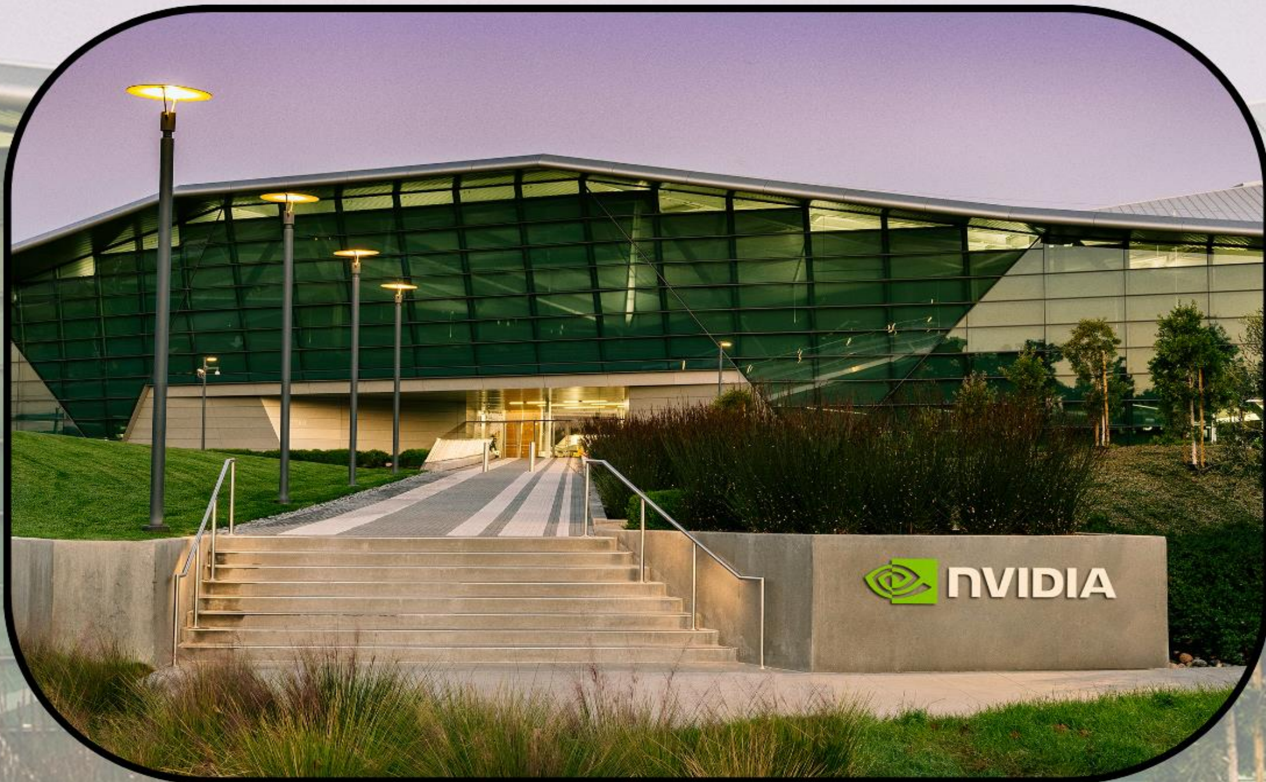
In-Depth Analysis of Nvidia Corporation's Success



Mazen Alhaffar

Jun Ming Li

Neha Chowke

BDA 632: Financial Analytics

Dr. Nikanor Volkov

MERCER UNIVERSITY

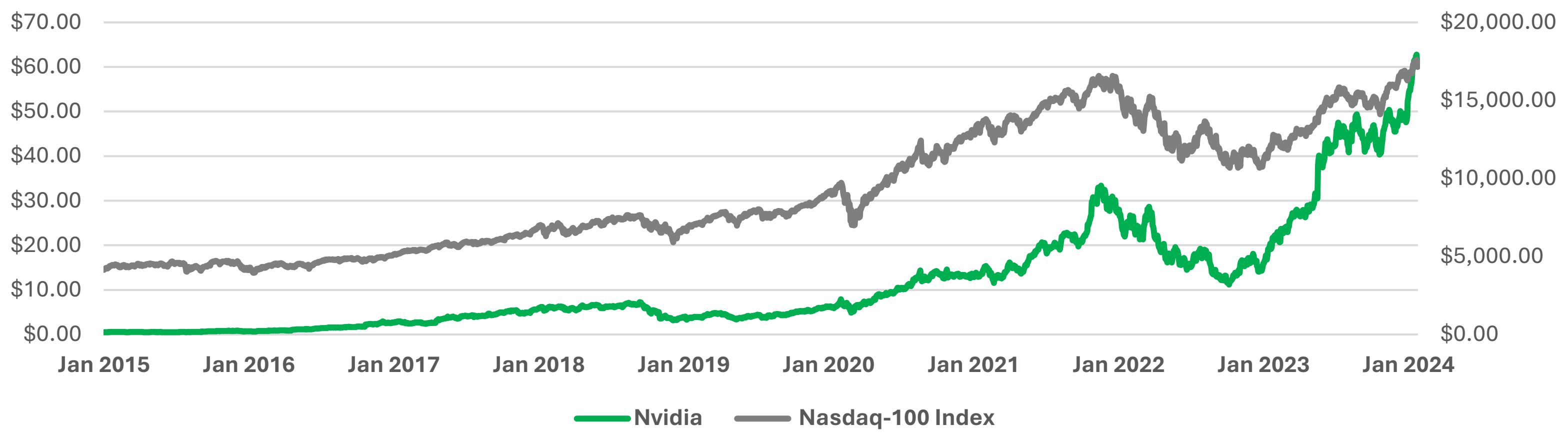
SCHOOL OF BUSINESS

Table of Contents

I. Investment Summary

Historically, Nvidia's stock price has generally followed the trend of the Nasdaq-100 Index, of which Nvidia is a constituent (Fig. 1). The Nasdaq-100 Index comprises 100 of the largest non-financial companies listed on the NASDAQ stock exchange, with a significant focus on sectors such as technology, consumer services, and healthcare. However, starting in 2023, Nvidia's stock price began to outpace the Nasdaq-100 Index, reflecting its exceptional growth in the past two years. Given this strong performance and the company's future prospects, Nvidia is considered a promising investment for long-term growth, as it is expected to generate substantial returns for its investors moving forward.

Fig (1): Stock Price Comparison



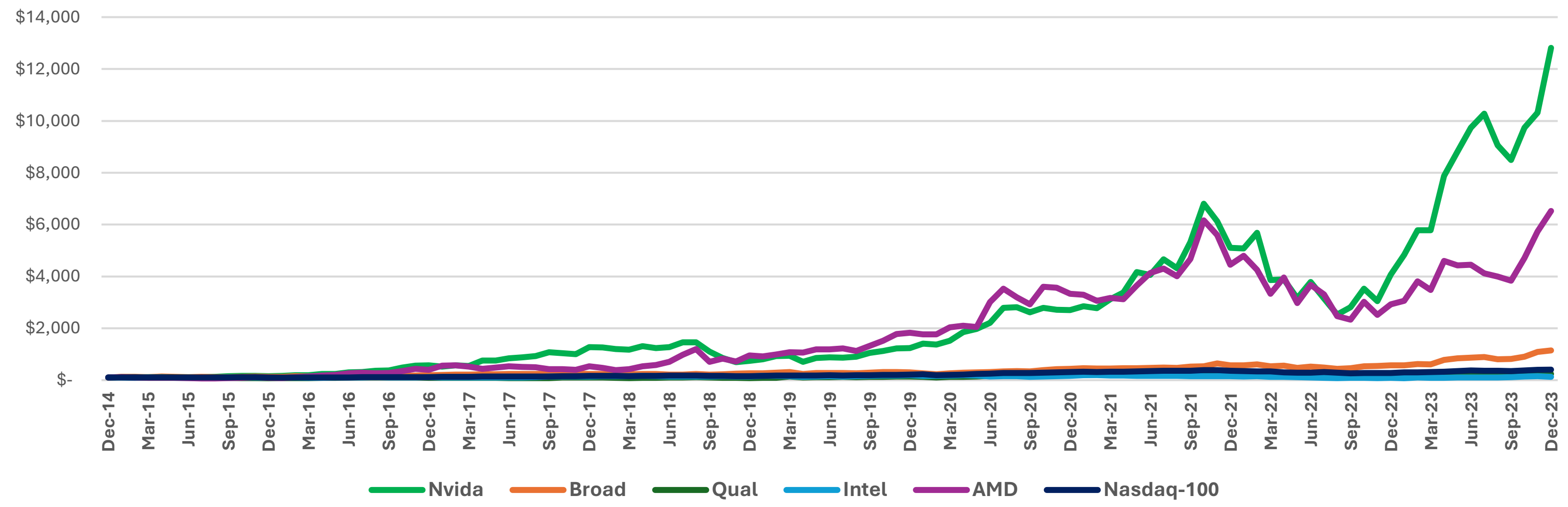
Market Profile (Jan-24)	
Closing Price (01/31/2024)	$61.53
52 Week High / Low	$61.53 / $19.54
Stock Return (Y to Y)	2.15x
Average Volume (1 Year)	463,205,211
Market Cap	$1.5T
Dividend Yield	0.03%
Dividend Payout Ratio	1.30%
EV / Revenue	17.1x
EV / EBITDA	30.9x

Recommendation: Hold for 3 Years!!

The growth of artificial intelligence continues to reshape industries, with Nvidia's GPUs serving as the leading choice for AI development and high-performance computing. While the company maintains its position as a market leader, challenges such as rising competition, supply chain constraints, and liquidity concerns could impact its long-term growth. Given these factors, we recommend holding Nvidia shares for the next three years to capitalize on its current market position before reassessing based on its ability to sustain innovation and navigate industry challenges.

Nvidia's decade-long performance underscores its dominance in the market, with its stock surging 127x since 2015 (Fig. 2) —far outpacing competitors like AMD and significantly outperforming the Nasdaq-100's 4x industry average. While challenges lie ahead, the company's sustained investor confidence reflects both the strength of its management and its ability to capitalize on AI-driven growth. However, whether Nvidia can maintain this trajectory amid rising competition and evolving market conditions remains a key consideration for long-term investors.

