

## NVIDIA Corp. (NVDA US)

### Blackwell on good progress but debate lingers

- Strong 4QFY25 results and 1Q revenue guidance meets high bar, while 1Q GPM guidance slightly missed expectations
- Confident about faster Blackwell ramp in FY26E with improving supply and hyperscalers CAPEX expansion. Forecasting Data Center revenue to increase 53% YoY in FY26E
- Debates around the impacts of DeepSeek's impacts and AI scaling laws will persist, fueling short-term volatility
- Maintain **BUY** with lower earnings forecasts and TP of US\$ 165.3 (38.3x FY26E P/E)

**Another upbeat quarter, while guidance sparks muted optimism.** NVIDIA delivered another upbeat quarter in 4QFY25, in which revenue surged 78% YoY, 3%/3% above consensus/ our estimates, and adj. EPS came out at US\$0.89 (+73% YoY), 5%/5% above consensus/ our estimates. By segment, Data Center/Gaming/Professional Visualization/Automotive revenue +93%/-11%/+10%/+103% YoY, respectively. Data Center beat our expectation by 3%, in which Compute revenue +18% QoQ, while Networking revenue -3% QoQ. 1QFY26E revenue guidance midpoint was US\$43.0bn (+65% YoY, +9% QoQ), 2%/3% above consensus/our estimates. 1Q non-GAAP GPM was guided at 70.6%, -3ppts QoQ, below consensus of 72.1%, as Blackwell ramps and NVDA are focusing on expediting the manufacturing. Coupled with opex and other items guidance, 1Q non-GAAP EPS would be around US\$0.93, 1% above consensus, based on our calculation. Short-term sentiment may waver as guidance aligns with but does not exceed the elevated expectations, leaving little room for a "beat and raise" narrative, in our view.

**Blackwell ramp is making good progress.** In 4QFY25, Blackwell generated ~US\$11bn revenue, exceeding its previous estimate of several billion dollars. We expect such strong momentum to continue in 1QFY26, boosted by improving Blackwell supply and AI CAPEX expansion from hyperscalers. Coupled with resilient H200 momentum, we forecast Data Center revenue to grow 53% in FY26E. 1Q GPM guidance missed expectations, and it is expected to be in the low 70s during Blackwell ramp. Market concern might lie in GPM recovery pace, and we slightly adjusted down our GPM forecast to 73% in 2HFY26E (vs. prior 75%). For China market, revenue contribution for Data Center was about half of what it was before the export control, suggesting at 10%-15%. NVIDIA stated that China market remains competitive. We suggest investors to eye on upcoming GTC in Mar 2025, where Jensen will share more color on Blackwell Ultra, Rubin and other new products.

**Thoughts on the DeepSeek debate.** Mgmt highlighted DeepSeek's advancements in reasoning models, emphasizing that reasoning models can consume 100x more compute. Jensen underscored DeepSeek's role in validating NVIDIA's ecosystem strength, and reiterated confidence in sustained demand for accelerated computing as partners like DeepSeek are pushing the boundaries of AI applications. While mgmt's remarks alleviated near-term investor concerns about AI compute proxy, we expect debates around DeepSeek's impacts and AI scaling laws to persist. These uncertainties, coupled with high expectations priced into NVDA's valuation, could fuel short-term volatility despite NVDA's solid execution.

**Maintain BUY with lower TP at US\$ 165.3.** To reflect the moderate GPM trend, we trimmed FY26E-27E earnings forecasts by 0.1%-0.4%. Our new DCF-based TP was US\$ 165.3 (38.3x FY26E P/E), largely in line with its 3-Year historical forward P/E mean of 40x.

**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       | FY24A  | FY25A   | FY26E   | FY27E   | FY28E   |
|--------------------|--------|---------|---------|---------|---------|
| Revenue (US\$ mn)  | 60,922 | 130,497 | 193,617 | 231,174 | 253,787 |
| Chg (% YoY)        | 125.9  | 114.2   | 48.4    | 19.4    | 9.8     |
| Adj. NP* (US\$ mn) | 32,312 | 74,265  | 105,485 | 127,504 | 139,683 |
| Chg (% YoY)        | 286.3  | 129.8   | 42.0    | 20.9    | 9.6     |
| Adj. EPS* (US\$)   | 1.30   | 2.99    | 4.32    | 5.34    | 6.01    |
| Chg (% YoY)        | 289.1  | 130.7   | 44.5    | 23.7    | 12.5    |
| P/E (x)            | 96.4   | 41.8    | 28.9    | 23.4    | 20.8    |
| P/S (x)            | 50.0   | 23.4    | 15.7    | 13.2    | 12.0    |
| ROAA (%)           | 60.4   | 83.8    | 78.4    | 70.2    | 59.2    |
| ROAE (%)           | 99.3   | 121.4   | 101.4   | 83.5    | 67.5    |
| DPS (US\$)         | 0.02   | 0.03    | 0.04    | 0.04    | 0.04    |
| Yield (%)          | 0.01   | 0.03    | 0.03    | 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

### Update Mar 3, 2025

Rating (US): BUY  
TP: US\$ 165.3

Analyst: Huang Qun  
Tel: (852) 6638 9425  
Email: sophiehuang@abci.com.hk

|                     |                     |
|---------------------|---------------------|
| Price (US\$)        | 124.9               |
| Est. price return   | 32.3%               |
| Est. dividend yield | 0.03%               |
| Est. total return   | 32.33%              |
| Last Rating & TP    | BUY I<br>US\$ 172.0 |

