

NVIDIA Corporation

AI inference surge = sustained growth, EPS power now \$45

Reiterate Rating: BUY | PO: 925.00 USD | Price: 674.72 USD

Raise estimates again on multi-faceted growth

Perhaps the most important new datapoint in NVDA's earnings call was that AI inference contributed nearly 40% of AI computing mix in FY24/CY23. AI inference is correlated with revenue bearing AI which is supposed to be more competitive, as opposed to AI training which NVDA already dominates. Second, we highlight the company's positive commentary around tight supply, low China dependence (only mid-single digit percent of data center sales versus 20%-25% prior to restrictions), new pipeline, rising sovereign demand for AI among others. Overall, we raise CY24/25 EPS by +13%/15% vs. prior to \$23.11/\$29.59. We raise our PO to \$925 (from \$800) on unchanged 31x CY25 PE. Note, as data center growth remains robust from multiple demand drivers, we raise our I-t EPS target (CY27E) to roughly \$45 from \$40 prior. Next catalyst is NVDA's GTC (3/18), where we could get incremental price and/or performance details on attractive pipeline (B100, x100, GB200, BlueField products, etc.). Reiterate Buy.

Likes: Data center growth, AI customers, cash generation

1) Data center sales growth of +27% QoQ robust across both compute (est. ~25% QoQ) and networking (est. ~30% QoQ), with multitude of product ramps/launches in the coming 12 months (H200, B100, Spectrum-X) capable of supporting strong growth well into CY25, in our view; 2) While focus often remains on large hyperscaler spend (major US/China cloud capex tracking up 20%-25% YoY), NVDA benefits from incremental demand from Tier 2/3 web-scalers, enterprises, sovereign nations, and others; 3) NVDA mid-40s FCF margin now on par with industry leader Broadcom (w/ 40%+ of sales related to infra software), supplying ample capital to possibly accelerate buybacks or add unique AI/software assets to the company's portfolio.

Risks: Gross margin moderation, competition, China

1) NVDA gross margin guide an impressive 77%, though benefits from component costs provided a 2 qtr boost, with GM expected to moderate back towards mid-70s beyond the AprQ; 2) NVDA has established early leadership in the accelerator market, but emerging competition (AMD) and custom ASIC suppliers could impact share gains, and increases headline risk; 3) NVDA has de-risked model from China restrictions, but future growth rate could be impact if NVDA cannot return to multi-\$bn regional runrate (and also could face additional risks if shipment restrictions tighten again).

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	3.34	12.96	23.11	29.59	36.56
GAAP EPS	1.74	11.94	21.41	27.65	34.40
EPS Change (YoY)	-24.8%	288.0%	78.3%	28.0%	23.6%
Consensus EPS (Bloomberg)			21.59	25.05	NA
DPS	0.16	0.16	0.16	0.16	0.16
Valuation (Jan)					
P/E	202.0x	52.1x	29.2x	22.8x	18.5x
GAAP P/E	387.8x	56.5x	31.5x	24.4x	19.6x
EV / EBITDA*	158.1x	43.3x	23.9x	18.8x	15.3x
Free Cash Flow Yield*	0.2%	1.6%	2.7%	3.7%	4.8%

* For full definitions of *IQmethod*SM measures, see page 11.

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Timestamp: 22 February 2024 12:17AM EST

22 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	800.00	925.00
2025E Rev (m)	90,457.7	103,921.1
2026E Rev (m)	111,137.6	131,283.2
2027E Rev (m)	138,161.8	159,770.2
2025E EPS	20.46	23.11
2026E EPS	25.72	29.59
2027E EPS	32.71	36.56

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Stock Data

Price	674.72 USD
Price Objective	925.00 USD
Date Established	22-Feb-2024
Investment Opinion	C-1-7
52-Week Range	204.21 USD - 746.11 USD
Mrkt Val (mn) / Shares Out (mn)	1,678,703 USD / 2,488.0
Free Float	96.1%
Average Daily Value (mn)	34179.82 USD
BofA Ticker / Exchange	NVDA / NAS
Bloomberg / Reuters	NVDA US / NVDA.OQ
ROE (2025E)	86.6%
Net Dbt to Eqty (Jan-2024A)	5.7%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

See page 5 for glossary

iQprofileSM NVIDIA Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	21.5%	70.9%	71.0%	53.8%	43.3%
Return on Equity	34.3%	99.3%	86.6%	60.6%	47.0%
Operating Margin	33.5%	61.0%	65.4%	65.8%	66.2%
Free Cash Flow	3,809	27,023	45,350	61,572	80,361

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	0.7x	0.9x	0.8x	0.9x	0.9x
Asset Replacement Ratio	1.2x	0.7x	1.3x	1.2x	1.2x
Tax Rate	NM	12.0%	17.0%	17.0%	17.0%
Net Debt-to-Equity Ratio	34.2%	5.7%	-10.5%	-26.5%	-39.1%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	26,974	60,922	103,921	131,283	159,770
% Change	0.2%	125.9%	70.6%	26.3%	21.7%
Gross Profit	15,965	44,958	78,413	98,911	120,772
% Change	-11.1%	181.6%	74.4%	26.1%	22.1%
EBITDA	10,584	38,642	70,034	88,969	109,019
% Change	-23.7%	265.1%	81.2%	27.0%	22.5%
Net Interest & Other Income	6	611	1,000	1,200	1,400
Net Income (Adjusted)	8,366	32,312	57,233	72,661	88,995
% Change	-25.7%	286.2%	77.1%	27.0%	22.5%

Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	4,368	29,759	53,025	67,895	83,742
Depreciation & Amortization	1,544	1,508	2,078	2,626	3,195
Change in Working Capital	(2,206)	(3,722)	(11,388)	(10,248)	(7,482)
Deferred Taxation Charge	(2,164)	(2,488)	0	0	0
Other Adjustments, Net	4,100	3,034	4,233	4,582	4,900
Capital Expenditure	(1,833)	(1,068)	(2,598)	(3,282)	(3,994)
Free Cash Flow	3,809	27,023	45,350	61,572	80,361
% Change	-53.2%	609.5%	67.8%	35.8%	30.5%
Share / Issue Repurchase	(9,685)	(9,130)	(10,640)	(10,640)	(10,640)
Cost of Dividends Paid	(398)	(396)	(397)	(394)	(390)
Change in Debt	(22)	(1,279)	0	0	0

Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	3,389	7,280	19,069	49,608	98,939
Trade Receivables	3,827	9,999	20,429	28,651	34,452
Other Current Assets	15,857	27,066	51,411	73,943	96,409
Property, Plant & Equipment	3,807	3,914	4,434	5,090	5,889
Other Non-Current Assets	14,302	17,469	17,469	17,469	17,469
Total Assets	41,182	65,728	112,811	174,761	253,158
Short-Term Debt	1,250	1,250	1,250	1,250	1,250
Other Current Liabilities	5,313	9,381	10,243	10,750	11,536
Long-Term Debt	9,703	8,459	8,459	8,459	8,459
Other Non-Current Liabilities	2,815	3,660	3,660	3,660	3,660
Total Liabilities	19,081	22,750	23,612	24,119	24,905
Total Equity	22,101	42,978	89,199	150,642	228,253
Total Equity & Liabilities	41,182	65,728	112,811	174,761	253,158

* For full definitions of iQmethodSM measures, see page 11.

Company Sector

Semiconductors

Company Description

Nvidia designs and sell graphics and video processing chips for desktop and notebook gaming PCs, workstations, game consoles, and accelerated computing servers and supercomputers.

Investment Rationale

Our positive view on Nvidia is based on its underappreciated transformation from a traditional PC graphics chip vendor, into a supplier into high-end gaming, enterprise graphics, cloud, accelerated computing and automotive markets. The company has executed consistently and has a solid balance sheet with demonstrated commitment to capital returns.

Stock Data

Average Daily Volume

50,657,788

Quarterly Earnings Estimates

	2024	2025
Q1	1.09A	5.42E
Q2	2.70A	5.59E
Q3	4.02A	5.93E
Q4	5.16A	6.17E

Summary of model changes

Exhibit 1: Summary of estimate changes

We raise our FY25/26E sales by 15%-18%, EPS by 13%-15%

	Sales (\$mn)			EPS (Non GAAP, ex. options)		
	Old	NEW	delta	Old	NEW	delta
Apr-24E	\$21,282	\$24,000	\$2,718	\$4.80	\$5.42	\$0.62
Jul-24E	\$22,373	\$25,377	\$3,005	\$5.07	\$5.59	\$0.53
Oct-24E	\$23,302	\$26,798	\$3,496	\$5.27	\$5.93	\$0.66
Jan-25E	\$23,501	\$27,746	\$4,245	\$5.32	\$6.17	\$0.85
FY25E	\$90,458	\$103,921	\$13,463	\$20.46	\$23.11	\$2.65
YoY%	53.8%	70.6%	14.9%	66.6%	78.3%	13.0%
Apr-25E	\$24,535	\$29,194	\$4,659	\$5.59	\$6.49	\$0.90
Jul-25E	\$27,225	\$31,700	\$4,476	\$6.29	\$7.11	\$0.82
Oct-25E	\$29,340	\$34,178	\$4,838	\$6.84	\$7.75	\$0.91
Jan-26E	\$30,039	\$36,212	\$6,173	\$7.01	\$8.25	\$1.25
FY26E	\$111,138	\$131,283	\$20,146	\$25.72	\$29.59	\$3.88
YoY%	22.9%	26.3%	18.1%	25.7%	28.1%	15.1%
Apr-26E	\$31,361	\$37,168	\$5,807	\$7.36	\$8.44	\$1.08
Jul-26E	\$33,982	\$38,017	\$4,035	\$8.04	\$8.63	\$0.59
Oct-26E	\$35,955	\$41,042	\$5,086	\$8.55	\$9.42	\$0.87
Jan-27E	\$36,863	\$43,544	\$6,680	\$8.77	\$10.07	\$1.31
FY27E	\$138,162	\$159,770	\$21,608	\$32.71	\$36.56	\$3.86
YoY%	24.3%	21.7%	15.6%	27.2%	23.6%	11.8%

Source: BofA Global Research, company reports

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Q4 reported vs. expectations