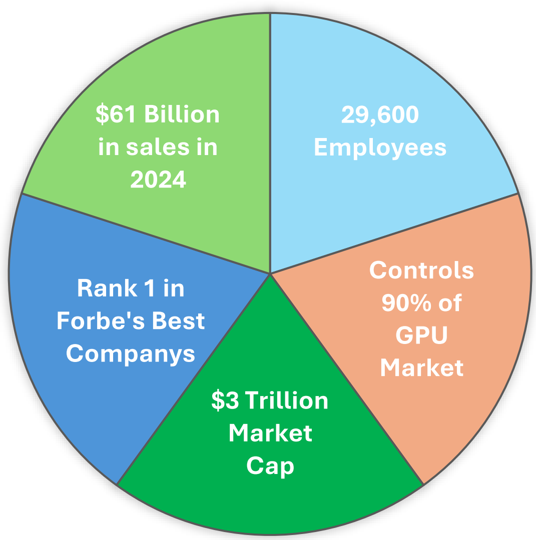
Fig (2): Nvidia Vs. Competitors & Industry Stock Return



II. Business Description

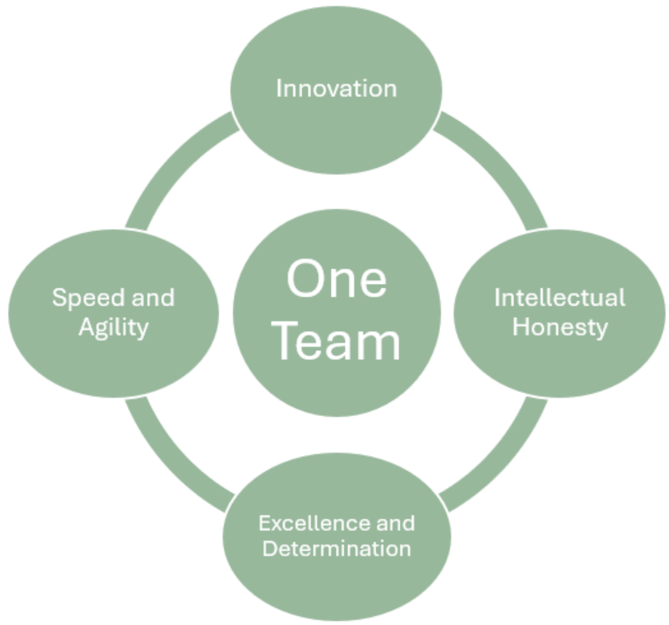
Founded in 1993 by Jensen Huang, Chris Malachowsky, and Curtis Priem, and headquartered in Santa Clara, California, Nvidia is a leading provider of high-performance computing, AI, and graphics solutions, offering a wide array of products and services. Nvidia is a market leader with $61 billion in 2024 sales, boasting achievements such as a $3 trillion market cap, dominance over 90% of the GPU market, and a top ranking in Forbes' Best Companies (Fig. 3). The company is known for its GeForce gaming GPUs, the professional-grade Quadro series for creative professionals, and the Tesla and A100 GPUs designed for data centers, AI, and machine learning tasks. Nvidia's solutions extend beyond hardware, offering AI platforms like the DGX systems and the CUDA programming model for accelerating data science. The company is also at the forefront of autonomous vehicle technology with its Nvidia Drive platform and is pioneering cloud gaming through services like GeForceNOW. Additionally, Nvidia has made significant strides in networking products, especially with the acquisition of Mellanox Technologies, which enhances data center networking. The Omniverse platform offers tools for collaboration in virtual environments, while Nvidia's professional services, such as Data Science Professional Services, help customers optimize their GPU-accelerated workloads. Through these offerings, Nvidia supports various industries, from gaming and AI to healthcare and autonomous systems.

FIG (3): NVIDIA QUICK FACTS



III. Corporate Governance

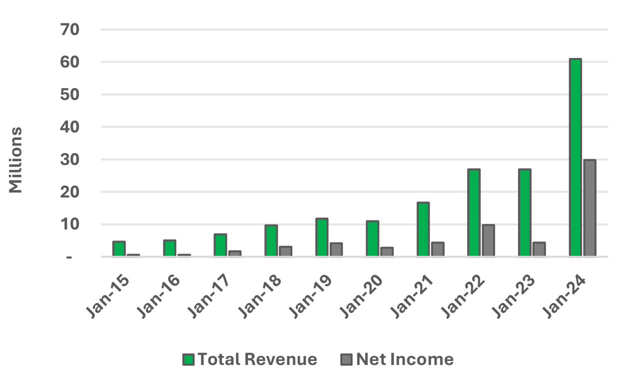
Fig (4): Nvidia Core Values



Nvidia's corporate governance is structured to promote accountability, transparency, and long-term value for shareholders and stakeholders. The governance framework is anchored by its Board of Directors, which ensures the oversight of management's performance and alignment with shareholder interests. The board is composed of 13 members, of which 12 are independent members, with the CEO acting as its chairman. The board is composed of experienced leaders from diverse fields, including technology, finance, and academia, with Jensen Huang, the co-founder and CEO, playing a significant role in shaping the company's strategic direction. The board operates through several committees, such as the Audit, Compensation, and Nominating Committees, which oversee crucial areas like financial reporting, executive compensation, and governance practices. Nvidia's management team, led by top executives like Colette Kress (CFO) and Jay Puri (EVP of Worldwide Field Operations), implements the strategies set by the board and manages day-to-day operations across key areas like AI, gaming, and data centers. The company's governance policies, such as its Code of Conduct and environmental guidelines, emphasize integrity, compliance with laws, and sustainability. These policies help foster a culture of ethical behavior and accountability at all levels. Additionally, Nvidia maintains a comprehensive risk management framework, regularly reports on its performance, and ensures that its executive compensation aligns with performance to maintain shareholder trust. The company also fosters shareholder engagement, providing avenues for communication and input through its annual meetings and enabling stakeholders to have a say in critical decisions. Moreover, Nvidia's core values focus on teamwork, fostering innovation, integrity, agility, and a commitment to excellence to achieve success and continuous improvement (Fig. 4). This governance structure ensures that Nvidia not only meets its operational goals but also upholds the highest standards of corporate responsibility and ethical conduct, positioning the company for continued success in the rapidly evolving technology landscape.

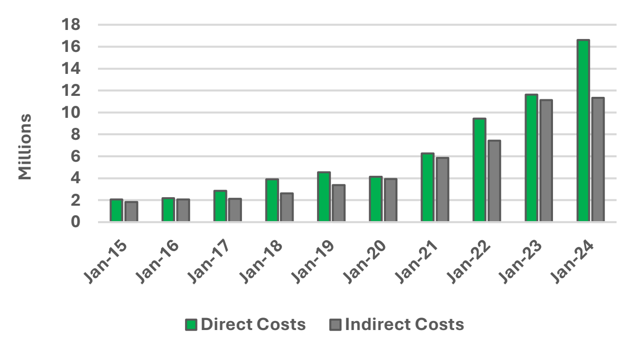
IV. Financial Analysis

Fig (5): Revenue and Net Income Growth



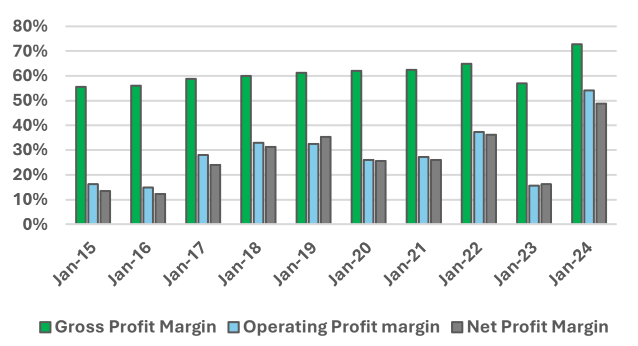
Growth: Nvidia's total revenue (Fig. 5) has experienced a steady upward trajectory over the past decade, with the most significant growth occurring over the last four years, excluding 2023. Notably, 2024 marked an exceptional performance, with revenue surging by 126%, largely driven by Nvidia's dominant position in the GPU market and its leading role in providing chips for AI and machine learning applications. In contrast, Nvidia's net income showed more variability over the years, reaching a low point of 55% in 2023, primarily due to slower revenue growth and rising expenses. However, the company rebounded strongly in 2024, achieving a remarkable 581% increase in net income, largely as a result of the substantial revenue growth.

Fig (6): Direct & Indirect Costs Breakdown



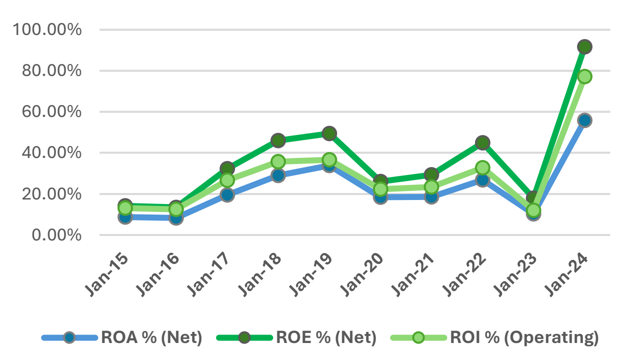
Since 2021, both direct and indirect costs (Fig. 6) have been consistently increasing, with average growth rates of approximately 42% and 32%, respectively. In 2024, a year of exceptional revenue growth, Nvidia effectively managed its indirect costs while experiencing a substantial 43% rise in direct costs, which aligns with the significant revenue increase. Nvidia's direct costs primarily encompass all expenses related to semiconductor manufacturing, as well as acquisition-related costs, development expenses for licensing and service agreements, intellectual property costs, and stock-based compensation for personnel involved in manufacturing operations.

Fig (7): Profitability Ratios Performance



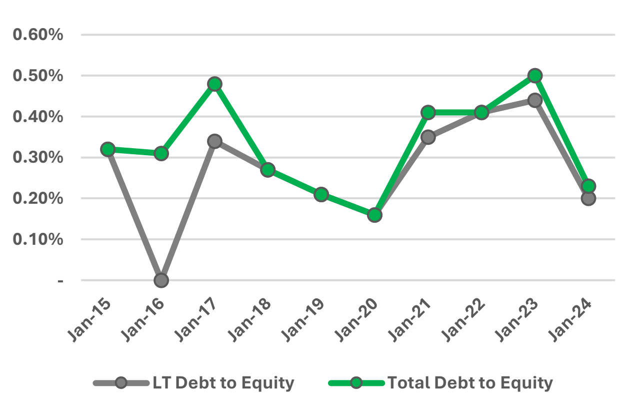
Profitability: Nvidia has demonstrated steady growth in its profit margins (Fig. 7) year after year, with notable increases in both operating and net profit margins. This reflects the company's ability to effectively manage costs while optimizing its core operations. Nvidia has proven to be not only a profitable organization but also an efficient one, consistently maintaining low costs while achieving revenue growth. Despite the challenges faced during the turbulent year of 2023, the company successfully recovered and surpassed its previous record performance in 2022.