Previous Report Date Dec 24, 2024

Source(s): Bloomberg, ABCI Securities estimate

#### Key Data

|                                    |            |
|------------------------------------|------------|
| 52Wk H/L (US\$)                    | 153.1/75.6 |
| Total issued shares (mn)           | 24,477     |
| Market cap (US\$ bn)               | 3,048.0    |
| 3-mth avg daily turnover (US\$ mn) | 32,919     |

Major shareholder(s) (%):

|                    |      |
|--------------------|------|
| The Vanguard Group | 8.93 |
| Blackrock          | 7.74 |

Source(s): Bloomberg, ABCI Securities

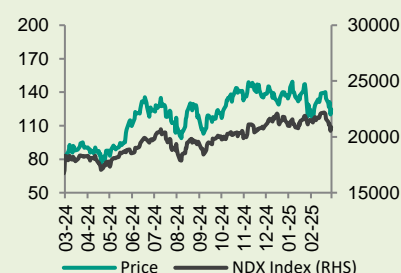
#### Price performance

|       | Absolute | Relative* |
|-------|----------|-----------|
| 1-mth | 4.04     | 7.00      |
| 3-mth | (10.94)  | (9.47)    |
| 6-mth | 4.65     | (1.91)    |

\*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 Mar 3, 2025

**Upbeat 4QFY25 while 1Q GPM guidance missed expectations.** NVIDIA delivered another upbeat quarter in 4QFY25, in which revenue surged 78% YoY, 3%/3% above consensus/ our estimates, and adj. EPS came out at US\$0.89 (+73% YoY), 5%/5% above consensus/ our estimates. By segment, Data Center/Professional Visualization/Automotive revenue grew 93%/10%/103% YoY, respectively, while Gaming declined 11% YoY. Data Center beat our expectation by 3%, where Compute revenue +18% QoQ, while Networking revenue -3% QoQ. Gaming softness was mainly attributable to seasonality and supply constraints.

1QFY26E revenue guidance midpoint was US\$43.0bn (+65% YoY, +9% QoQ), 2%/3% above consensus/our estimates. 1Q non-GAAP GPM was guided at 70.6%, -3ppts QoQ, below consensus of 72.1%, as Blackwell ramps and NVDA are focusing on expediting manufacturing. Coupled with opex and other items guidance, we estimate 1Q non-GAAP EPS to be ~US\$ 0.93, 1% above consensus. Short-term sentiment may waver as guidance aligns with but does not exceed the elevated expectations, leaving little room for a “beat and raise” narrative, in our view. However, bullish remarks on Blackwell ramps (with revenue of US\$ 11bn in 4QFY25) and sustained H200 demand for AI training underscore NVIDIA’s structural leadership.

**Exhibit 1: Quarterly financials review**

| (US\$ mn)         | 1QFY24 | 2QFY24  | 3QFY24  | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | QoQ   | YoY   | Consensus | Diff % | ABCI   | Diff % |
|-------------------|--------|---------|---------|--------|--------|--------|--------|--------|-------|-------|-----------|--------|--------|--------|
| Revenue           | 7,192  | 13,507  | 18,120  | 22,103 | 26,044 | 30,040 | 35,082 | 39,331 | 12.1% | 77.9% | 38,245    | 3%     | 38,031 | 3%     |
| Gross profit      | 4,648  | 9,462   | 13,400  | 16,791 | 20,406 | 22,574 | 26,171 | 28,712 | 9.7%  | 71.0% | 28,121    | 2%     | 27,849 | 3%     |
| Operating profit  | 2,140  | 6,800   | 10,417  | 13,615 | 16,909 | 18,642 | 21,869 | 24,034 | 9.9%  | 76.5% | 24,702    | -3%    | 23,321 | 3%     |
| Adj. net profit   | 2,713  | 6,740   | 10,020  | 12,839 | 15,238 | 16,952 | 20,010 | 22,066 | 10.3% | 71.9% | 21,033    | 5%     | 21,107 | 5%     |
| Adj. EPS (US\$)   | 0.11   | 0.27    | 0.40    | 0.52   | 0.61   | 0.68   | 0.81   | 0.89   | 9.9%  | 72.6% | 0.84      | 5%     | 0.85   | 5%     |
| <b>Margin (%)</b> |        |         |         |        |        |        |        |        |       |       |           |        |        |        |
| Gross margin      | 64.6%  | 70.1%   | 74.0%   | 76.0%  | 78.4%  | 75.1%  | 74.6%  | 73.0%  |       |       | 73.5%     |        | 73.2%  |        |
| Operating margin  | 29.8%  | 50.3%   | 57.5%   | 61.6%  | 64.9%  | 62.1%  | 62.3%  | 61.1%  |       |       | 64.6%     |        | 61.3%  |        |
| Adj. net margin   | 37.7%  | 49.9%   | 55.3%   | 58.1%  | 58.5%  | 56.4%  | 57.0%  | 56.1%  |       |       | 55.0%     |        | 55.5%  |        |
| <b>Growth (%)</b> |        |         |         |        |        |        |        |        |       |       |           |        |        |        |
| Revenue (YoY)     | -13.2% | 101.5%  | 205.5%  | 265.3% | 262.1% | 122.4% | 93.6%  | 77.9%  |       |       | 111.1%    |        | 72.1%  |        |
| Revenue (QoQ)     | 18.9%  | 87.8%   | 34.2%   | 22.0%  | 17.8%  | 15.3%  | 16.8%  | 12.1%  |       |       | 27.3%     |        | 8.4%   |        |
| Operating profit  | 14.6%  | 1262.7% | 1633.3% | 983.1% | 690.1% | 174.1% | 109.9% | 76.5%  |       |       | 137.1%    |        | 71.3%  |        |
| Adj. net profit   | -21.2% | 421.7%  | 588.2%  | 490.6% | 461.7% | 151.5% | 99.7%  | 71.9%  |       |       | 109.9%    |        | 64.4%  |        |