Exhibit 2: NVDA Q3 results vs. Street expectations

Q4 sales came in 8% above initial expectations

	Jan-23	Oct-23	Jan-24				Delta vs. Street	Delta vs. Street	QoQ	YoY
			Original Guidance	Consensus	BofA	Reported	(%, bps)	(\$)		
Sales (\$mn)	\$6,051	\$18,120	\$20,000 (+/- 1%)	\$20,412	\$20,000	\$22,103	8.3%	\$1,691	22.0%	265.3%
QoQ%	2.0%	34.2%		12.7%	10.4%	22.0%				
YoY%	-20.8%	205.5%		237.3%	230.5%	265.3%				
Gaming	1,831	2,856		2,720	2,665	2,865	5%	\$145	0%	56%
Pro visualization (Quadro)	226	416		434	445	463	7%	\$29	11%	105%
Data center (Cloud, HPC, GRID)	3,616	14,514		17,329	16,559	18,404	6%	\$1,075	27%	409%
Automotive	294	261		272	261	281	3%	\$9	8%	-4%
OEM (incl. Crypto)	84	73		78	69	90	16%	\$12	23%	7%
Gross Margin % (GAAP)	63.3%	74.0%	74.5% +/- 50b		74.5%	76.0%			202	1262
Gross Profit (Non GAAP, ex options)	3,999	13,583		\$15,397	15,106	16,959	10%	\$1,562	25%	324%
Gross Margin % (Non GAAP, ex options)	66.1%	75.0%	75.5% +/- 50bp	75.4%	75.5%	76.7%	130		177	1064
R&D (GAAP)	1,951	2,294			2,460	2,465			7%	26%
SG&A (GAAP)	625	689			710	711			3%	14%
Opex Total (GAAP)	2,576	2,983	\$3,170		3,170	3,176			6%	23%
Opex Total (Non GAAP, ex options)	1,775	2,026	\$2,200	\$2,256	2,200	2,210	-2%	(\$46)	9%	25%
Op. Income (Non GAAP, ex options)	2,224	11,557		\$13,140	12,906	14,749	12%	\$1,609	28%	563%
Op Margin % (Non GAAP, ex options)	36.8%	63.8%		64.4%	64.5%	66.7%	235		295	2997
Interest/other income (Non GAAP)	43	175	200.0		200	232				
Tax rate (Non GAAP)	4%	15%	15% +/- 1%		15%	14%			-29	1020
Net Income (Non GAAP, ex options)	2,174	10,020			11,140	12,839			28%	491%
Diluted EPS (Non GAAP, ex options)	\$0.88	\$4.02		\$4.60	\$4.48	\$5.16	12%	\$0.55	28%	487%
Diluted Shares	2,477	2,494			2,486	2,490			0%	1%

Source: BofA Global Research estimates, company report, Bloomberg, Visible Alpha

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Q1 guidance vs. expectations

Exhibit 3: NVDA Q1 guidance vs. our/Street expectations

NVDA guided Q1 sales more than \$2bn above Street expectations

Guidance v. Expectations	Jan-24	Apr-24E			New BofA
	Reported	BofA	Consensus	Guidance	
Sales (\$mn)	\$22,103	\$21,282	\$21,897	\$24,000 (+/- 2%)	\$24,000
QoQ%	22.0%	6.4%	7.3%		8.6%
Gaming	2,865	2,801	2,528		2,792
Pro visualization (Quadro)	463	423	426		440
Data center (Cloud, HPC, GRID)	18,404	17,718	19,050		20,424
Automotive	281	274	285		267
OEM (incl. Crypto)	90	66	79		77
Gross Margin % (GAAP)	76.0%	74.6%		76.3% +/- 50b	76.3%
Gross Profit (Non GAAP, ex options)	16,959	16,079	\$16,531		18,484
Gross Margin % (Non GAAP, ex options)	76.7%	75.6%	75.5%	77.0% +/- 50bp	77.0%
R&D (GAAP)	2,465	2,583			2,734
SG&A (GAAP)	711	738			764
Opex Total (GAAP)	3,176	3,321		\$3,500	3,498
Opex Total (Non GAAP, ex options)	2,210	2,332	\$2,287	\$2,500	2,500
Op. Income (Non GAAP, ex options)	14,749	13,747	\$14,244		15,984
Op Margin % (Non GAAP, ex options)	66.7%	64.6%	65.1%		66.6%
Interest/other income (Non GAAP)	232	250		250.0	250
Tax rate (Non GAAP)	14%	15%		17% +/- 1%	17%
Net Income (Non GAAP, ex options)	12,839	11,898			13,474
Diluted EPS (pf, excl. options)	\$5.16	\$4.80	\$4.93		\$5.42
Diluted Shares	2,490	2,479			2,485

Source: BofA Global Research estimates, company report, Bloomberg, Visible Alpha

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Balance sheet, cash flow snapshot

Exhibit 4: Summary of Balance Sheet and Cash Flow trends

Net cash increased significantly QoQ

Balance Sheet

	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	QoQ	YoY
Total Cash	\$13,296	\$15,320	\$16,023	\$18,281	\$25,984	42.1%	95.4%
ST Debt	\$1,250	\$1,250	\$1,249	\$1,249	\$1,250		
LT Debt	\$9,703	\$9,704	\$9,497	\$8,457	\$8,459		
Total Debt	\$10,953	\$10,954	\$10,746	\$9,706	\$9,709		
Net Cash	\$2,343	\$4,366	\$5,277	\$8,575	\$16,275	89.8%	594.6%
Net Cash/Share	\$0.95	\$1.75	\$2.11	\$3.44	\$6.54	90.1%	591.0%
DSO	57.6	51.6	47.6	41.7	41.2		
DPO	48.9	40.8	43.4	45.9	46.2		
Inventory \$	\$5,159	\$4,611	\$4,319	\$4,779	\$5,282	10.5%	2.4%
Inventory Turns	1.7	2.2	3.7	4.0	4.0		
Inventory Days	212	165	97	92	91	(1.7)	-121.5
Cash Conversion days	220.9	176.2	101.6	88.2	85.7		
Cash Flow from Ops	\$2,249	\$2,911	\$6,348	\$7,333	\$11,499		
Capex	(\$509)	(\$248)	(\$289)	(\$278)	(\$253)		
Free cash flow	\$1,740	\$2,663	\$6,059	\$7,055	\$11,246		