Fig (8): Return on Asset, Equity, and Investment

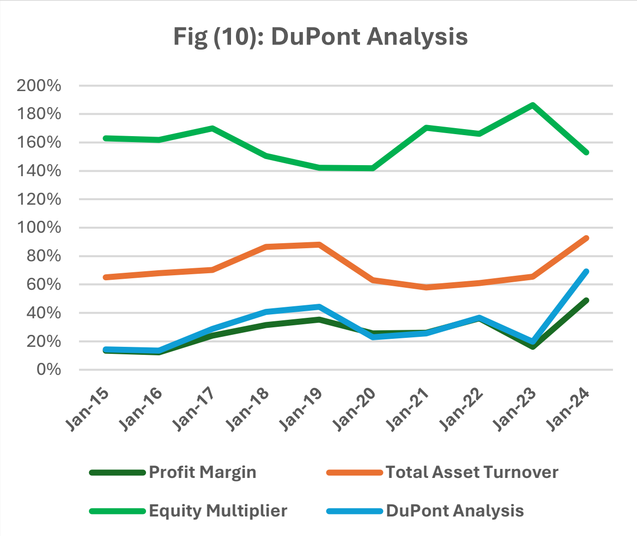


From 2015 to 2019, Nvidia experienced significant and consistent growth, demonstrating its ability to deliver positive annual returns to investors and shareholders. The reduced returns observed in 2020 and 2021 reflected the adverse effects of the COVID-19 pandemic. Supply chain disruptions and labor shortages hindered the company's ability to manufacture and distribute its semiconductors. Despite these challenges, Nvidia recovered to pre-pandemic performance levels by 2022. In 2023, the company faced a volatile period characterized by legal challenges related to AI advancements and intensified competition as other firms began developing their own chips and AI technologies. Nevertheless, 2024 marked a period of explosive growth for Nvidia, driven by its continued innovation and market leadership (Fig. 8).

Fig (9): Debt to Equity Over Time



Debt Management: The majority of Nvidia's total debt consists of long-term liabilities, and the company maintains a relatively low debt-to-equity ratio, averaging approximately 0.33 over the past decade—well below the industry average of 0.46 (Fig. 9). Given the recent volatility in the semiconductor and technology sectors, driven by rapid advancements and legal uncertainties surrounding AI, Nvidia's lower debt-to-equity ratio positions it as a less risky investment. Additionally, this financial stability provides the company with greater flexibility to pursue debt-based financing for future growth opportunities.

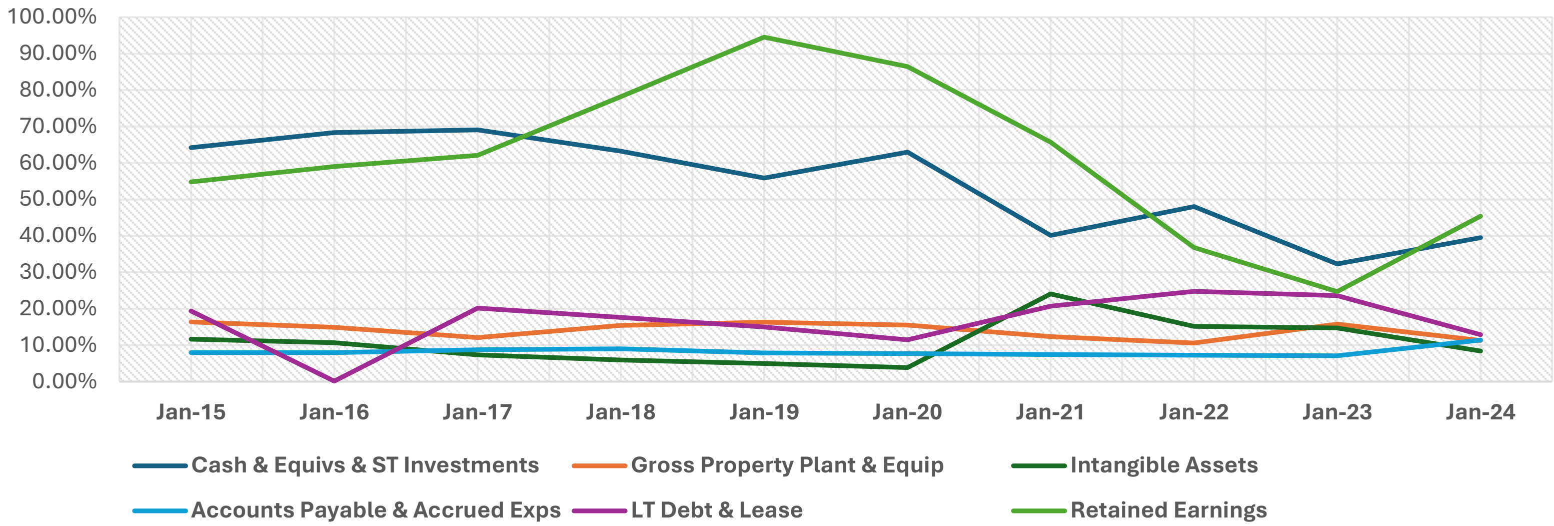


DuPont Analysis: Nvidia has progressively increased its leverage over the past five years, with the exception of 2024 (Fig. 10), when the growth in its assets outpaced that of its equity. This shift reflects the company's strategic use of debt to expand operations and capitalize on favorable low interest rates. However, this increased reliance on debt also introduces higher financial risk. In addition, Nvidia has demonstrated enhanced efficiency in utilizing its assets to generate sales, as indicated by the relatively stable total asset turnover. Furthermore, the company has maintained strong efficiency in converting revenues into profits, particularly in 2024, where there was a significant surge in revenue. Overall, Nvidia's robust performance in 2024 is largely driven by improved profitability, evidenced by higher profit margins and more effective asset utilization, while also utilizing debt to support its growth strategy.

Common Size Income Statement: From the income statement, we see that Nvidia is not only a stable company but one that is consistently growing and optimizing its core business model. Nvidia shows continued net income growth from year to year, with the largest increases from 2015 to 2019, just prior to the Covid-19 pandemic. Following the pandemic, it was quickly able to return and exceed its pre-pandemic highs. While the direct costs continue to increase each year, the proportion of those costs to the revenue continues to fall steadily from year to year, indicating efficient cost management and increased sales. This is also supported by the proportion of SGA to the revenue. R&D costs remain similar from year to year, indicating a company commitment to continued innovation to remain competitive in the market and sector. The interest income is also notable in that there are years in which it is negative (e.g. 2015-2018, 2023), indicating Nvidia is earning money from their loans. Please refer to Tables 4 and 5 in the Appendix for calculations.

Common Size Balance Sheet: Most of Nvidia's current assets are held in short-term investments (Fig. 11). Instead of holding onto their cash, Nvidia uses it to invest in marketable securities and foreign investments, looking to increase their income through non-operating avenues. Moreover, this also shows that Nvidia has enough excess cash to make investing in these securities potentially profitable. The year 2020 was an exception, as most of their current assets were held as cash. Because of the Covid-19 pandemic, it was a strategic move to have more cash on hand to brace the company for the economic downturn for that period. This fast restructuring of their cash and cash equivalent demonstrates incredible foresight as Nvidia was prepared for potential periods of economic downturn and the possible opportunities for other investments during or after those events. However, this low cash structure makes their company vulnerable in times where they must quickly liquidate to secure immediate cash funding. Roughly 12% of their total assets are tied in accounts receivable and in inventory, meaning that the immediate available cash is even less when taking this into account. Nvidia also does not carry most current or LT debt, indicating that they mainly rely on their Paid-In capital and sales to fund their ventures. Paid-in capital also shows a downward trend, becoming less significant in financing Nvidia's yearly operations. This showcases Nvidia's growth over time and its ability to generate consistent streams of revenue. Lastly, another notable item is the sudden increase in intangible assets from 2020 and 2021. During this year, Nvidia acquired and merged with Mellanox, a world-class producer of computer networking products to pioneer Data Processing Unit (DPU) development. Please refer to Tables 1 and 2 in the Appendix for calculations.

Fig (11): Vertical Common Size Balance Sheet



V. Company Valuation

Fig (12): BV & EPS

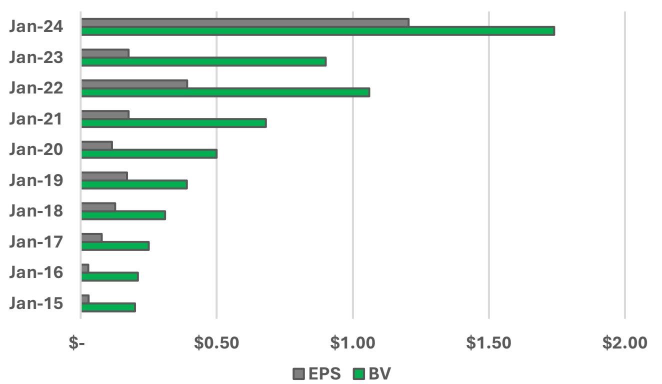
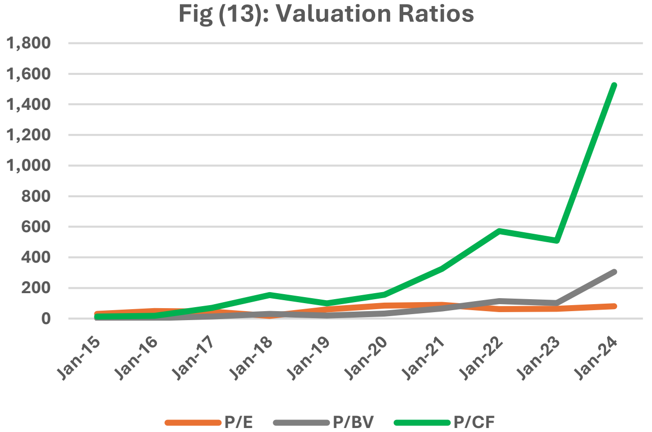
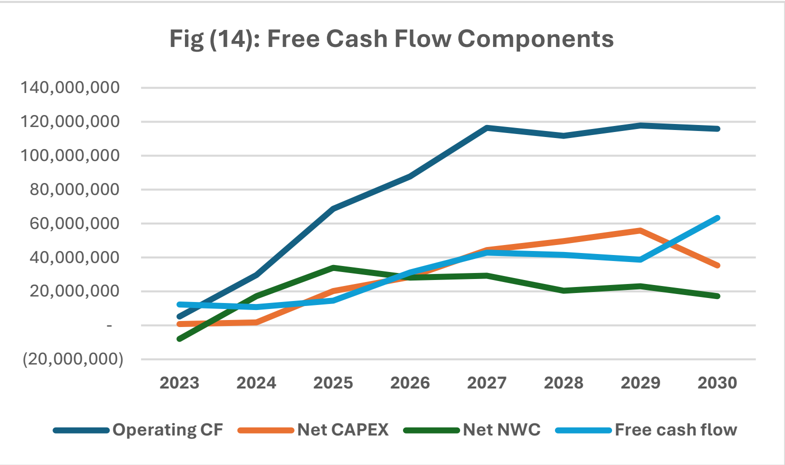


Fig (13): Valuation Ratios



Valuation Ratios: Nvidia has successfully maintained investor confidence, as evidenced by the consistent growth in both its book value and earnings per share over the years (Fig. 12). This upward trajectory suggests the company is financially healthy, demonstrating effective management and a strong strategic vision. This positive outlook is further reinforced by the P/BV ratio (Fig. 13), which indicates that Nvidia's market value significantly exceeds its book value. This suggests that investors perceive the company's assets, including its brand, intellectual property, and other intangible assets, to be worth more than what is reflected on the balance sheet. Conversely, the P/E ratio signals that Nvidia's stock may be overvalued, as investors have set high expectations for its future growth. This elevated stock price may deter some investors from overpaying. This sentiment is supported by the P/CF ratio, which shows that investors are willing to pay a premium for Nvidia's stock, driven by their optimism about the company's growth potential and future profitability, particularly by the end of 2024.