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

**Exhibit 2: Quarterly revenue breakdown**

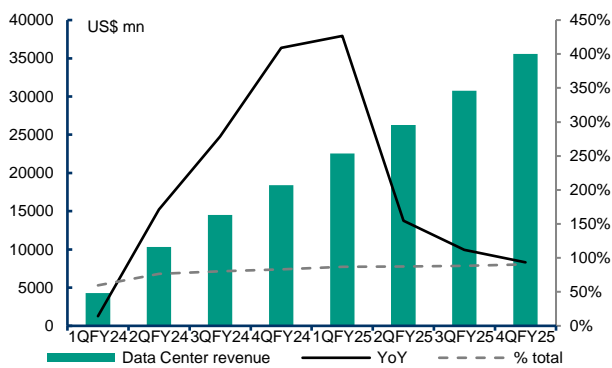
| (US\$ mn)                  | 1QFY24       | 2QFY24        | 3QFY24        | 4QFY24        | 1QFY25        | 2QFY25        | 3QFY25        | 4QFY25        | QoQ          | YoY          |
|----------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| <b>Revenue</b>             | <b>7,192</b> | <b>13,507</b> | <b>18,120</b> | <b>22,103</b> | <b>26,044</b> | <b>30,040</b> | <b>35,082</b> | <b>39,331</b> | <b>12.1%</b> | <b>77.9%</b> |
| Gaming                     | 2,240        | 2,486         | 2,856         | 2,865         | 2,647         | 2,880         | 3,279         | 2,544         | -22.4%       | -11.2%       |
| Professional Visualization | 295          | 379           | 416           | 463           | 427           | 454           | 486           | 511           | 5.1%         | 10.4%        |
| Data Center                | 4,284        | 10,323        | 14,514        | 18,404        | 22,563        | 26,272        | 30,771        | 35,580        | 15.6%        | 93.3%        |
| Automotive                 | 296          | 253           | 261           | 281           | 329           | 346           | 449           | 570           | 26.9%        | 102.8%       |
| OEM & Other                | 77           | 66            | 73            | 90            | 78            | 88            | 97            | 126           | 29.9%        | 40.0%        |

Source(s): Company data, ABCI Securities



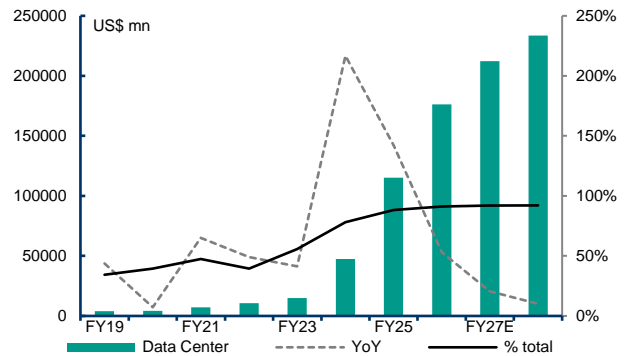
**Blackwell ramp is making good progress.** In 4QFY25, Blackwell generated ~US\$11bn revenue, exceeding its previous estimate of several billion dollars. We expect such strong momentum to continue in 1QFY26, boosted by improving Blackwell supply and AI CAPEX expansion from hyperscalers. Coupled with resilient H200 momentum, we forecast Data Center revenue to grow 53% in FY26E (vs. prior 50%). GPM guidance in 1Q missed expectations, and we estimate it will be in the low 70s during Blackwell ramp. Market concern will be on GPM recovery pace, and we slightly adjusted our GPM forecast to 73.5% in 2HFY26E (vs. prior 75%). For China market, revenue contribution for Data Center was about half of what it was before the export control, suggesting at 10%~15%. NVIDIA stated that China market remains competitive. In the short term, we suggest investors to eye on upcoming GTC in Mar 2025, where Jensen will share more color on Blackwell Ultra, Rubin, and other new products.