Source: BofA Global Research estimates, company report, Bloomberg

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Long-term EPS Power

Exhibit 5: Summary of long-term EPS power

We see potential for nearly \$45+ in EPS by CY27E

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	CY23-25 CAGR	CY25-27 CAGR
	CY20	CY21	CY22	CY23	CY24E	CY25E	CY26E	CY27E		
Sales	\$16,675	\$26,914	\$26,974	\$60,922	\$103,921	\$131,283	\$159,770	\$190,215	47%	20%
YoY %	53%	61%	0%	126%	71%	26%	22%	19%		
Data Center	\$6,696	\$10,613	\$15,005	\$47,525	\$88,673	\$114,530	\$141,156	\$169,490	55%	22%
YoY %	124%	58%	41%	217%	87%	29%	23%	20%		
GPU Accelerators	\$5,065	\$8,490	\$11,554	\$34,515	\$69,337	\$89,579	\$111,522	\$135,359	61%	23%
YoY %	70%	68%	36%	199%	101%	29%	24%	21%		
Networking (Mellanox)	\$1,631	\$2,123	\$3,451	\$11,216	\$16,824	\$21,872	\$26,027	\$29,931	40%	17%
YoY %	-	30%	63%	225%	50%	30%	19%	15%		
Adjacent Products (CPU/DPU), Software				\$1,794	\$2,512	\$3,079	\$3,606	\$4,200	31%	17%
YoY %					40%	23%	17%	16%		
Gaming	\$7,759	\$12,462	\$9,067	\$10,447	\$11,836	\$12,904	\$14,186	\$15,605	11%	10%
YoY %	41%	61%	(27%)	15%	13%	9%	10%	10%		
Pro-Viz (Workstations/Ominverse)	\$1,053	\$2,111	\$1,544	\$1,553	\$1,922	\$2,067	\$2,269	\$2,495	15%	10%
YoY %	(13%)	100%	(27%)	1%	24%	8%	10%	10%		
Automotive	\$536	\$566	\$903	\$1,091	\$1,168	\$1,410	\$1,764	\$2,205	14%	25%
YoY %	(23%)	6%	60%	21%	7%	21%	25%	25%		
Other (non-Gaming PC, IoT, parts of Crypto)	\$631	\$1,162	\$455	\$306	\$322	\$372	\$396	\$420	10%	6%
YoY %	25%	84%	(61%)	(33%)	5%	16%	6%	6%		
pf EBIT Margin	40.8%	47.2%	33.5%	61.0%	65.4%	65.8%	66.2%	66.5%		
EBIT \$	\$6,804	\$12,691	\$9,040	\$37,134	\$67,955	\$86,344	\$105,823	\$126,398		
Other Income/Expense	(120)	(198)	6	611	1,000	1,200	1,400	1,600		
pf Pretax Income	\$6,684	\$12,493	\$9,046	\$37,745	\$68,955	\$87,544	\$107,223	\$127,998		
Tax Rate	6.1%	9.9%	7.5%	14.4%	17.0%	17.0%	17.0%	17.0%		
pf Net Income	\$6,278	\$11,259	\$8,366	\$32,312	\$57,233	\$72,661	\$88,995	\$106,238		
pf EPS	\$2.50	\$4.44	\$3.34	\$12.96	\$23.11	\$29.59	\$36.56	\$44.73	51%	26%
YoY %					78%	28%	24%	22%		
Dil Sharecount	2,509	2,536	2,507	2,493	2,477	2,455	2,434	2,375		

Source: BofA Global Research, Mercury, IDC, company reports

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Glossary

AI: Artificial Intelligence
 AMD: Advanced Micro Devices
 ASIC: Application Specific Integrated Circuit
 DC: Data center
 genAI: generative AI
 GPU: graphics processor
 GTC: GPU tech conference
 NVDA: Nvidia
 TAM: Total Addressable Market



Table 1: NVDA – Income Statement (\$mn)