DCF Model: A discounted cashflow analysis was used to determine the intrinsic value of Nvidia stock. The forecast was limited to 5 years because of the volatility of the stock and how sensitive it is to current market changes and potential rivals. The WACC used for the analysis was calculated by taking the average of the WACC for the last year and the historical WACC. This was done to account for Nvidia's large growth spike in 2024. We also set the perpetual growth rate to be the same as the projected inflation rate provided as provided by the Federal Reserve Bank. This model projected a stock price of $42.88. The disparity between the projected price and stock price starting 2024 ($61.53) indicates that the stock may be overvalued. However, we believe that the current market price is justified by several key factors. The technology landscape is increasingly dominated by AI, with numerous corporations adopting AI to automate labor-intensive tasks and streamline operations. AI is becoming integral to both personal and corporate environments, driving demand for advanced technologies. Moreover, major competitors such as Qualcomm and Broadcom, along with adjacent industry leaders like Google, Intel, and Amazon, have significantly invested in developing their own AI infrastructures. Many of these companies currently depend on Nvidia's chips and software to support their initiatives, reinforcing Nvidia's critical role in the industry. As the tech sector continues to evolve and expand, Nvidia's growth is expected to keep pace, if not exceed, broader industry trends.



Free Cash Flow: Operating cash flow exhibits strong growth, increasing significantly from 2023 to 2027 before stabilizing. This suggests that Nvidia is generating higher cash inflows from its core operations, likely due to increased revenue, profitability, and efficient cost management. Capital expenditures rise steadily until around 2028 and then begin to decline. This trend indicates that Nvidia is heavily investing in infrastructure, research, and manufacturing expansion in the earlier years before tapering off as major investments are completed. Net Working Capital sees a modest increase but stabilizes toward the later years. This suggests that Nvidia is maintaining liquidity efficiently while expanding its operations without significant cash flow constraints. Free cash flow follows an upward trajectory, growing in line with operating cash flow but at a steadier rate. Around 2029-2030, free cash flow surpasses net CAPEX, indicating that Nvidia will generate more cash than it needs for reinvestment, potentially leading to increased shareholder returns (Fig. 14).

Relative Valuation Model: A linear regression analysis was conducted comparing the 10-year monthly returns of Nvidia stock with those of the NASDAQ index. The results indicate that, on average, a 1% increase in NASDAQ's returns corresponds to a 1.27% increase in Nvidia's returns. This suggests that while Nvidia grows in tandem with the broader market, its growth rate is notably higher. Additionally, a relative valuation based on Q1 2024 peer averages implies Nvidia's stock price to be approximately $72.79 (Fig. 15). This suggests that compared to its peers in the semiconductor market, Nvidia is undervalued. We believe that despite the projected stock price indicating that Nvidia is overvalued, it is still worth investing in stock. Through analysis of the financial, economic, and social factors that surround AI and its integration into society and its applications for the future, we believe that Nvidia will be able to capitalize on this AI market for at least the next 3 years. Thus, Nvidia's current stock price at $135 reflects continued strong market expectations for rapid growth and innovation, which are expected to translate into higher future cash flow for the company.

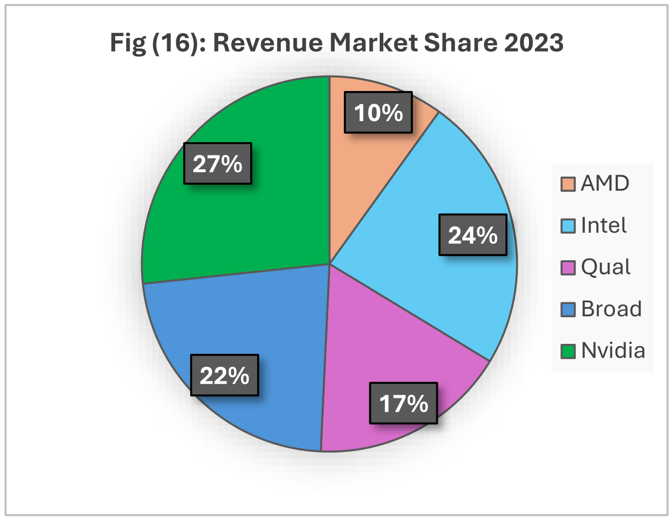
Fig (15): Value using Peer Averages

	Cap Based on AVG	Price per share
P/E	$ 6,489,685,716.04	**$ 263.38**
EBITDA multiplier	$ 47,820,952.92	**$ 1.94**
Sales multiplier	$ 423,334,045.84	**$ 17.18**
Book Value multiplier	$ 213,617,563.63	**$ 8.67**
Average		**$ 72.79**

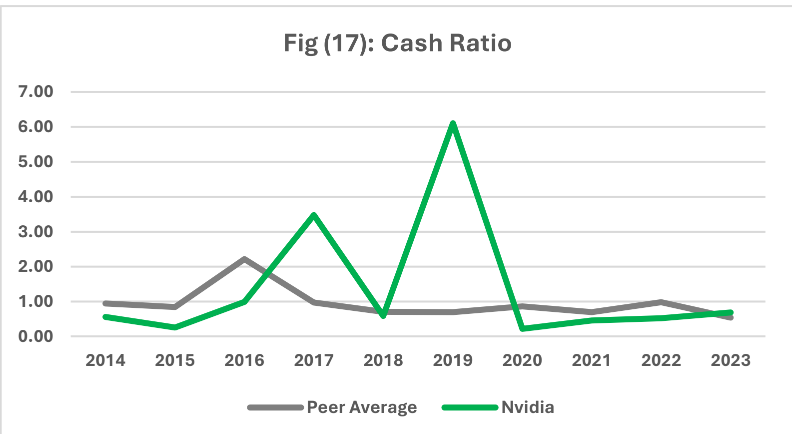
VI. Industry Analysis

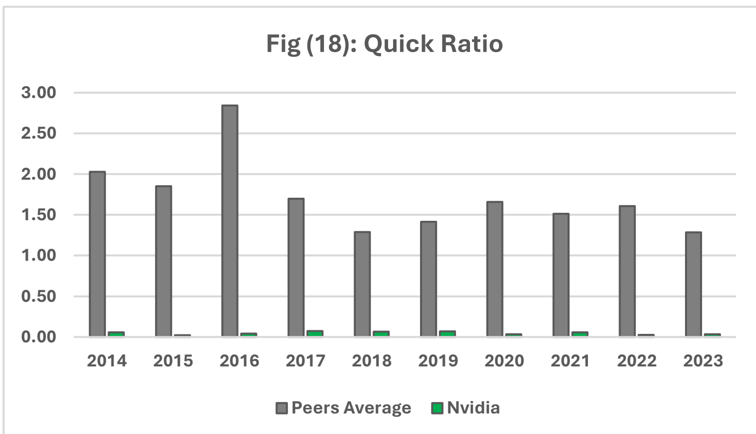
Nvidia occupies a large market share not only in the semiconductor industry but also in the larger technology sector. In both these sectors, it is Intel Corp (Intel), Advanced Micro Devices Inc (AMD), Broadcom Inc (Broad), and Qualcomm Inc (Qual) that challenge Nvidia in its core competencies: software/hardware for GPUs, Systems-on-Chip (SoC) products, and networking products. Both Broadcom and Qualcomm's business models have heavily focused on manufacturing semiconductors, directly competing with the industry sector of Nvidia. Intel, AMD, Broadcom, and Qualcomm also create software that is utilized in autonomous machines, automobiles, gaming, and other wireless devices. Moreover, AMD and Intel are also moving into the newly emerging AI market with cloud-based services and AI-computational software.

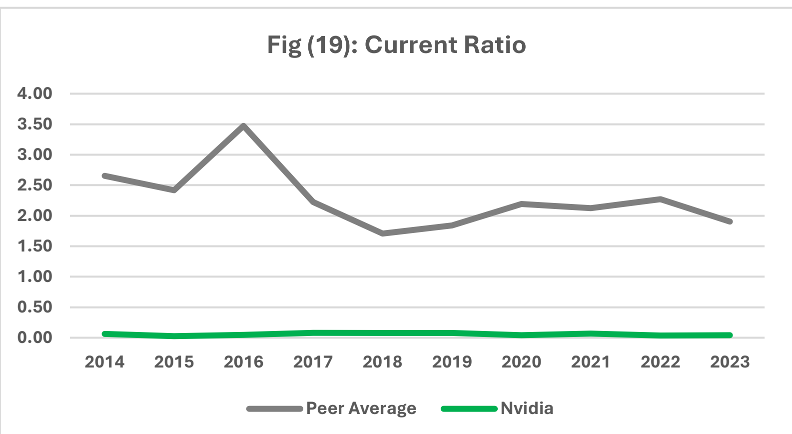
Total Revenue Market Share: As of 2023, Nvidia holds the largest revenue market share in the semiconductor industry at 27%, followed by Intel and Broadcom, with each holding 24% and 22% respectively. While Nvidia leads the market, significant competition remains, especially from Intel and Broadcom (Fig. 16). The close market share distribution among these major players highlights the fierce competition in the industry, suggesting that while Nvidia maintains a strong position, the market remains dynamic with potential for shifts in the future.

