

## NVIDIA Corporation

Q4 Preview: measured, still notable beats,  
focus turns to GTC, raise PO to \$800

Reiterate Rating: BUY | PO: 800.00 USD | Price: 630.27 USD

## Notable but measured beat, focus instead on GTC/pipeline

NVDA reports post close on Feb-21. We look for a notable but more measured 3-5% or \$500mn-\$1bn upside to both the reported FQ4 (cons \$20bn) and guided FQ1 (cons \$21.4bn) mainly due to incremental supply gains offset by China restrictions and some transition effects prior to B100 accelerator launch planned for 2H24. While a 3-5% beat would pale vs. the 10%/22% beat/raise of prior quarters and perhaps disappoint some bulls, the more measured pace will also be seen as creating more fertile ground for continued growth in CY25 and beyond. Stepping above quarterly eps noise, we focus on NVDA's flagship GPU Tech Conf (GTC) planned for Mar 18-20 where the company will likely showcase its pipeline and perhaps update the prior \$250bn annual AI accelerator TAM forecast. Reiterate Buy, top pick, raise PO to \$800 from \$700 on unchanged estimates but higher 31x CY25 PE vs 27x before, as potential for higher pricing with upcoming B100 accelerator and underappreciated strength in AI inferencing.

## AI demand in infancy, becoming essential to operations

Early days, but results from top US cloud customers suggest solid motivation for spending in genAI (20% cloud capex growth in CY24, as detailed in this [report](#)): 1) Microsoft: AI services contributed 6 points of growth implying its now a \$4bn annualized run rate business for Azure AI platform, which integrated with company infra/data now has 53k customers, 33% new in LTM, 2) Google: Using AI to handle more complex search queries, bringing capabilities to consumers via Gemini with platforms integrated into new handsets; 3) Meta: AI-based advertising tools driving material revenue (Advantage+ Shopping Campaigns \$10bn rev runrate), AI-based feed recommendations driving higher engagement. Enterprise genAI adoption has yet to kick off and become more material in CY25, with NVDA benefitting from its widespread availability on public clouds, and unique partnerships with ServiceNow, SAP, VMWare, Dell, HPE and others.

## Expect NVDA to maintain dominance in AI inference also

We forecast the data center AI accelerator market to grow from \$43bn in CY23 to over \$160bn by CY27E, likely an even contribution from training/inference. We expect NVDA to hold 90% share in training and achieve >50% share in inference. Most of MSFT's AI success thus far has been in AI *inference*, likely largely on NVDA GPU. NVDA's diversity of SKUs between ~\$1.2K (RTX 40xx with tensor cores) to over \$30K (H100), and hence will not leave any part of the compute market uncovered. Notably, NVDA has already released its TensorRT-LLM that doubles speed on H100 GPUs and can/will support A100, L4, L40, L40S SKUs, critical in perf improvement without hardware replacement.

## Compelling valuation, &lt;1x PEG ratio, \$40+ I-t EPS power

NVDA is one the rare large-cap tech stocks trading at 31x/25x CY24/25E PE, below its 45% CY23-25E EPS CAGR. We see a path to \$40+ in pf-EPS power in CY27E at \$160bn+ in accelerator TAM and much higher (maybe 2x or \$80/sh) if the TAM were to hit AMD's (likely very optimistic) \$400bn level.

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01 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	700.00	800.00

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## Stock Data

Price	630.27 USD
Price Objective	800.00 USD
Date Established	1-Feb-2024
Investment Opinion	C-1-7
52-Week Range	204.21 USD - 634.93 USD
Mrkt Val (mn) / Shares Out (mn)	1,568,112 USD / 2,488.0
Free Float	96.0%
Average Daily Value (mn)	26571.81 USD
BofA Ticker / Exchange	NVDA / NAS
Bloomberg / Reuters	NVDA US / NVDA.OQ
ROE (2024E)	97.3%
Net Dbt to Eqty (Jan-2023A)	34.2%
ESGMeter™	High

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NVDA: Nvidia  
GPU: Graphics Processor  
AI: Artificial Intelligence  
LLM: Large Language Model  
TAM: total Addressable Market  
MSFT: Microsoft  
HPE: Hewlett-Packard  
SKU: Stock Keeping Unit