NVDA reported \$22.1bn in sales and \$5.16 in EPS

FY (Jan)	1Q Apr-23	2Q Jul-23	3Q Oct-23	4Q Jan-24	1QE Apr-24E	2QE Jul-24E	3QE Oct-24E	4QE Jan-25E	1QE Apr-25E	2QE Jul-25E	3QE Oct-25E	4QE Jan-26E	FY24 Jan-24	FY25E Jan-25E
Revenues	\$7,192	\$13,507	\$18,120	\$22,103	\$24,000	\$25,377	\$26,798	\$27,746	\$29,194	\$31,700	\$34,178	\$36,212	\$60,922	\$103,921
QoQ	19%	88%	34%	22%	9%	6%	6%	4%	5%	9%	8%	6%		
YoY	-13%	101%	206%	265%	234%	88%	48%	26%	22%	25%	28%	31%	126%	71%
Cost of Sales (GAAP)	2,544	4,045	4,720	5,312	5,688	6,601	6,989	7,201	7,524	8,140	8,766	9,255	16,621	26,480
Gross profit (GAAP)	4,648	9,462	13,400	16,791	18,312	18,776	19,808	20,545	21,669	23,560	25,412	26,957	44,301	77,441
Gross profit (Non-GAAP, ex options)	4,802	9,614	13,583	16,959	18,484	19,030	20,076	20,823	21,961	23,877	25,754	27,319	44,958	78,413
R&D Expense (GAAP)	1875	2040	2294	2465	2734	2816	2900	2987	3256	3386	3437	3575	8674	11437
SG&A Expense (GAAP)	633	622	689	711	764	772	787	795	811	827	844	861	2655	3119
Opex (GAAP)	2508	2662	2983	3176	3498	3588	3688	3782	4067	4214	4281	4435	11329	14556
Opex (Non-GAAP, ex options)	1750	1838	2026	2210	2500	2571	2652	2735	3002	3118	3158	3290	7824	10458
Operating Income (Non-GAAP, ex options)	3052	7776	11557	14749	15984	16459	17424	18088	18959	20759	22596	24029	37134	67955
Interest/other Income (Non-GAAP)	84	120	175	232	250	250	250	250	300	300	300	300	611	1000
Pretax Income (Non-GAAP, ex options)	3136	7896	11732	14981	16234	16709	17674	18338	19259	21059	22896	24329	37745	68955
Tax expense (Non-GAAP)	423	1156	1712	2142	2760	2841	3005	3117	3274	3580	3892	4136	5433	11722
Net Income (GAAP)	2043	6188	9243	12285	12503	12814	13588	14121	14859	16307	17788	18942	29759	53025
Net Income (Non-GAAP, incl. options)	2033	5994	9137	11971	12619	12997	13782	14322	15071	16539	18039	19209	29135	53719
Net Income (Non-GAAP, ex options)	2713	6740	10020	12839	13474	13868	14670	15220	15985	17479	19004	20193	32312	57233
Diluted EPS (GAAP)	\$0.82	\$2.48	\$3.71	\$4.93	\$5.03	\$5.17	\$5.49	\$5.72	\$6.03	\$6.63	\$7.25	\$7.74	\$11.94	\$21.41
Diluted EPS (Non-GAAP, incl. options)	\$0.82	\$2.40	\$3.66	\$4.81	\$5.08	\$5.24	\$5.57	\$5.80	\$6.12	\$6.73	\$7.35	\$7.85	\$11.69	\$21.69
Diluted EPS (Non-GAAP ex options)	\$1.09	\$2.70	\$4.02	\$5.16	\$5.42	\$5.59	\$5.93	\$6.17	\$6.49	\$7.11	\$7.75	\$8.25	\$12.96	\$23.11
Diluted Shares	2490	2499	2494	2490	2485	2479	2474	2469	2463	2458	2453	2447	2493	2477
Dividend	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	\$0.16	\$0.16
Margins (Non-GAAP, ex options)														
Gross Margin	66.8%	71.2%	75.0%	76.7%	77.0%	75.0%	74.9%	75.0%	75.2%	75.3%	75.4%	75.4%	73.8%	75.5%
Opex	24.3%	13.6%	11.2%	10.0%	10.4%	10.1%	9.9%	9.9%	10.3%	9.8%	9.2%	9.1%	12.8%	10.1%
Operating Income	42.4%	57.6%	63.8%	66.7%	66.6%	64.9%	65.0%	65.2%	64.9%	65.5%	66.1%	66.4%	61.0%	65.4%
Tax rate	13.5%	14.6%	14.6%	14.3%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	14.4%	17.0%
Net Income	37.7%	49.9%	55.3%	58.1%	56.1%	54.6%	54.7%	54.9%	54.8%	55.1%	55.6%	55.8%	53.0%	55.1%

Source: BofA Global Research estimates, company report

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Table 2: NVDA – Segment Model (\$mn)
 NVDA FY25 sales on track to reach >\$100bn

FY (Jan)	1Q Apr-23	2Q Jul-23	3Q Oct-23	4Q Jan-24	1QE Apr-24E	2QE Jul-24E	3QE Oct-24E	4QE Jan-25E	1QE Apr-25E	2QE Jul-25E	3QE Oct-25E	4QE Jan-26E	FY24 Jan-24	FY25E Jan-25E	FY26E Jan-26E
Gaming	2240	2486	2856	2865	2792	2912	3176	2956	2961	3163	3423	3357	10447	11836	12904
Pro visualization (Quadro)	295	379	416	463	440	471	508	503	493	518	523	533	1553	1922	2067
Data center (Compute/Networking)	4284	10323	14514	18404	20424	21649	22732	23868	25300	27577	29784	31869	47525	88673	114530
Automotive	296	253	261	281	267	264	296	340	347	351	354	358	1091	1168	1410
OEM & Other	77	66	73	90	77	81	85	79	92	92	93	95	306	322	372
Total	7192	13507	18120	22103	24000	25377	26798	27746	29194	31700	34178	36212	60922	103921	131283
QoQ%															
Gaming	22%	11%	15%	0%	-3%	4%	9%	-7%	0%	7%	8%	-2%			
Pro visualization (Quadro)	31%	28%	10%	11%	-5%	7%	8%	-1%	-2%	5%	1%	2%			
Data center (Compute/Networking)	18%	141%	41%	27%	11%	6%	5%	5%	6%	9%	8%	7%			
Automotive	1%	-15%	3%	8%	-5%	-1%	12%	15%	2%	1%	1%	1%			
OEM & Other	-8%	-14%	11%	23%	-14%	5%	5%	-8%	17%	0%	2%	2%			
Total	19%	88%	34%	22%	9%	6%	6%	4%	5%	9%	8%	6%			
YoY%															
Gaming	-38%	22%	81%	56%	25%	17%	11%	3%	6%	9%	8%	14%	15%	13%	9%
Pro visualization (Quadro)	-53%	-24%	108%	105%	49%	24%	22%	9%	12%	10%	3%	6%	1%	24%	8%
Data center (Compute/Networking)	14%	171%	279%	409%	377%	110%	57%	30%	24%	27%	31%	34%	217%	87%	29%
Automotive	114%	15%	4%	-4%	-10%	4%	13%	21%	30%	33%	20%	5%	21%	7%	21%
OEM & Other	-51%	-53%		7%	0%	23%	17%	-13%	19%	13%	10%	21%	-33%	5%	16%
Total	-13%	101%	206%	265%	234%	88%	48%	26%	22%	25%	28%	31%	126%	71%	26%
% of Sales															
Gaming	31%	18%	16%	13%	12%	11%	12%	11%	10%	10%	10%	9%	17%	11%	10%
Pro visualization (Quadro)	4%	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	3%	2%	2%
Data center (Compute/Networking)	60%	76%	80%	83%	85%	85%	85%	86%	87%	87%	87%	88%	78%	85%	87%
Automotive	4%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%	1%
OEM & Other	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: BofA Global Research estimates, company report