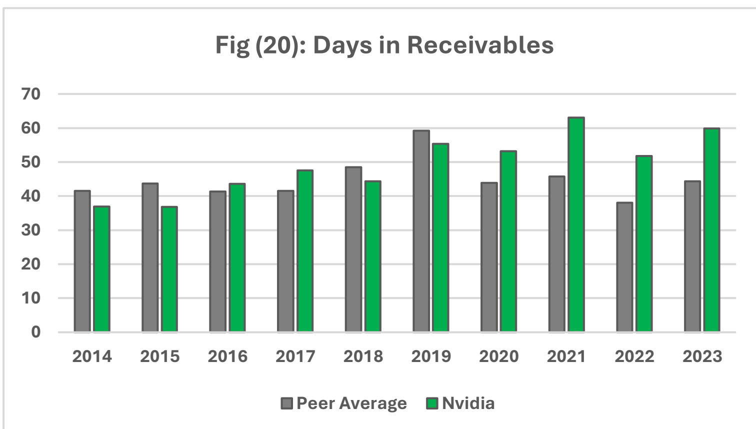


Liquidity Measures:



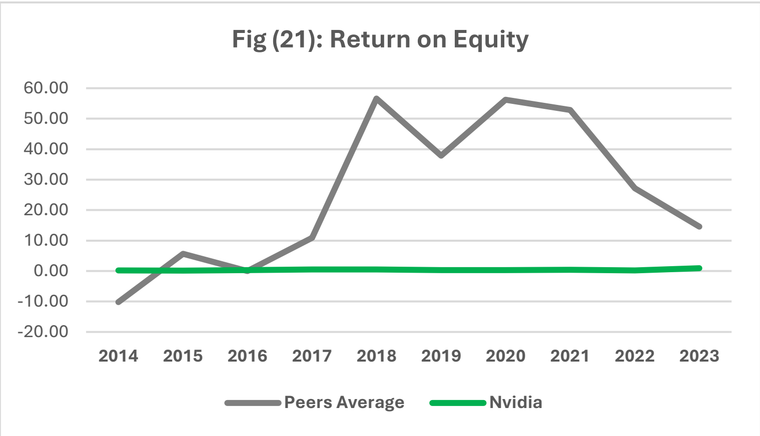


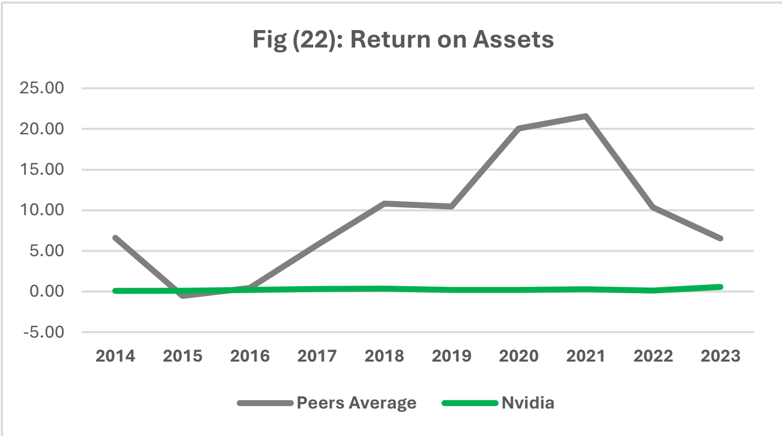


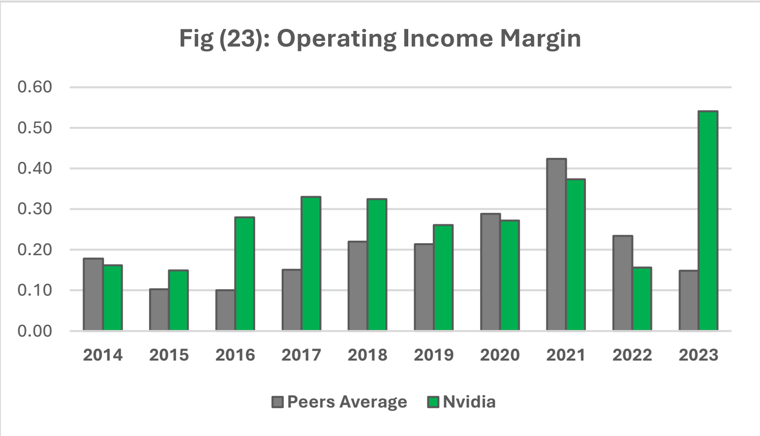


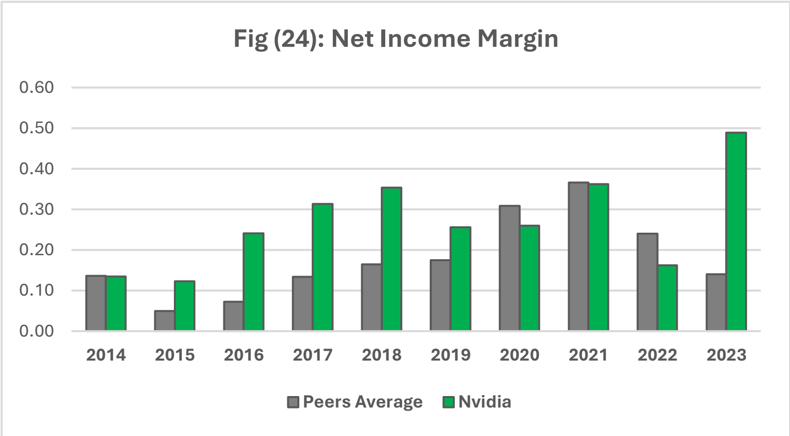
Nvidia's current ratio remains significantly below the industry peer average, indicating that the company's current assets are insufficient to cover its current liabilities (Fig. 19). This suggests a reliance on debt that may not be fully supported by assets that can be liquidated in the short term. While Nvidia initially maintained a strong cash ratio compared to its industry peers, its cash reserves have declined over the past three years, signaling a depletion of liquidity relative to the company's borrowing rate (Fig. 17). This trend is further highlighted by the quick ratio, which underscores the company's weakened position in terms of meeting its short-term obligations with its most liquid assets (Fig. 18). Additionally, Nvidia has experienced a slower pace in collecting accounts receivable compared to its competitors, with recent years showing that it takes on average, approximately 14 more days to convert credit sales into cash (Fig. 20).

Profitability Measures:



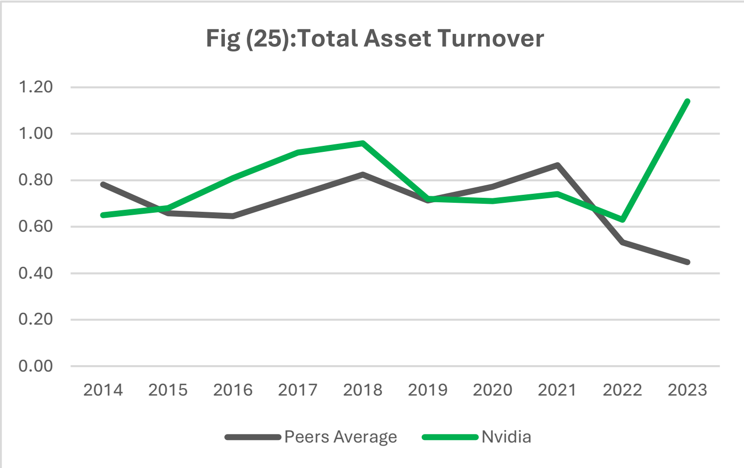


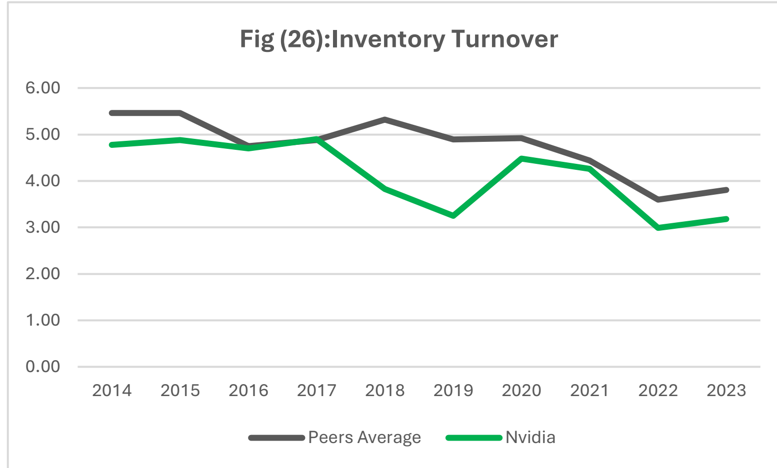


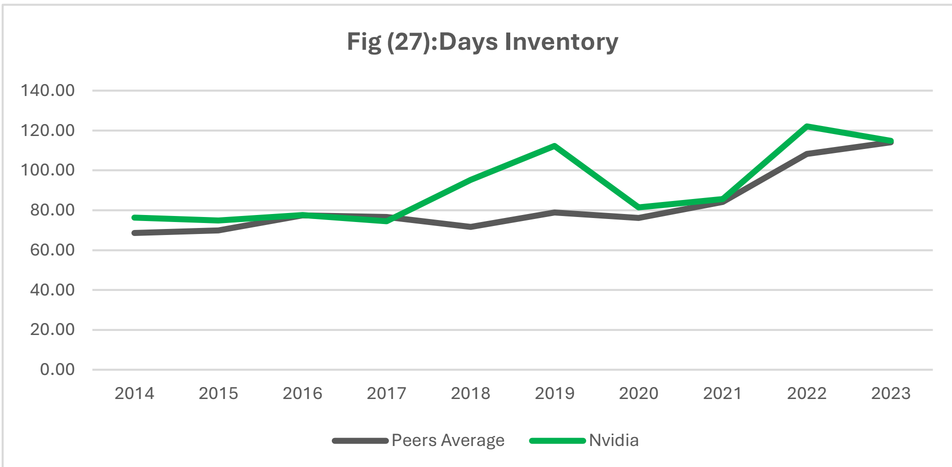


Nvidia's Return on Assets (ROA) and Return on Equity (ROE) significantly underperform compared to its industry competitors, which may raise concerns for investors. A lower ROE suggests that the company is less efficient in generating profits from shareholders' equity, potentially reflecting issues such as ineffective management, suboptimal strategies, or elevated operational risks. Similarly, a lower ROA indicates that Nvidia is not utilizing its assets as efficiently as its peers, possibly due to underutilized resources, high operational costs, or insufficient sales relative to its asset base (Fig. 21, 22). Together, these underwhelming ratios signal potential struggles with profitability and operational efficiency, which could necessitate strategic or operational adjustments to enhance financial performance. Conversely, Nvidia's operating income margin has consistently outperformed its competitors, particularly in 2023, demonstrating the company's ability to scale operations and achieve higher margins (Fig. 23). This improvement is likely attributable to Nvidia's strong positioning in the AI and GPU markets, capitalizing on growth opportunities. Additionally, Nvidia's net income margin reflects a similar trend, with the company successfully converting a higher percentage of its revenue into profit while effectively managing expenses (Fig. 24).