# Summary of estimates

## Exhibit 1: Summary of NVDA expectations for JanQ and AprQ guide

NVDA is expected to grow another 10%/6% sequentially in the JanQ/AprQ

	Jan-23	Oct-23	Jan-24E			Apr-24E	
			Original Guidance	Consensus	BofA	BofA	Consensus
<b>Sales (\$mn)</b>	<b>\$6,051</b>	<b>\$18,120</b>	<b>\$20,000 (+/- 1%)</b>	<b>\$20,166</b>	<b>\$20,000</b>	<b>\$21,282</b>	<b>\$21,371</b>
QoQ%	2.0%	34.2%		11.3%	10.4%	6.4%	6.0%
YoY%	-20.8%	205.5%		233.3%	230.5%		
Gaming	1,831	2,856		2,727	2,665	2,801	2,522
Pro visualization (Quadro)	226	416		434	445	423	426
Data center (Cloud, HPC, GRID)	3,616	14,514		16,714	16,559	17,718	17,898
Automotive	294	261		274	261	274	286
IP/Licensing	0	0			0	0	
OEM (incl. Crypto)	84	73		78	69	66	78
Gross Margin % (GAAP)	63.3%	74.0%	74.5% +/- 50b		74.5%	74.6%	
Gross Profit (Non GAAP, ex options)	3,999	13,583		\$15,229	15,106	16,079	\$16,129
<b>Gross Margin % (Non GAAP, ex options)</b>	<b>66.1%</b>	<b>75.0%</b>	<b>75.5% +/- 50bp</b>	<b>75.5%</b>	<b>75.5%</b>	<b>75.6%</b>	<b>75.5%</b>
R&D (GAAP)	1,951	2,294			2,460	2,583	
SG&A (GAAP)	625	689			710	738	
Opex Total (GAAP)	2,576	2,983	\$3,170		3,170	3,321	
Opex Total (Non GAAP, ex options)	1,775	2,026	\$2,200	\$2,205	2,200	2,332	\$2,334
Op. Income (Non GAAP, ex options)	2,224	11,557		\$13,024	12,906	13,747	\$13,794
<b>Op Margin % (Non GAAP, ex options)</b>	<b>36.8%</b>	<b>63.8%</b>		<b>64.6%</b>	<b>64.5%</b>	<b>64.6%</b>	<b>64.5%</b>
Interest/other income (Non GAAP)	43	175	200.0		200	250	
Tax rate (Non GAAP)	4%	15%	15% +/- 1%		15%	15%	
<b>Net Income (Non GAAP, ex options)</b>	<b>2,174</b>	<b>10,020</b>			<b>11,140</b>	<b>11,898</b>	
<b>Diluted EPS (Non GAAP, ex options)</b>	<b>\$0.88</b>	<b>\$4.02</b>		<b>\$4.51</b>	<b>\$4.48</b>	<b>\$4.80</b>	<b>\$4.77</b>
Diluted Shares	2,477	2,494			2,486	2,479	2,493

Source: BofA Global Research estimates, Visible Alpha, company reports

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## Price objective basis & risk

### NVIDIA Corporation (NVDA)

Our \$800 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.

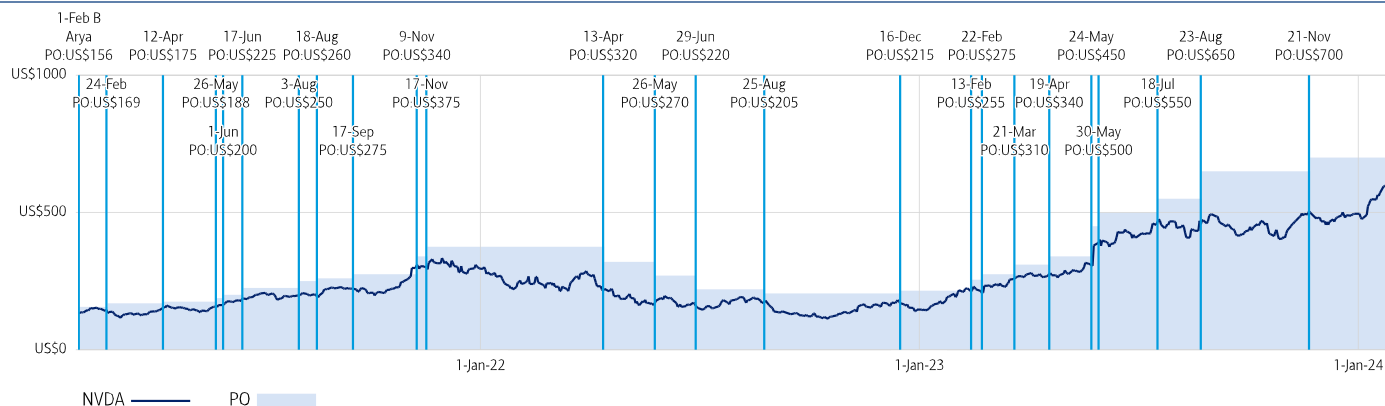
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### NVIDIA (NVDA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> 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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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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