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Exhibit 6: NVDA – Balance Sheet (\$mn)

We model net cash per share strongly expanding over the next several quarters

FY (Jan)	1Q Apr-23	2Q Jul-23	3Q Oct-23	4Q Jan-24	1QE Apr-24E	2QE Jul-24E	3QE Oct-24E	4QE Jan-25E	1QE Apr-25E	2QE Jul-25E	3QE Oct-25E	4QE Jan-26E	FY24 Jan-24	FY25E Jan-25E	FY26E Jan-26E
Assets															
Cash & Equivalents	5,079	5,882	5,519	7,280	2,524	7,039	12,567	19,069	23,470	30,639	39,323	49,608	7,280	19,069	49,608
ST Investments	10,241	10,141	12,762	18,704	26,228	31,228	36,228	41,228	46,228	51,228	56,228	61,228	18,704	41,228	61,228
Accounts receivable	4,080	7,066	8,309	9,999	17,670	18,684	19,730	20,429	23,098	25,082	27,042	28,651	9,999	20,429	28,651
Inventory	4,611	4,319	4,779	5,282	5,610	6,511	6,894	7,103	7,834	8,475	9,126	9,635	5,282	7,103	9,635
Total current assets	24,883	28,797	32,658	44,345	55,113	66,542	78,498	90,909	103,710	118,503	134,799	152,202	44,345	90,909	152,202
PP&E	3,740	3,799	3,844	3,914	4,034	4,161	4,295	4,434	4,580	4,738	4,909	5,090	3,914	4,434	5,090
Goodwill	4,430	4,430	4,430	4,430	4,430	4,430	4,430	4,430	4,430	4,430	4,430	4,430	4,430	4,430	4,430
Intangible Assets	1,541	1,395	1,251	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112	1,112
Other Assets	15,837	16,959	17,646	17,469	17,469	17,469	17,469	17,469	17,469	17,469	17,469	17,469	17,469	17,469	17,469
Total Assets	44,460	49,555	54,148	65,728	76,616	88,172	100,262	112,811	125,759	140,710	157,177	174,761	65,728	112,811	174,761
Liabilities & Shareholders Equity															
Accounts payable	1,141	1,929	2,380	2,699	2,813	3,264	3,456	3,561	3,307	3,578	3,853	4,068	2,699	3,561	4,068
Accrued liabilities	4,869	7,156	5,472	6,682	6,682	6,682	6,682	6,682	6,682	6,682	6,682	6,682	6,682	6,682	6,682
Total current liabilities	7,260	10,334	9,101	10,631	10,745	11,196	11,388	11,493	11,239	11,510	11,785	12,000	10,631	11,493	12,000
Total non-current liabilities	12,680	11,720	11,782	12,119	12,119	12,119	12,119	12,119	12,119	12,119	12,119	12,119	12,119	12,119	12,119
Total shareholders' equity	24,520	27,501	33,265	42,978	53,752	64,857	76,755	89,199	102,400	117,081	133,273	150,642	42,978	89,199	150,642
Total Liab. & Stock Equity	44,460	49,555	54,148	65,728	76,616	88,172	100,262	112,811	125,759	140,710	157,177	174,761	65,728	112,811	174,761
Cash and Liquidity Ratios															
Total Cash	15,320	16,023	18,281	25,984	28,752	38,267	48,795	60,297	69,698	81,867	95,551	110,836	25,984	60,297	110,836
Short-term debt	1,250	1,249	1,249	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Long-term debt	9,704	9,497	8,457	8,459	8,459	8,459	8,459	8,459	8,459	8,459	8,459	8,459	8,459	8,459	8,459
Total debt	10,954	10,746	9,706	9,709	9,709	9,709	9,709	9,709	9,709	9,709	9,709	9,709	9,709	9,709	9,709
Net Cash	4,366	5,277	8,575	16,275	19,043	28,558	39,086	50,588	59,989	72,158	85,842	101,127	16,275	50,588	101,127
Net cash / share	\$1.75	\$2.11	\$3.44	\$6.54	\$7.66	\$11.52	\$15.80	\$20.49	\$24.35	\$29.36	\$35.00	\$41.32	\$6.53	\$20.43	\$41.19
Cash conversion ratios															
Days Sales Outstanding (DSO)	51.6	47.6	41.7	41.2	67.0	67.0	67.0	67.0	72.0	72.0	72.0	72.0			
Payable Days (DPO)	40.8	43.4	45.9	46.2	45.0	45.0	45.0	45.0	40.0	40.0	40.0	40.0			
Inventory Turns	2.2	3.7	4.0	4.0	4.1	4.1	4.1	4.1	3.8	3.8	3.8	3.8			
Inventory Days (DIO)	165.4	97.4	92.4	90.7	90.0	90.0	90.0	90.0	95.0	95.0	95.0	95.0			
Cash Conversion Days	176.2	101.6	88.2	85.7	112.0	112.0	112.0	112.0	127.0	127.0	127.0	127.0			