Asset Quality Measures:







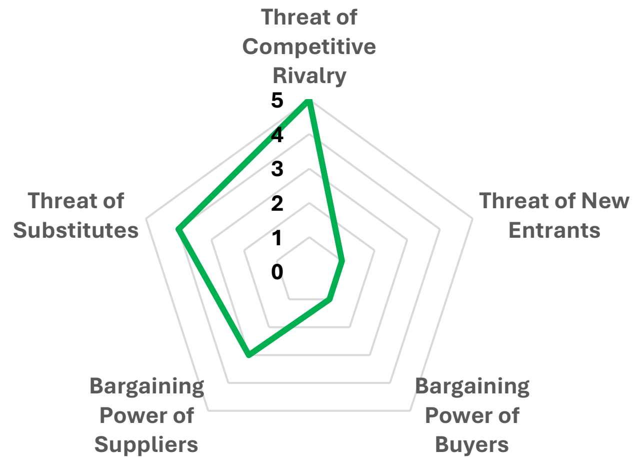
Nvidia's TAT has been typically higher than that of its peer's, indicating that it is able to generate more revenue per dollar of assets. This showcase's Nvidia's efficiency in utilizing its resources to create, sell, and market their products and services. However, despite this, Nvidia lags its peers in Days Inventory and Inventory Turnover (Fig. 25, 26). Nvidia does not sell out its inventory as fast as its peers, and inventory typically takes longer to be sold. This highlights inefficiency in their product management, a weakness that will hinder its potential growth opportunities. Potential barriers to improving their inventory management could be their product pricing and ability to re-stock their products (Fig. 27). Expenses stemming from supply chains are often passed onto the consumer, creating a price that many consumers may not be willing to pay. Moreover, their reliance on a few concentrated semiconductor factories also limits their ability to restock their physical products.

VII. Industry Overview & Competitive Positioning

In the last 5 years, interest in AI and Machine Learning has risen dramatically, leading to large investments in firms developing and implementing those new technologies into their operations. The AI market was valued at $214.6 billion in 2024, and projections estimate it to rise to as high as $1.33 trillion by 2030. In another study from Stanford University, it was reported that US investments in generative AI increased fourfold from 2023 to 2024. Moreover, AI has seen successful integration and growth in health, education, and business sections. Nvidia has strategically positioned itself in a pivotal role, leading new advancements in AI with its advanced GPU architecture and CUDA programming model. Nvidia also continues to re-invest in their R&D every year, with 2024's budget being an 18% increase from 2023's. Nvidia's continued investments have led to them pioneering the latest advancements for AI in robotics, autonomous cars, scientific research, image and video processing, and so much more. Porter's V Forces and a SWOT analysis are used to measure their strengths and weaknesses against their current markets and evaluate the resilience of the company (Fig. 28, 29).

Porter's V Forces

Fig (28): Porter's V Forces



Threat of New Entrants: *Low and stable (1):* Nvidia's strong market position can be attributed to several factors, including the substantial initial investment required to develop, acquire, and manufacture semiconductors into GPUs, as well as the need for data centers to support its operations. The company has further cemented its leadership with high-quality products and exceptional performance, which have significantly enhanced its brand value, customer base, and loyalty. Additionally, NVIDIA has secured major clients, including industry giants such as Microsoft, Google, Amazon Web Services (AWS), Tesla, and Apple, and formed strategic partnerships, such as its recent collaboration with Microsoft, which committed to investing $80 billion in AI infrastructure. Furthermore, NVIDIA has established an efficient production process with economies of scale that would be challenging for potential competitors to replicate.

Bargaining Power of Suppliers: *Moderate and stable (3):* Unlike some potential competitors, such as Samsung, which operates fabrication plants (fabs) to manufacture semiconductors, Nvidia relies on third-party foundries, primarily Taiwan Semiconductor Manufacturing Company (TSMC) and Samsung itself, for its semiconductor wafer production. Additionally, Nvidia depends on various suppliers for other essential components, including memory chips from Micron Technology Inc., SK Hynix Inc., and Samsung, as well as packaging from CoWoS Technology. For assembly, testing, and final product packaging, Nvidia works with independent subcontractors and contract manufacturers, including Hon Hai Precision Industry, Wistron Corporation, and Fabrinet. This reliance on a limited number of high-quality semiconductor foundries places Nvidia in a relatively weak bargaining position. However, Nvidia's strong financial resources and industry presence allow it flexibility in switching suppliers if necessary. Furthermore, the company's substantial investment in R&D and its advanced chip designs provide a degree of independence from any single supplier, thereby reducing the overall impact of supplier power.

Bargaining Power of Buyers: *Low and stable (1):* Nvidia's products are regarded as industry-leading and are widely integrated into large-scale systems across various sectors. These products are often purchased in substantial volumes, with customers placing less emphasis on price due to the critical role Nvidia's technology plays in their operations, providing the company with a strong bargaining advantage. Furthermore, Nvidia has successfully diversified its market reach by introducing innovative ways to incorporate its products into emerging industries, such as autonomous vehicles and smart cities, leveraging AI technologies in ways previously unseen. However, the fact that Nvidia's clients are large, financially robust organizations means they possess the leverage to switch suppliers if product quality declines or pricing becomes excessive. Additionally, industries like gaming, which purchase significant quantities of Nvidia's products to serve as the foundational components for gaming consoles, also hold bargaining power in these transactions.

Threat of Substitutes: *High and increasing (4):* The semiconductor and GPU industry is highly competitive, with several established players, as highlighted in our industry analysis. Additionally, potential competition is emerging, with major companies such as Google, Amazon, and Meta developing in-house AI chips, which could erode Nvidia's market share if not addressed. Furthermore, the rise of new technologies, such as quantum computing, presents a future threat as they may replace GPUs in certain applications. However, Nvidia is proactively investing substantial resources in R&D to maintain its competitive edge and is continually exploring innovative ways to integrate and expand the use of its products. Moreover, the company's strategic partnerships play a crucial role in maintaining its market position, with long-term contracts ensuring stability and fostering sustained future cash flows.

Threat of Competitive Rivalry: *High and stable (5):* Intel, AMD, Broadcom, and Qualcomm are formidable competitors to Nvidia in the semiconductor and GPU markets. As the industry continues to evolve and expand, new opportunities to integrate emerging technologies create a dynamic and highly competitive landscape. The race to secure top talent and invest in effective R&D intensifies, making it increasingly challenging to maintain a competitive edge. This environment also places pressure on pricing models and profit margins, which could impact Nvidia in the future. However, the company has proactively addressed these challenges by making strategic acquisitions. For instance, in 2020, Nvidia acquired Mellanox Technologies for $6.9 billion, expanding its capabilities into networking and facilitating the launch of a new processor category—the Data Processing Unit (DPU). Additionally, Nvidia acquired DeepMap, a startup specializing in high-definition mapping technology for autonomous vehicles, further strengthening its position in the rapidly growing autonomous driving sector. These acquisitions underscore Nvidia's efforts to diversify its product offerings and maintain its leadership in emerging technologies.

SWOT Analysis

Strengths: As a pioneer and dominant force in the GPU market, Nvidia has solidified its position not only in graphics processing but also in the fields of machine learning and AI development. With a commanding 90% share of the GPU market, Nvidia's products are recognized for their exceptional computational power and graphical performance. This has made them indispensable across various industries, including gaming, data centers, autonomous robotics, and self-driving vehicles. The widespread adoption of Nvidia's GPUs has resulted in a highly diversified revenue stream, underscoring the company's financial resilience (Fig. 30). Additionally, Nvidia consistently allocates approximately 20% of its annual revenue to research and development, reinforcing its commitment to innovation in AI and emerging technologies. This continuous investment ensures that Nvidia maintains its leadership position within the GPU industry and the broader technology sector.

Fig (29): SWOT Analysis

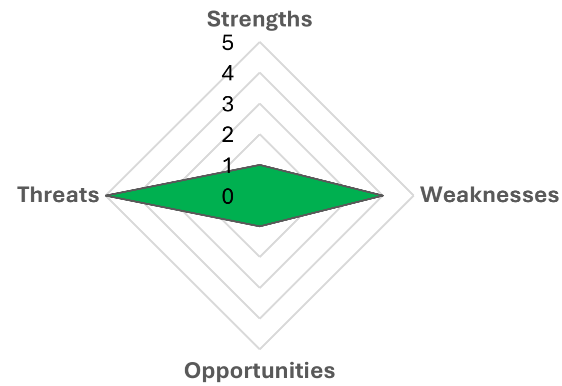
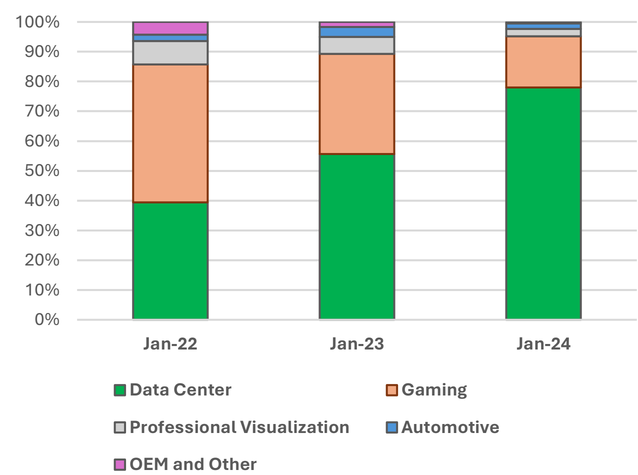


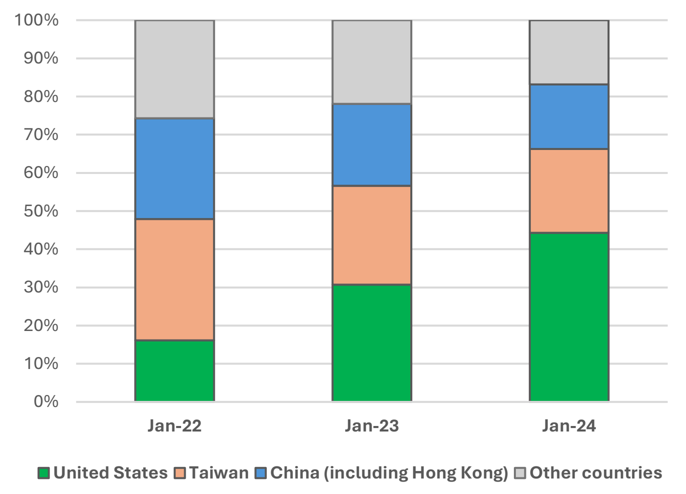
Fig (30): Revenue by Segment



Weaknesses: Nvidia remains highly dependent on a limited number of microchip foundries, primarily based in Taiwan. The essential components of microchips include silicon, germanium, and gallium arsenide. While Taiwan has access to silicon, its primary supply of germanium and gallium arsenide comes from China. As a result, supply chain disruptions pose a significant risk to Nvidia due to its concentrated manufacturing base. This reliance diminishes its competitive advantage compared to rivals with more diversified production and sourcing strategies. Another key vulnerability is the narrow scope of Nvidia's revenue streams, both in terms of market segments and geographic distribution. Approximately 25% of its revenue is derived from the gaming sector, making it susceptible to fluctuations in gaming hardware trends and game releases. Additionally, over 70% of the company's revenue originates from the U.S., China, and Taiwan, meaning adverse international regulations or geopolitical tensions could substantially impact its financial performance (Fig. 31). Furthermore, Nvidia's dominance in the AI sector has become increasingly challenged by potential competition from major technology firms such as Google, Amazon, and Meta, as mentioned in Porter's V Forces section.