**Exhibit 3: NVIDIA's Data Center quarterly revenue**



Source(s): Company data, ABCI Securities estimates

**Exhibit 4: Data center revenue and growth estimates**



Source(s): Company data, ABCI Securities estimates

**Exhibit 5: AI chips roadmap of key GPU and ASIC players**

|                                                    | 2017   | 2018        | 2019      | 2020      | 2021      | 2022       | 2023                                  | 2024          | 2025             | 2026      | 2027            |
|----------------------------------------------------|--------|-------------|-----------|-----------|-----------|------------|---------------------------------------|---------------|------------------|-----------|-----------------|
| <b>GPU upgrade roadmap</b>                         |        |             |           |           |           |            |                                       |               |                  |           |                 |
| <b>NVIDIA</b>                                      | V100   |             |           | A100      |           | H100       | H200<br>GH200                         | B100<br>GB200 | B300*<br>GB300*  | R100*     | R200*<br>GR200* |
| <b>AMD</b>                                         |        |             |           |           |           |            | MI300                                 | MI325         | MI350*           | MI400*    |                 |
| <b>Intel</b>                                       |        |             | Gaudi1    |           |           | Gaudi2     |                                       | Gaudi3        |                  |           |                 |
| <b>Customer accelerator (ASIC) upgrade roadmap</b> |        |             |           |           |           |            |                                       |               |                  |           |                 |
| <b>Google</b>                                      | TPU v2 | TPU v3      |           |           | TPU v4    |            | TPUv5e                                | TPUv6         |                  | TPUv7*    |                 |
| <b>Amazon</b>                                      |        | Inferentia1 |           | Trainium1 |           |            | Inferentia2<br>Trainium2<br>Graviton4 | Trainium3     | Inferentia2.5/3* |           | Inferentia4*    |
|                                                    |        | Graviton1   | Graviton2 |           | Graviton3 | Graviton3E |                                       |               |                  |           |                 |
| <b>Microsoft</b>                                   |        |             |           |           |           |            | Maia 100<br>Cobalt 100                |               |                  | Maia 200* |                 |
| <b>Meta</b>                                        |        |             |           |           |           |            | MTIA v1<br>MSVP                       | MTIA v2       |                  |           |                 |

Source(s): Company data, ABCI Securities  
Note: \* refers to estimated year of version upgrade

**Thoughts on DeepSeek debate.** Mgmt highlighted DeepSeek's advancements in reasoning models, emphasizing that reasoning models can consume 100x more compute. Jensen underscored DeepSeek's role in validating NVIDIA's ecosystem strength, and reiterated confidence in sustained demand for accelerated computing as partners like DeepSeek push the boundaries of AI applications. While mgmt's remarks alleviated near-term investor concerns about AI compute proxy, we expect debates around DeepSeek's impact and AI scaling laws to persist. These uncertainties, coupled with high expectations priced into NVDA's valuation, could fuel short-term volatility despite NVDA's solid execution.

**Maintain BUY with lower TP at US\$ 165.3.** Given upbeat 4QFY25 and 1QFY26 revenue guidance, we lift our revenue forecast by 3.4%-4.2% in FY26E-27E, but trimmed FY26-27E earnings forecasts by 0.1%-0.4% to reflect softer GPM during Blackwell ramp. Our new adj. EPS forecasts in FY26E/27E/28E are 2.6%/1.7%/2.8% below consensus, for conservative GPM estimates.

Our DCF-based TP is adjusted to US\$ 165.3 (implying 38.3x FY26E P/E), largely in line with its 3-Year historical forward P/E mean of 40x, but above industry average. Catalysts: 1) upcoming GTC in Mar 2025; 2) Blackwell ramp; and 3) supply expansion.

**Exhibit 6: ABCI estimates vs. consensus**

| US\$ mn, Jan-YE       | ABCI    |         |         | Consensus |         |         | Diff (%) |          |          |
|-----------------------|---------|---------|---------|-----------|---------|---------|----------|----------|----------|
|                       | FY26E   | FY27E   | FY28E   | FY26E     | FY27E   | FY28E   | FY26E    | FY27E    | FY28E    |
| Revenue               | 193,617 | 231,174 | 253,787 | 198,545   | 241,928 | 266,778 | -2.5%    | -4.4%    | -4.9%    |
| Gross profit          | 137,999 | 168,404 | 187,187 | 145,876   | 178,953 | 192,403 | -5.4%    | -5.9%    | -2.7%    |
| Adj. operating profit | 123,058 | 147,884 | 162,384 | 127,728   | 156,441 | 178,582 | -3.7%    | -5.5%    | -9.1%    |
| Adj. net profit       | 105,485 | 127,504 | 139,683 | 110,160   | 135,579 | 143,174 | -4.2%    | -6.0%    | -2.4%    |
| Adj. EPS (US\$)       | 4.32    | 5.34    | 6.01    | 4.43      | 5.44    | 6.19    | -2.6%    | -1.7%    | -2.8%    |
| Gross margin          | 71.3%   | 72.8%   | 73.8%   | 73.5%     | 74.0%   | 72.1%   | -2.2ppts | -1.1ppts | +1.6ppts |
| Adj. OPM              | 63.6%   | 64.0%   | 64.0%   | 64.3%     | 64.7%   | 66.9%   | -0.8ppts | -0.7ppts | -3.0ppts |
| Adj. NPM              | 54.5%   | 55.2%   | 55.0%   | 55.5%     | 56.0%   | 53.7%   | -1.0ppts | -0.9ppts | +1.4ppts |