Source: BofA Global Research, company reports

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Table 3: NVDA – Cash flow Statement (\$mn)

We see path towards 50%+ FCF margin long-term

FY (Jan)	1Q Apr-23	2Q Jul-23	3Q Oct-23	4Q Jan-24	1QE Apr-24E	2QE Jul-24E	3QE Oct-24E	4QE Jan-25E	1QE Apr-25E	2QE Jul-25E	3QE Oct-25E	4QE Jan-26E	FY24 Jan-24	FY25E Jan-25E	FY26E Jan-26E
Operating Activities - Cash Flow															
Net income	2,043	6,188	9,243	12,285	12,503	12,814	13,588	14,121	14,859	16,307	17,788	18,942	29,759	53,025	67,895
Depreciation	384	365	372	387	480	508	536	555	584	634	684	724	1,508	2,078	2,626
Amortization of Intangibles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock Compensation Expenses	735	842	979	993	1,031	1,050	1,070	1,082	1,101	1,133	1,162	1,185	3,549	4,233	4,582
Deferred income taxes	(1,135)	(746)	(529)	(78)	0	0	0	0	0	0	0	0	(2,488)	0	0
Patents License Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other non-cash activity	(20)	(129)	3	(369)	0	0	0	0	0	0	0	0	(515)	0	0
Change In:															
Accounts Receivables	(252)	(2,986)	(1,243)	(1,690)	(7,671)	(1,014)	(1,046)	(699)	(2,670)	(1,983)	(1,960)	(1,609)	(6,171)	(10,430)	(8,222)
Inventories	566	296	(457)	(503)	(328)	(901)	(383)	(209)	(731)	(641)	(651)	(509)	(98)	(1,821)	(2,532)
Prepaid Expenses/Other	(215)	(376)	254	(1,184)	0	0	0	0	0	0	0	0	(1,521)	0	0
Accounts Payable	11	777	461	281	114	452	192	105	(254)	271	275	215	1,530	862	507
Accrued Liabilities	689	1,986	(1,722)	1,072	0	0	0	0	0	0	0	0	2,025	0	0
Cash From Operations	2,911	6,348	7,333	11,499	6,128	12,909	13,957	14,955	12,890	15,720	17,297	18,948	28,091	47,948	64,855
Investing Activities - Cash Flow															
Capex	(248)	(289)	(278)	(253)	(600)	(634)	(670)	(694)	(730)	(793)	(854)	(905)	(1,068)	(2,598)	(3,282)
ST Investment Purchases	(2,801)	(2,542)	(5,345)	(7,524)	(7,524)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(18,212)	(22,524)	(20,000)
ST Investment Maturities	2,512	2,598	2,891	1,781	0	0	0	0	0	0	0	0	9,782	0	0
Cash From Investing	(841)	(447)	(3,169)	(6,109)	(8,124)	(5,634)	(5,670)	(5,694)	(5,730)	(5,793)	(5,854)	(5,905)	(10,566)	(25,122)	(23,282)
Financing Activities - Cash Flow															
Stock Repurchases	0	(3,067)	(3,806)	(2,660)	(2,660)	(2,660)	(2,660)	(2,660)	(2,660)	(2,660)	(2,660)	(2,660)	(9,533)	(10,640)	(10,640)
Common Stock Issuance	0	0	0	(29)	0	0	0	0	0	0	0	0	0	0	0
Proceeds from Emp. Stock Plans	246	1	156	0	0	0	0	0	0	0	0	0	403	0	0
Capital Obligations Payments	0	0	0	(29)	0	0	0	0	0	0	0	0	(29)	0	0
Cash From Financing	(380)	(5,098)	(4,527)	(3,629)	(2,760)	(2,759)	(2,759)	(2,759)	(2,759)	(2,759)	(2,758)	(2,758)	(13,634)	(11,037)	(11,034)
Net Change in Cash/Eqv.	1,690	803	(363)	1,761	(4,756)	4,515	5,527	6,503	4,401	7,169	8,684	10,285	3,891	11,789	30,539
Cash/Eqv. at beginning of period	3,389	5,079	5,882	5,519	7,280	2,524	7,039	12,567	19,069	23,470	30,639	39,323	3,389	7,280	19,069
Cash/Eqv. at end of period	5,079	5,882	5,519	7,280	2,524	7,039	12,567	19,069	23,470	30,639	39,323	49,608	7,280	19,069	49,608
Free Cash Flow	2,663	6,059	7,055	11,246	5,528	12,274	13,287	14,262	12,160	14,927	16,443	18,043	27,023	45,350	61,572
Trailing 4Q FCF	5,102	10,324	17,517	27,023	29,888	36,103	42,335	45,350	51,982	54,635	57,791	61,572			
4Q FCF/Dil Share	\$2.05	\$4.13	\$7.02	\$10.85	\$12.03	\$14.56	\$17.11	\$18.37	\$21.10	\$22.23	\$23.56	\$25.16	\$10.84	\$18.31	\$25.08

Source: BofA Global Research estimates, company report

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Price objective basis & risk

NVIDIA Corporation (NVDA)

Our \$925 PO is based on 31x CY25E PE ex cash, within NVDA's historical 26x-69x forward year PE range, justified given stronger growth opportunities ahead as gaming cycle troughs and data center demand potentially faces strong, long-term demand dynamics.