Opportunities: Recently, Toyota, Aurora, and Continental announced a partnership with Nvidia to leverage its technology for advancing driver assistance systems and deploying autonomous trucks and vehicles. In addition, thanks to recent acquisitions, such as DeepMap, Nvidia is poised to enter new markets in simulation and real-world modeling. As AI continues to evolve and integrate into various aspects of daily life, Nvidia is well-positioned to capitalize on nearly limitless growth opportunities. Through its Cosmos platform and advancements in Physical AI, Nvidia remains at the forefront of innovation, utilizing these technologies to simulate, analyze, and interact with real-world environments. As AI becomes increasingly pervasive, the demand for Nvidia's semiconductors and software is expected to grow, enabling the company to expand its market reach and serve a broader customer base.

Fig (31): Revenue by Region

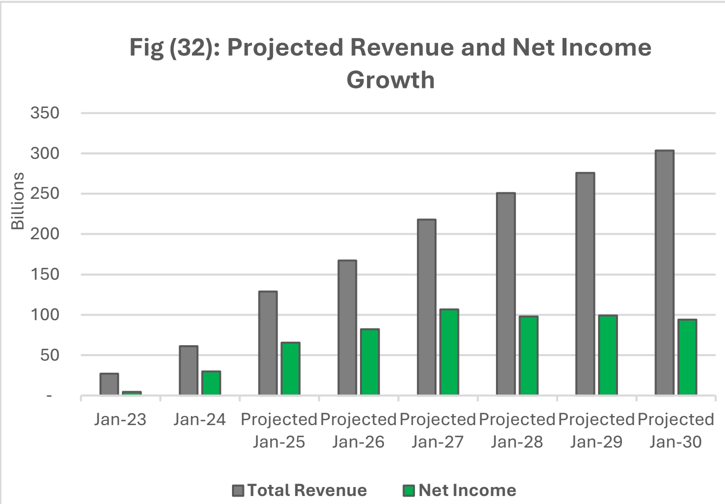


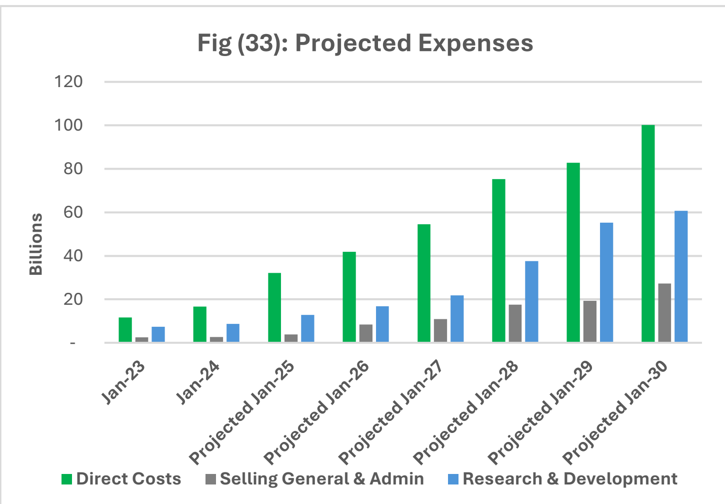
Threats: Nvidia's future growth and success face significant challenges, primarily due to supply chain vulnerabilities arising from geopolitical tensions and evolving regulatory frameworks in the AI sector. A deterioration in China-Taiwan relations could severely impact Nvidia's semiconductor production on two fronts: disruptions in the supply of raw materials from China and potential operational challenges for Taiwan-based manufacturing facilities. Compounding this risk, these two markets collectively account for nearly 40% of Nvidia's global revenue, making the company particularly susceptible to geopolitical instability (Fig revenue by region). Additionally, recently imposed tariffs on China could further hinder sales and disrupt supply chain logistics. Beyond Asia, Nvidia also has recently acquired Mellanox, a strategic holding in Israel where the ongoing conflict between Israel and Palestine could introduce additional risks in 2025. The geopolitical instability surrounding key regions crucial to Nvidia's investments and revenue streams creates a compounding challenge, affecting both financial performance and operational efficiency. Moreover, as AI continues to evolve and become more deeply integrated into everyday life, regulatory scrutiny is intensifying. In 2024 alone, the National Conference of State Legislatures reported that at least 45 U.S. states proposed AI-related regulatory bills, with 31 of them enacted. These future legislative measures could impose significant limitations on AI's expansion and adoption. Lastly, the recent emergence of Deepseek has disrupted the technology sector, with claims of a more computationally efficient AI model that matches the performance of existing industry leaders. If these claims hold true, Deepseek could gain a competitive edge not only in energy efficiency and development costs but also fair competitively in core AI capabilities such as its reasoning, coding, and explainability, posing a direct challenge to OpenAI and its competitors.

VIII. Projected Financials Statements

We anticipate that Nvidia will not give up its lead in the market easily and will make the investments and changes necessary to continue to lead the market. Moreover, we also anticipate that demand for Nvidia's products and services will increase over the years. While Nvidia can maintain its lead with its current ability to supply that demand, they will need to address this supply issue to maximize its market capture and growth over the next 5 years. In our forecast of Nvidia, we make the following 3 assumptions: 2024 represents an unprecedented year of growth for them, being an outlier in all of their financials statement calculations; that Nvidia will retain its lead in their markets for at least 3 more years; and lastly, that their current competitors and new entrants to the market will begin to catch up and rival Nvidia after 3 years. In this time, Nvidia will continue to compete and remain a large player in their major markets.

Income Statement Projections





Revenue: Nvidia's recent financial report estimates 2024 Q4 revenues at approximately $37.5 billion, while more optimistic projections from sources like the Wall Street Journal and Yahoo Finance suggest earnings could exceed that estimate. After reviewing Nvidia's Porter's Five Forces and SWOT analyses, we have adopted the more conservative estimate provided in their official report. An examination of Nvidia's revenue over the past decade reveals a pattern in which a year of significant growth is typically followed by at least one additional year of similarly high growth, succeeded by a year of somewhat lower—but still above-average—growth. This trend was notably disrupted in 2020, when the COVID-19 pandemic severely impacted the market, resulting in an economic downturn. As such, for our projections, we anticipate 2026 through 2028 to have a growth rate of 30%, calculated from their 10-year compound annual growth. This estimate is a more conservative approach than using their historical growth rate for the last 10 years, which is 37%. From 2028, we expect their current competitors and other entrants to take away some market share from Nvidia, lowering the growth to 15% and then 10% for the last 2 years (Fig. 32).

Direct Cost to Revenue: Similarly, we anticipate that Nvidia's direct cost-to-revenue ratio will follow a comparable trajectory. For the next three years, we forecast this ratio to remain low; however, costs will rise thereafter due to increased production aimed at meeting higher demand and outpacing competitors (Fig. 33). Conservatively, we project that the direct cost-to-revenue ratio will rebound to around 33%, akin to the levels observed just prior to Nvidia's emergence as the dominant force in the AI and semiconductor sectors within the last 5 years. We also expect that competitors will capture additional market share as they invest more in their own AI and microchip development.

R&D Expenses: Over the past decade, Nvidia has maintained an R&D-to-revenue ratio of approximately 10%. While this level may be sustainable for the next three years, we predict that Nvidia will need to increase the ratio to at least 15–20%. Major competitors and customers, including Google and Amazon, have significantly boosted their investments in AI development and microchip production. Furthermore, rivals such as AMD and Intel continue to pursue entry into the GPU market. If Nvidia does not increase its R&D investment, they risk losing its pioneering status and market leadership in this rapidly evolving sector. For our projection, we forecast the R&D to remain at 10% for the next 2 years, followed by an increase to 15% in 2028, and 20% for the following years (Fig. 33).

SGA Expenses: We forecast Nvidia's selling, general, and administrative (SGA) expenses to trend toward their historical figure of around 9% within the next five years (Fig. 33). Although the unprecedented revenue growth seen in 2024 may persist for 2-3 more years, it is likely unsustainable due to the limited availability of semiconductors from Taiwan and growing competitive pressures. Additionally, as Nvidia continues to develop new technologies, expenditures related to fixed assets, labor, and legal fees for patents and trademark protections are anticipated to rise.

