaaS												
Salesforce	CRM US	326,684	USD	342	33.1	29.9	26.3	8.6	7.9	7.2	12%	2.44
Snowflake	SNOW US	43,821	USD	131	NA	NA	NA	12.4	10.1	8.2	38%	NA
ServiceNow	NOW US	215,383	USD	1,046	74.3	61.5	50.1	19.6	16.2	13.5	22%	2.83
Datadog	DDOG US	43,578	USD	128	68.7	57.6	46.3	16.4	13.5	11.0	22%	2.64
Average					58.7	49.7	40.9	14.3	11.9	10.0	23%	2.64
Chip design & Manufacturing												
TSMC	TSM US	968,121	USD	187	27.0	20.7	17.3	10.9	8.7	7.4	25%	0.82
Synopsys	SNPS US	85,710	USD	558	41.7	37.3	32.1	13.9	12.5	11.1	14%	2.68
Applied Materials	AMAT US	150,693	USD	183	21.2	19.0	17.3	5.6	5.0	4.8	11%	1.77
MediaTek	2454 TT	60,748	NTD	1,235	18.7	17.2	14.5	3.7	3.3	2.8	13%	1.29
Cadence	CDNS US	84,053	USD	306	51.8	44.8	38.7	18.1	16.0	14.3	16%	2.83
Average					32.1	27.8	24.0	10.4	9.1	8.1	16%	1.88
China Semi												
Zhongji Innolight	300308 CH	23,044	CNY	149	30.6	18.4	15.6	6.5	4.1	3.5	40%	0.46
NAURA Technology	002371 CH	32,956	CNY	449	41.2	30.7	24.2	7.9	6.1	4.9	30%	1.01
Hua Hong Semiconductor	1347 HK	6,430	HKD	21	58.4	31.3	22.4	3.2	2.6	2.2	62%	0.51
Cambricon Technologies	688256 CH	27,042	CNY	469	NA	NA	NA	136.6	70.9	41.0	NA	NA
Average					43.4	26.8	20.7	38.6	20.9	12.9	33%	0.49
Total average					37.3	29.1	24.0	15.0	10.9	8.7	21%	1.65

Source(s): Company data, Bloomberg, ABCI Securities estimates

Note: NVIDIA's 24/25/26E multiple refers to FY25/26/27E data, as its fiscal year ends in Jan; Data as of 13 Nov, 2024

Key Investment Risks

Market demand uncertainty: The demand for NVIDIA's GPUs, particularly in the data center, is highly correlated with the adoption of AI and cloud computing. Any slowdown in AI innovation or reduced spending by cloud service providers could significantly impact NVIDIA's revenue streams.

Fierce competition: NVIDIA faces intense competition from players like AMD, Intel, and new entrants, which may erode NVIDIA's margins and challenge its market share.

Supply chain challenges: Despite efforts to increase supply, NVIDIA still grapples with chip shortages, resource allocation issues, and supply constraints in certain markets like China due to geopolitical tensions and export restrictions.

Macroeconomic factors: Broader economic trends, including recessions or downturns, can impact corporate spending on technology, including AI, cloud infrastructure, and the PC market, potentially reducing demand for NVIDIA's products.

Geopolitical risks: Ongoing geopolitical tensions and trade disputes may continue to disrupt NVIDIA's supply chain and limit its access to China markets.

Margin dilution on stepped-up investment: Higher-than-expected R&D investment or M&A with lower returns might drag NVIDIA's profitability.

Limited diversification: NVIDIA's revenue is heavily concentrated in its data center segment, which accounted for 87% of its revenue in 2QFY25. This lack of diversification makes the company vulnerable to fluctuations in demand for AI chips and could pose risks if the data center market experiences a downturn.

Regulatory risks: NVIDIA faces potential regulatory challenges, especially regarding antitrust investigations and export controls on advanced technologies to countries like China. Such restrictions could impact supply chains and limit market opportunities.

Financial and corporate risks: NVIDIA has disclosed various financial risks related to accounting practices, debt management, and shareholder rights that could affect its operational stability and stock performance.

Financial Statements

Consolidated income statement

FY ended Jan (US\$ mn, except per share data)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	26,974	60,922	125,803	187,329	221,804
Cost of sales	(11,618)	(16,621)	(30,253)	(49,692)	(58,567)
Gross profit	15,356	44,301	94,724	137,637	163,236
R&D	(7,339)	(8,675)	(12,810)	(15,833)	(17,371)
SG&A	(2,440)	(2,654)	(3,412)	(4,162)	(4,566)
Others	(1,353)	-	-	-	-
Operating profit	4,224	32,972	78,502	117,642	141,299
Non-GAAP operating profit	9,040	37,134	83,397	123,610	148,016
Pre-tax profit	4,181	33,818	79,956	120,452	145,659
Tax	187	(4,058)	(13,873)	(20,477)	(24,762)
GAAP net income	4,368	29,760	67,538	99,975	120,897
Non- GAAP net income	8,365	32,312	70,978	105,943	127,614
GAAP EPS (Diluted)	0.17	1.19	2.72	4.09	5.07
Non-GAAP EPS (Diluted)	0.33	1.30	2.86	4.34	5.35
Margin Analysis					
Gross margin	57%	73%	75%	73%	74%
Adj. operating margin	34%	61%	66%	66%	67%
Adj. net margin	31%	53%	56%	57%	58%
Growth Analysis					
Revenue	0%	126%	106%	49%	18%
Gross profit	-12%	188%	114%	45%	19%
Adj. operating profit	-29%	311%	125%	48%	20%
Adj. net profit	-26%	286%	120%	49%	20%