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

**Exhibit 7: Earnings revision**

| US\$ mn, Jan-YE       | New     |         |         | Old     |         |       | Diff (%) |          |       |
|-----------------------|---------|---------|---------|---------|---------|-------|----------|----------|-------|
|                       | FY26E   | FY27E   | FY28E   | FY26E   | FY27E   | FY28E | FY26E    | FY27E    | FY28E |
| Revenue               | 193,617 | 231,174 | 253,787 | 187,329 | 221,804 | NA    | 3.4%     | 4.2%     | NA    |
| Gross profit          | 137,999 | 168,404 | 187,187 | 137,637 | 163,236 | NA    | 0.3%     | 3.2%     | NA    |
| Adj. operating profit | 123,058 | 147,884 | 162,384 | 123,610 | 148,016 | NA    | -0.4%    | -0.1%    | NA    |
| Adj. net profit       | 105,485 | 127,504 | 139,683 | 105,943 | 127,614 | NA    | -0.4%    | -0.1%    | NA    |
| Adj. EPS (US\$)       | 4.32    | 5.34    | 6.01    | 4.34    | 5.35    | NA    | -0.4%    | -0.1%    | NA    |
| Gross margin          | 71.3%   | 72.8%   | 73.8%   | 73.5%   | 73.6%   | NA    | -2.2ppts | -0.7ppts | NA    |
| Adj. OPM              | 63.6%   | 64.0%   | 64.0%   | 66.0%   | 66.7%   | NA    | -2.4ppts | -2.8ppts | NA    |
| Adj. NPM              | 54.5%   | 55.2%   | 55.0%   | 56.6%   | 57.5%   | NA    | -2.1ppts | -2.4ppts | NA    |

Source(s): Company data, ABCI Securities estimates



**Exhibit 8: DCF valuation**

| DCF Valuation (US\$ mn)   |          |          |          |          |          |          |          |          |          |           |
|---------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
|                           | FY26E    | FY27E    | FY28E    | FY29E    | FY30E    | FY31E    | FY32E    | FY33E    | FY34E    | FY35E     |
| EBIT                      | 127,090  | 153,620  | 168,292  | 215,414  | 268,191  | 332,556  | 409,044  | 499,034  | 603,831  | 724,597   |
| Tax                       | (20,383) | (24,740) | (27,061) | (34,691) | (43,191) | (53,556) | (65,874) | (80,367) | (97,244) | (116,692) |
| D&A                       | 1,750    | 1,830    | 1,910    | 1,986    | 2,066    | 2,148    | 2,234    | 2,324    | 2,417    | 2,513     |
| Change in working capital | (9,746)  | (2,972)  | (2,752)  | (2,697)  | (2,643)  | (2,590)  | (2,538)  | (2,487)  | (2,438)  | (2,389)   |
| CAPEX                     | (2,000)  | (2,000)  | (2,000)  | (2,100)  | (2,205)  | (2,315)  | (2,431)  | (2,553)  | (2,680)  | (2,814)   |
| CFE                       | 96,712   | 125,738  | 138,389  | 177,913  | 222,218  | 276,243  | 340,435  | 415,951  | 503,886  | 605,215   |
| PV                        | 96,712   | 112,387  | 110,563  | 127,047  | 141,837  | 157,600  | 173,601  | 189,589  | 205,284  | 2,702,601 |
| Terminal Value            |          |          |          |          |          |          |          |          |          | 6,816,535 |

| Assumptions      |       |
|------------------|-------|
| WACC             | 11.9% |
| Long term growth | 3.0%  |

| Equity Value                       |           |
|------------------------------------|-----------|
| PV                                 | 4,017,220 |
| minus: Net debt (US\$ mn)          | (82,659)  |
| minus: Minority interest (US\$ mn) | 0         |
| Equity Value(US\$ mn)              | 4,099,879 |

|                                  |       |
|----------------------------------|-------|
| Target Price (US\$) based on DCF | 165.3 |
|----------------------------------|-------|

| Terminal growth rate | WACC |     |     |     |     |     |
|----------------------|------|-----|-----|-----|-----|-----|
|                      | -    | 10% | 11% | 12% | 13% | 14% |
| 1.5%                 | 193  | 168 | 151 | 133 | 119 |     |
| 2.0%                 | 200  | 174 | 155 | 136 | 122 |     |
| 2.5%                 | 209  | 180 | 160 | 139 | 125 |     |
| 3.0%                 | 219  | 187 | 165 | 143 | 128 |     |
| 3.5%                 | 230  | 195 | 171 | 148 | 131 |     |
| 4.0%                 | 243  | 204 | 178 | 152 | 134 |     |
| 4.5%                 | 259  | 215 | 186 | 158 | 138 |     |