Downside risks to our price objective are: 1) weakness in consumer driven gaming market, 2) Competition with major public firms, internal cloud projects and other private companies in accelerated computing markets, 3) Larger than expected impact from restrictions on compute shipments to China, or additional restrictions placed on activity in the region, 4) Lumpy and unpredictable sales in new enterprise, data center, and autos markets, 5) Potential for decelerating capital returns.

Analyst Certification

I, Vivek Arya, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Advanced Micro Devices, Inc	AMD	AMD US	Vivek Arya
	Analog Devices Inc.	ADI	ADI US	Vivek Arya
	Applied Materials, Inc.	AMAT	AMAT US	Vivek Arya
	Arm Holdings	ARM	ARM US	Vivek Arya
	Broadcom Inc	AVGO	AVGO US	Vivek Arya
	Cadence	CDNS	CDNS US	Vivek Arya
	Camtek	CAMT	CAMT US	Vivek Arya
	KLA Corporation	KLAC	KLAC US	Vivek Arya
	Lam Research Corp.	LRCX	LRCX US	Vivek Arya
	M/A-Com	MTSI	MTSI US	Vivek Arya
	Marvell Technology Group Ltd.	MRVL	MRVL US	Vivek Arya
	Microchip	MCHP	MCHP US	Vivek Arya
	Micron Technology, Inc	MU	MU US	Vivek Arya
	Nova	NVMI	NVMI US	Vivek Arya
	NVIDIA Corporation	NVDA	NVDA US	Vivek Arya
	NXP Semiconductors NV	NXPI	NXPI US	Vivek Arya
	onsemi	ON	ON US	Vivek Arya
	Synopsys	SNPS	SNPS US	Vivek Arya
NEUTRAL				
	Advanced Energy Industries	AEIS	AEIS US	Duksan Jang
	Allegro MicroSystems	ALGM	ALGM US	Blake Friedman
	Axcelis Technologies	ACLS	ACLS US	Duksan Jang
	Coherent Corp	COHR	COHR US	Vivek Arya
	GlobalFoundries	GFS	GFS US	Vivek Arya
	Intel	INTC	INTC US	Vivek Arya
	Lattice Semiconductor	LSCC	LSCC US	Blake Friedman
	Texas Instruments Inc.	TXN	TXN US	Vivek Arya
UNDERPERFORM				
	Ambarella	AMBA	AMBA US	Vivek Arya
	Credo Technology	CRDO	CRDO US	Vivek Arya
	Lumentum Holdings	LITE	LITE US	Vivek Arya
	Qorvo Inc.	QRVO	QRVO US	Vivek Arya
	Skyworks Solutions, Inc.	SWKS	SWKS US	Vivek Arya
	Teradyne	TER	TER US	Vivek Arya
	Wolfspeed Inc	WOLF	WOLF US	Vivek Arya

US - Semiconductors and Semiconductor Capital Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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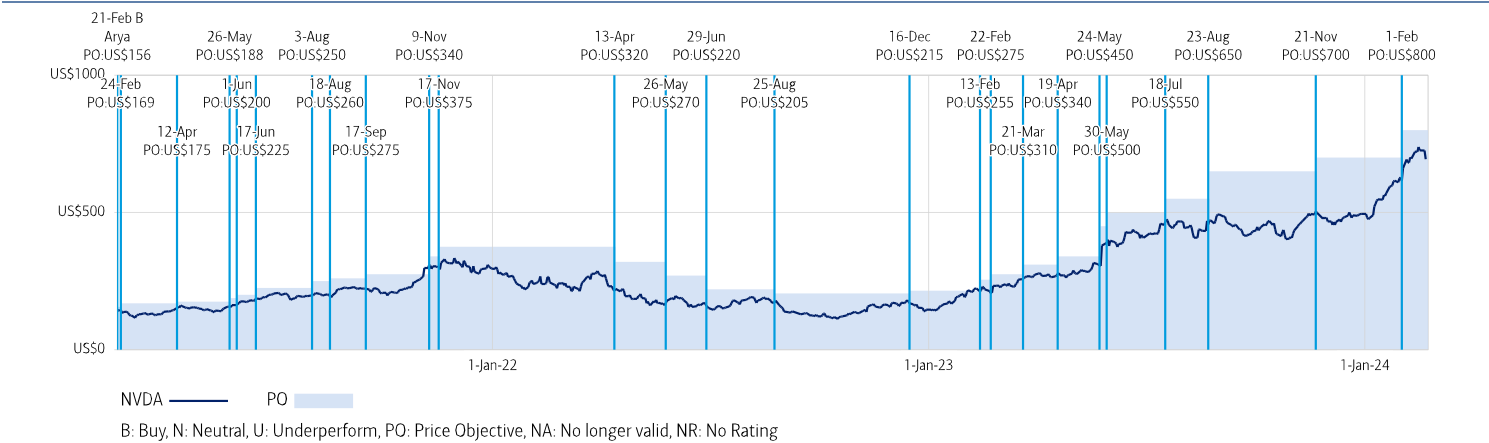
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NVIDIA (NVDA) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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