Source(s): Company data, ABCI Securities estimates

Revenue of major segments

FY ended Jan (US\$ mn)	FY23	FY24	FY25E	FY26E	FY27E
Gaming	9,067	10,447	11,655	12,747	13,986
YoY	-27%	15%	12%	9%	10%
% total	34%	17%	9%	7%	6%
Professional Visualization	1,544	1,553	1,849	1,966	2,062
YoY	-27%	1%	19%	6%	5%
% total	6%	3%	1%	1%	1%
Data Center	15,005	47,525	110,516	170,215	202,714
YoY	41%	217%	133%	54%	19%
% total	56%	78%	88%	91%	91%
Automotive	903	1,091	1,442	2,004	2,582
YoY	60%	21%	32%	39%	29%
% total	3%	2%	1%	1%	1%
OEM & Other	455	306	341	398	460
YoY	-61%	-33%	11%	17%	16%
% total	2%	1%	0%	0%	0%

Source(s): Company data, ABCI Securities estimates



Consolidated balance sheet

FY ended Jan (US\$ mn)	FY23	FY24	FY25E	FY26E	FY27E
Non-current assets	18,109	21,383	25,749	25,999	26,169
PP&E	3,807	3,914	5,040	5,290	5,460
Others	14,302	17,469	20,709	20,709	20,709
Current assets	23,073	44,345	82,961	129,822	177,937
Cash and cash equivalents	3,389	7,280	27,981	64,418	109,781
Marketable securities	9,907	18,704	26,228	26,228	26,228
Accounts receivable, net	3,827	9,999	17,150	26,308	28,737
Inventories	5,159	5,282	7,576	8,842	9,165
Prepaid expenses and other current assets	791	3,080	4,026	4,026	4,026
Current liabilities	6,563	10,631	14,595	15,508	15,746
Accounts payable	1,193	2,699	4,306	5,219	5,457
Accrued & other current liabilities	4,120	6,682	10,289	10,289	10,289
Short-term debt	1,250	1,250	0	0	0
Non-current liabilities	12,518	12,119	13,101	13,101	13,101
Long-term debt	9,703	8,459	8,461	8,461	8,461
Others	2,815	3,660	4,640	4,640	4,640
Total equity	22,101	42,978	81,014	127,212	175,258
Debt Analysis					
Total debt	9,703	8,459	8,461	8,461	8,461
Total equity	22,101	42,978	81,014	127,212	175,258
D/E ratio	44%	20%	10%	7%	5%
D/A ratio	24%	13%	8%	5%	4%
Current ratio (x)	3.5	4.2	5.7	8.4	11.3

Source(s): Company data, ABCI Securities estimates

Consolidated cash flow statement

FY ended Jan (US\$ mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash Flow					
Net income	4,368	29,760	67,538	99,975	120,897
Depreciation and amortization	1,544	1,508	1,688	1,750	1,830
Change in working capital	(2,207)	(3,722)	(4,120)	(9,511)	(2,513)
Others	1,936	544	1,627	7,190	8,093
Operating cash flow	5,641	28,090	66,733	99,404	128,307
CAPEX	(1,833)	(1,069)	(2,346)	(2,000)	(2,000)
Others	9,208	(9,497)	(7,532)	-	-
Investing cash flow	7,375	(10,566)	(9,878)	(2,000)	(2,000)
Stock repurchases	(10,039)	(9,533)	(30,898)	(60,000)	(80,000)
Dividends paid	(398)	(395)	(344)	-	-
Others	(1,180)	(3,705)	(4,913)	(967)	(944)
Financing cash flow	(11,617)	(13,633)	(36,155)	(60,967)	(80,944)
Cash at period end	3,389	7,280	27,981	64,418	109,781

Source(s): Company data, ABCI Securities estimates

Disclosures

Analyst Certification

The analyst, Huang Qun, primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company(ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

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Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate ($\sim 7\%$)
Hold	- Market return rate ($\sim 7\%$) \leq Stock return rate $<$ Market return rate ($\sim 7\%$)
Sell	Stock return $<$ - Market return ($\sim 7\%$)

Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2005 (HSI total return index 2005-23 averaged at 7.4%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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