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

**Exhibit 9: Peer comparison**

| Company                                | Ticker    | Mkt cap (USD mn) | Currency | Price | PE          |             |             | PS          |             |            |
|----------------------------------------|-----------|------------------|----------|-------|-------------|-------------|-------------|-------------|-------------|------------|
|                                        |           |                  |          |       | 25E         | 26E         | 27E         | 25E         | 26E         | 27E        |
| <b>AI Chips-related</b>                |           |                  |          |       |             |             |             |             |             |            |
| NVIDIA                                 | NVDA US   | 3,048,048        | USD      | 125   | 28.9        | 23.4        | 20.8        | 15.7        | 13.2        | 12.0       |
| AMD                                    | AMD US    | 161,821          | USD      | 100   | 21.7        | 17.5        | 14.7        | 5.1         | 4.4         | 3.8        |
| Marvell                                | MRVL US   | 79,452           | USD      | 92    | 58.3        | 32.7        | 25.3        | 13.8        | 9.8         | 8.0        |
| ARM                                    | ARM US    | 138,406          | USD      | 132   | 81.0        | 65.2        | 50.2        | 34.6        | 28.0        | 22.9       |
| Broadcom                               | AVGO US   | 934,799          | USD      | 199   | 30.1        | 25.2        | 21.2        | 15.3        | 13.2        | 11.4       |
| Qualcomm                               | QCOM US   | 173,830          | USD      | 157   | 13.3        | 12.8        | 12.8        | 4.0         | 3.8         | 3.8        |
| Intel                                  | INTC US   | 102,751          | USD      | 24    | NA          | 20.3        | 12.1        | 1.9         | 1.8         | 1.7        |
| Apple                                  | AAPL US   | 3,632,938        | USD      | 242   | 33.0        | 30.2        | 28.1        | 8.9         | 8.2         | 7.8        |
| Average                                |           |                  |          |       | 38.1        | 28.4        | 23.2        | 12.4        | 10.3        | 8.9        |
| <b>LLMs &amp; AIGC</b>                 |           |                  |          |       |             |             |             |             |             |            |
| Meta                                   | META US   | 1,692,991        | USD      | 668   | 25.9        | 22.4        | 19.3        | 9.0         | 7.9         | 7.0        |
| Alphabet                               | GOOGL US  | 2,087,212        | USD      | 170   | 18.1        | 16.1        | 13.9        | 6.1         | 5.7         | 5.1        |
| Amazon                                 | AMZN US   | 2,249,686        | USD      | 212   | 29.2        | 24.1        | 19.7        | 3.2         | 2.9         | 2.6        |
| Microsoft                              | MSFT US   | 2,951,217        | USD      | 397   | 30.1        | 26.3        | 22.7        | 10.7        | 9.4         | 8.2        |
| Baidu                                  | BIDU US   | 30,314           | USD      | 86    | 8.6         | 8.0         | 7.3         | 1.6         | 1.5         | 1.4        |
| Tencent                                | 700 HK    | 564,854          | HKD      | 479   | 18.8        | 17.2        | 15.4        | 6.2         | 5.7         | 5.3        |
| Average                                |           |                  |          |       | 20.8        | 18.2        | 15.7        | 5.6         | 5.0         | 4.5        |
| <b>China Semi</b>                      |           |                  |          |       |             |             |             |             |             |            |
| Zhongji Innolight                      | 300308 CH | 15,543           | USD      | 101   | 21.1        | 12.6        | 10.3        | 4.5         | 2.8         | 2.3        |
| NAURA Technology                       | 002371 CH | 32,645           | USD      | 447   | 41.5        | 30.8        | 24.4        | 7.9         | 6.1         | 4.9        |
| Hua Hong Semiconductor                 | 1347 HK   | 8,718            | USD      | 34    | 57.8        | 36.8        | 27.0        | 3.7         | 3.1         | 2.6        |
| Cambricon Technologies                 | 688256 CH | 42,196           | USD      | 735   | NA          | NA          | NA          | 216.6       | 91.2        | 60.5       |
| Average                                |           |                  |          |       | 40.1        | 26.8        | 20.6        | 58.2        | 25.8        | 17.6       |
| <b>SaaS</b>                            |           |                  |          |       |             |             |             |             |             |            |
| Salesforce                             | CRM US    | 285,042          | USD      | 298   | 26.0        | 23.0        | 19.9        | 7.0         | 6.4         | 5.7        |
| Snowflake                              | SNOW US   | 58,461           | USD      | 177   | NA          | NA          | NA          | 13.0        | 10.6        | 8.8        |
| ServiceNow                             | NOW US    | 191,531          | USD      | 930   | 55.5        | 45.8        | 37.4        | 14.7        | 12.3        | 10.2       |
| Datadog                                | DDOG US   | 39,949           | USD      | 117   | 63.2        | 48.1        | 36.6        | 12.5        | 10.4        | 8.5        |
| Average                                |           |                  |          |       | 48.2        | 39.0        | 31.3        | 11.8        | 9.9         | 8.3        |
| <b>Chip design &amp; Manufacturing</b> |           |                  |          |       |             |             |             |             |             |            |
| TSMC                                   | TSM US    | 936,327          | USD      | 181   | 19.8        | 16.6        | 14.6        | 8.3         | 7.0         | 6.0        |
| Synopsys                               | SNPS US   | 70,705           | USD      | 457   | 30.1        | 26.0        | 22.1        | 10.4        | 9.2         | 8.7        |
| Applied Materials                      | AMAT US   | 128,423          | USD      | 158   | 17.0        | 15.8        | 15.9        | 4.5         | 4.2         | 3.9        |
| MediaTek                               | 2454 TT   | 73,727           | NTD      | 1,515 | 21.0        | 17.7        | 15.7        | 4.0         | 3.4         | 3.2        |
| Cadence                                | CDNS US   | 68,664           | USD      | 251   | 37.3        | 32.3        | 28.9        | 13.2        | 11.8        | 10.5       |
| Average                                |           |                  |          |       | 25.0        | 21.7        | 19.4        | 8.1         | 7.1         | 6.5        |
| <b>Total average</b>                   |           |                  |          |       | <b>28.6</b> | <b>22.8</b> | <b>19.9</b> | <b>16.4</b> | <b>10.6</b> | <b>8.5</b> |

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

Note: NVIDIA's 25/26/27E multiple refers to FY26/27/28E data, as its fiscal year ends in Jan; Data as of 3 Mar, 2025

## 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 return 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 investigation 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) | FY24          | FY25           | FY26E          | FY27E          | FY28E          |
|-----------------------------------------------|---------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>                                | <b>60,922</b> | <b>130,497</b> | <b>193,617</b> | <b>231,174</b> | <b>253,787</b> |
| Cost of sales                                 | (16,621)      | (32,639)       | (55,618)       | (62,770)       | (66,599)       |
| <b>Gross profit</b>                           | <b>44,301</b> | <b>97,858</b>  | <b>137,999</b> | <b>168,404</b> | <b>187,187</b> |
| R&D                                           | (8,675)       | (12,914)       | (16,747)       | (22,247)       | (26,729)       |
| SG&A                                          | (2,654)       | (3,491)        | (4,162)        | (4,990)        | (5,634)        |
| Others                                        | -             | -              | -              | -              | -              |
| <b>Operating profit</b>                       | <b>32,972</b> | <b>81,453</b>  | <b>117,090</b> | <b>141,167</b> | <b>154,824</b> |
| <b>Non-GAAP operating profit</b>              | <b>37,134</b> | <b>86,789</b>  | <b>123,058</b> | <b>147,884</b> | <b>162,384</b> |
| <b>Pre-tax profit</b>                         | <b>33,818</b> | <b>84,026</b>  | <b>119,900</b> | <b>145,527</b> | <b>159,184</b> |
| Tax                                           | (4,058)       | (11,146)       | (20,383)       | (24,740)       | (27,061)       |
| <b>GAAP net income</b>                        | <b>29,760</b> | <b>72,880</b>  | <b>99,517</b>  | <b>120,787</b> | <b>132,123</b> |
| <b>Non- GAAP net income</b>                   | <b>32,312</b> | <b>74,265</b>  | <b>105,485</b> | <b>127,504</b> | <b>139,683</b> |
| GAAP EPS (Diluted)                            | 1.19          | 2.94           | 4.08           | 5.06           | 5.69           |
| <b>Non-GAAP EPS (Diluted)</b>                 | <b>1.30</b>   | <b>2.99</b>    | <b>4.32</b>    | <b>5.34</b>    | <b>6.01</b>    |
| <b>Margin Analysis</b>                        |               |                |                |                |                |
| Gross margin                                  | 73%           | 75%            | 71%            | 73%            | 74%            |
| Adj. operating margin                         | 61%           | 67%            | 64%            | 64%            | 64%            |
| Adj. net margin                               | 53%           | 57%            | 54%            | 55%            | 55%            |
| <b>Growth Analysis</b>                        |               |                |                |                |                |
| Revenue                                       | 126%          | 114%           | 48%            | 19%            | 10%            |
| Gross profit                                  | 188%          | 121%           | 41%            | 22%            | 11%            |
| Adj. operating profit                         | 311%          | 134%           | 42%            | 20%            | 10%            |
| Adj. net profit                               | 286%          | 130%           | 42%            | 21%            | 10%            |

Source(s): Company data, ABCI Securities estimates

### Revenue of major segments

| FY ended Jan (US\$ mn)            | FY24          | FY25           | FY26E          | FY27E          | FY28E          |
|-----------------------------------|---------------|----------------|----------------|----------------|----------------|
| <b>Gaming</b>                     | <b>10,447</b> | <b>11,350</b>  | <b>12,332</b>  | <b>12,907</b>  | <b>13,333</b>  |
| YoY                               | 15%           | 9%             | 9%             | 5%             | 3%             |
| % total                           | 17%           | 9%             | 6%             | 6%             | 5%             |
| <b>Professional Visualization</b> | <b>1,553</b>  | <b>1,878</b>   | <b>1,966</b>   | <b>2,062</b>   | <b>2,113</b>   |
| YoY                               | 1%            | 21%            | 5%             | 5%             | 2%             |
| % total                           | 3%            | 1%             | 1%             | 1%             | 1%             |
| <b>Data Center</b>                | <b>47,525</b> | <b>115,186</b> | <b>176,295</b> | <b>212,355</b> | <b>233,704</b> |
| YoY                               | 217%          | 142%           | 53%            | 20%            | 10%            |
| % total                           | 78%           | 88%            | 91%            | 92%            | 92%            |
| <b>Automotive</b>                 | <b>1,091</b>  | <b>1,694</b>   | <b>2,626</b>   | <b>3,390</b>   | <b>4,107</b>   |
| YoY                               | 21%           | 55%            | 55%            | 29%            | 21%            |
| % total                           | 2%            | 1%             | 1%             | 1%             | 2%             |
| <b>OEM &amp; Other</b>            | <b>306</b>    | <b>389</b>     | <b>398</b>     | <b>460</b>     | <b>529</b>     |
| YoY                               | -33%          | 27%            | 2%             | 16%            | 15%            |
| % total                           | 1%            | 0%             | 0%             | 0%             | 0%             |

Source(s): Company data, ABCI Securities estimates



Consolidated balance sheet

| FY ended Jan (US\$ mn)                    | FY24          | FY25          | FY26E          | FY27E          | FY28E          |
|-------------------------------------------|---------------|---------------|----------------|----------------|----------------|
| <b>Non-current assets</b>                 | <b>21,383</b> | <b>31,475</b> | <b>25,999</b>  | <b>26,169</b>  | <b>26,259</b>  |
| PP&E                                      | 3,914         | 6,283         | 5,290          | 5,460          | 5,550          |
| Others                                    | 17,469        | 25,192        | 20,709         | 20,709         | 20,709         |
| <b>Current assets</b>                     | <b>44,345</b> | <b>80,126</b> | <b>131,553</b> | <b>179,555</b> | <b>239,932</b> |
| Cash and cash equivalents                 | 7,280         | 8,589         | 64,892         | 109,686        | 167,156        |
| Marketable securities                     | 18,704        | 34,621        | 26,228         | 26,228         | 26,228         |
| Accounts receivable, net                  | 9,999         | 23,065        | 27,234         | 30,126         | 32,826         |
| Inventories                               | 5,282         | 10,080        | 9,172          | 9,490          | 9,696          |
| Prepaid expenses and other current assets | 3,080         | 3,771         | 4,026          | 4,026          | 4,026          |
| <b>Current liabilities</b>                | <b>10,631</b> | <b>18,047</b> | <b>15,747</b>  | <b>15,983</b>  | <b>16,138</b>  |
| Accounts payable                          | 2,699         | 6,310         | 5,458          | 5,694          | 5,849          |
| Accrued & other current liabilities       | 6,682         | 11,737        | 10,289         | 10,289         | 10,289         |
| Short-term debt                           | 1,250         | 0             | 0              | 0              | 0              |
| <b>Non-current liabilities</b>            | <b>12,119</b> | <b>14,227</b> | <b>13,101</b>  | <b>13,101</b>  | <b>13,101</b>  |
| Long-term debt                            | 8,459         | 8,463         | 8,461          | 8,461          | 8,461          |
| Others                                    | 3,660         | 5,764         | 4,640          | 4,640          | 4,640          |
| <b>Total equity</b>                       | <b>42,978</b> | <b>79,327</b> | <b>128,704</b> | <b>176,640</b> | <b>236,952</b> |
| <b>Debt Analysis</b>                      |               |               |                |                |                |
| Total debt                                | 9,709         | 8,463         | 8,461          | 8,461          | 8,461          |
| Total equity                              | 42,978        | 79,327        | 128,704        | 176,640        | 236,952        |
| D/E ratio                                 | 23%           | 11%           | 7%             | 5%             | 4%             |
| D/A ratio                                 | 15%           | 8%            | 5%             | 4%             | 3%             |

Source(s): Company data, ABCI Securities estimates

Consolidated cash flow statement

| FY ended Jan (US\$ mn)        | FY24            | FY25            | FY26E           | FY27E           | FY28E           |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Cash Flow</b>              |                 |                 |                 |                 |                 |
| Net income                    | 29,760          | 72,880          | 99,517          | 120,787         | 132,123         |
| Depreciation and amortization | 1,508           | 1,864           | 1,750           | 1,830           | 1,910           |
| Change in working capital     | (3,722)         | (9,383)         | (9,746)         | (2,972)         | (2,752)         |
| Others                        | 544             | (1,272)         | 7,190           | 8,093           | 9,108           |
| <b>Operating cash flow</b>    | <b>28,090</b>   | <b>64,089</b>   | <b>98,712</b>   | <b>127,738</b>  | <b>140,389</b>  |
| CAPEX                         | (1,069)         | (3,236)         | (2,000)         | (2,000)         | (2,000)         |
| Others                        | (9,497)         | (17,185)        | -               | -               | -               |
| <b>Investing cash flow</b>    | <b>(10,566)</b> | <b>(20,421)</b> | <b>(2,000)</b>  | <b>(2,000)</b>  | <b>(2,000)</b>  |
| Stock repurchases             | (9,533)         | (33,706)        | (60,000)        | (80,000)        | (80,000)        |
| Dividends paid                | (395)           | (834)           | -               | -               | -               |
| Others                        | (3,705)         | (7,819)         | (967)           | (944)           | (918)           |
| <b>Financing cash flow</b>    | <b>(13,633)</b> | <b>(42,359)</b> | <b>(60,967)</b> | <b>(80,944)</b> | <b>(80,918)</b> |
| <b>Cash at period end</b>     | <b>7,280</b>    | <b>8,589</b>    | <b>64,892</b>   | <b>109,686</b>  | <b>167,156</b>  |

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.

### Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates, within the past 12 months, have investment banking relationships with Tencent and Baidu.

### Definition of equity rating

| Rating | Definition                                                                                         |
|--------|----------------------------------------------------------------------------------------------------|
| Buy    | Stock return rate $\geq$ Market return rate ( $\sim 8\%$ )                                         |
| Hold   | - Market return rate ( $\sim 8\%$ ) $\leq$ Stock return rate $<$ Market return rate ( $\sim 8\%$ ) |
| Sell   | Stock return $<$ - Market return ( $\sim 8\%$ )                                                    |

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 2005-24 averaged at 8.2%)

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.

### Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report would not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients would contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2025 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

**Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.**

**Tel: (852) 2868 2183**