Fig (34): Projected Assets

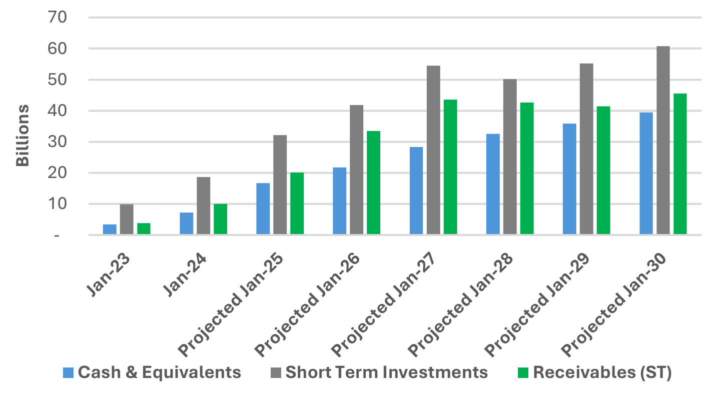


Fig (35): Projected Liquidity

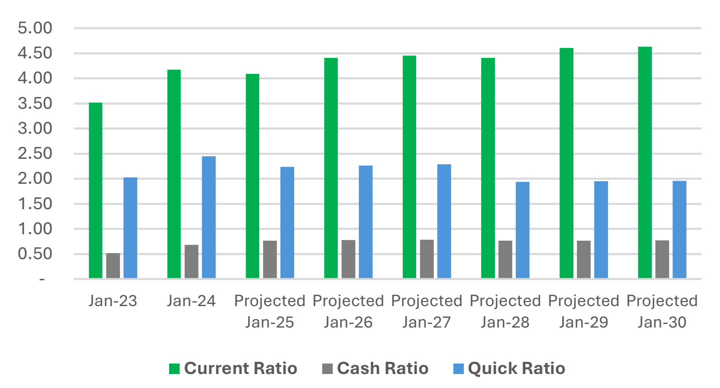


Fig (36): Projected Year to Year Assets, Liabilities, and SE Growth

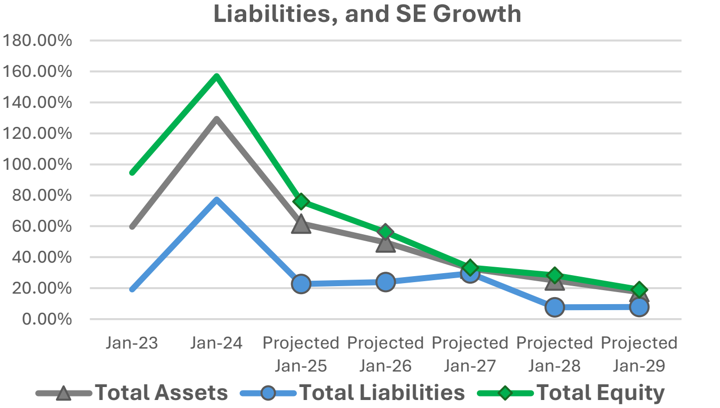
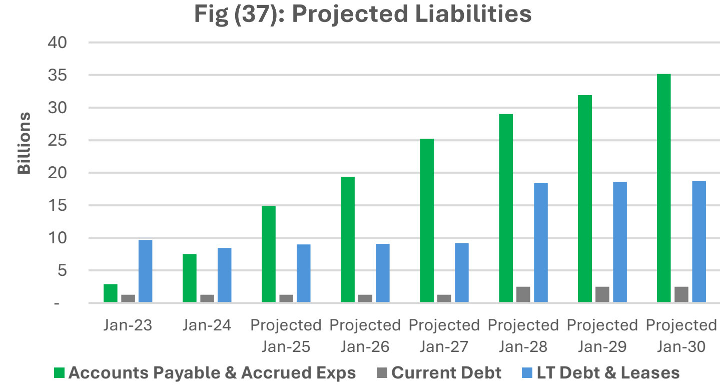


Fig (37): Projected Liabilities



Balance Sheet Projections

Cash: Cash was determined from the average historical growth during the last decade, which was around 13% and is projected to stay at the average level throughout the next five years, highlighting Nvidia's strategy to invest most of its assets in other channels like short investments and fixed assets (Fig. 34).

Short-Term Investments: Short-term investments are expected to decrease in utilization relative to total revenue over the coming years, as we believe Nvidia will prioritize investments in fixed assets to ensure long-term success. However, these investments will still remain significant, representing 20% of total revenue generated by the end of year five in our projection (Fig. 34).

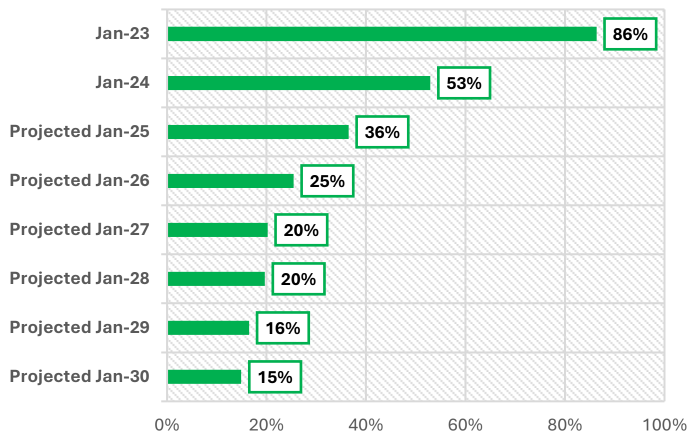
Accounts receivable: We have projected that accounts receivable will increase at the average historical growth rate compared to total revenue, starting at 15% and continuing to rise until 2028 to reach 20%. However, as competition intensifies, it is expected that business volume will decline, leading to a reduction in accounts receivable in the subsequent years (Fig. 34).

Liquidity: While Nvidia's liquidity position presents some concerns, we anticipate that management will take strategic measures to improve it by allocating capital toward fixed assets and long-term investments. Despite this, the quick and cash ratios are expected to remain relatively stable, ensuring the company maintains sufficient cash reserves to navigate potential uncertainties in an industry that continues to evolve at a rapid pace (Fig. 35).

Gross PPE: We anticipate a steady growth in Nvidia's Gross Property, Plant, and Equipment (PPE) over the next five years, initially projecting an average growth rate of 20%, based on the historical trend observed over the past decade compared to the revenue generated (Fig. 36). This forecast reflects Nvidia's strategic investments to expand its production, service capabilities, infrastructure, and data centers to support its expanding operations while looking to establish offices in new regions for the company to go global, with the aim of strengthening its competitive position and maintaining its dominant market share. Additionally, the increasing demand in the AI-driven market further supports the company's need for enhanced infrastructure to capitalize on emerging opportunities.

Accounts Payable and Accrued Expenses: Projected accounts payable are expected to increase at an average historical rate of 5.9% relative to total revenue, based on trends observed over the past decade (Fig. 37). This growth is primarily driven by Nvidia's strong projected net income, which the company intends to reinvest in fixed assets, as well as both short- and long-term investment initiatives. These strategic investments will enable Nvidia to scale its inventory levels to meet the extraordinary market demand it continues to experience. This approach is designed to enhance customer satisfaction while further solidifying the company's competitive position. Similarly, accrued expenses are forecasted to grow at an average historical rate of 5.7%, consistent with trends over the last ten years (Fig. 37). These expenses include key financial obligations such as customer program accruals and excess inventory purchase commitments, both of which are essential for managing Nvidia's large-scale product and inventory-related expenditures. As the company expands its operations, these costs are expected to increase accordingly, supporting its ongoing market growth and strategic development.

Fig (38): Projected D/E



LT Debt & Current Debt: We forecast that Nvidia's long-term debt (LT debt) will not grow much over the next three years as the company focuses on paying down its existing liabilities without taking on additional debt. However, we anticipate that in 2028, Nvidia will need to incur more LT debt to finance the necessary improvements to maintain its competitive edge and meet increasing market demand. Consequently, Nvidia's debt-to-equity (D/E) ratio is expected to decrease over time, reflecting the company's lowered reliance on debt to fund its growth as their revenues grow over the next 5 years. Instead, they can rely on their earnings to finance product quality improvements, technological advancements, and fixed asset expansion (Fig. 38).

Retained Earnings: Nvidia has been paying cash dividends and stock-based compensation throughout the last few years, which will take away from the net income margins generated and add to the retained earnings.

IX. Conclusion and Recommendation

We recommend maintaining a holding position for the next three years before reassessing whether to sell or continue investing. Nvidia's track record demonstrates its ability to lead through innovation, securing its position at the forefront of AI, autonomous vehicles, and even healthcare technology. With growing anticipation for more applications of physical AI, the company is well-positioned to capitalize on industry expansion. The recent surge in Nvidia's stock price over the last year reflects strong market confidence in its role as a key player in AI development. However, sustained growth will depend on its ability to scale production, manage increasing demand, and continue advancing both hardware and software capabilities. While the company has a strong history of execution, challenges remain. In addition, liquidity concerns driven by supply chain constraints in semiconductor manufacturing and raw material procurement will prove to be another challenge for them to overcome. Changing trade policies and geopolitical uncertainties, particularly in relation to China and Taiwan, pose potential risks that could disrupt production and slow sales. These external factors introduce variables that may impact Nvidia's long-term growth trajectory.

Overall, while we remain optimistic about Nvidia's ability to maintain its leadership, we take a conservative approach in assessing its long-term momentum. Continued strategic investment, operational expansion, and risk mitigation will be critical for Nvidia to sustain its competitive edge in an increasingly dynamic and competitive AI landscape.

Appendix

	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24
Cash & Equivalents		20.00%	196.31%	126.61%	-80.46%	1293.35%	-92.23%	134.95%	70.30%	114.81%
Short Term Investments		7.62%	13.31%	-38.28%	113.78%	-99.98%	1071300.00%	79.37%	-48.45%	88.80%
Cash & Equivs & ST Investments		8.95%	34.96%	4.56%	4.42%	46.82%	6.09%	83.44%	-37.31%	95.43%
Receivables (ST)		6.62%	63.56%	53.15%	12.57%	16.36%	46.59%	91.44%	-17.70%	161.28%
Inventories		-13.44%	89.95%	0.25%	97.86%	-37.84%	86.52%	42.66%	98.04%	2.38%
Current Tax Assets		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Current Assets		**32.53%**	**26.88%**	**-27.12%**	**58.14%**	**15.44%**	**52.23%**	**53.14%**	**116.12%**	**289.38%**
Total Current Assets		5.95%	41.02%	8.42%	14.07%	29.68%	17.28%	79.56%	-19.97%	92.19%
Gross Property Plant & Equip		-6.72%	8.27%	45.84%	24.99%	23.68%	32.48%	31.60%	38.88%	14.18%
Accumulated Depreciation		1.93%	5.68%	10.45%	3.65%	31.81%	39.27%	35.16%	41.57%	30.25%
Net Property Plant & Equip		-16.38%	11.80%	91.36%	40.82%	19.23%	28.38%	29.27%	37.04%	2.81%
Long Term Investments		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	12.41%	0.00%
Intangible Assets		-6.65%	-7.91%	-7.20%	-1.04%	0.60%	938.98%	-3.49%	-9.57%	-8.37%
Prepayments (LT)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	56.59%	0.00%
Deferred LT Assets		0.00%	0.00%	0.00%	0.00%	0.00%	47.08%	51.61%	177.91%	79.06%
Other Assets		-26.29%	-7.46%	414.52%	109.40%	10.18%	287.36%	-21.15%	-47.38%	394.17%
Total Assets		**2.34%**	**33.53%**	**14.23%**	**18.25%**	**30.27%**	**66.28%**	**53.48%**	**-6.80%**	**59.60%**
Accounts Payable & Accrued Exps		2.39%	46.68%	17.07%	4.27%	26.93%	59.52%	50.00%	-8.55%	156.80%
Accounts Payable		0.95%	63.85%	22.89%	-14.26%	34.44%	74.82%	48.46%	-33.09%	126.24%
Accrued Expenses		3.89%	29.21%	9.57%	31.07%	19.81%	43.28%	52.00%	22.50%	177.93%
Current Debt		0.00%	-43.67%	-98.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Current Liabilities		8.76%	-62.68%	-0.76%	113.85%	61.87%	77.33%	43.23%	109.45%	-21.26%
Total Current Liabilities		**162.38%**	**-23.95%**	**-35.51%**	**15.26%**	**34.24%**	**120.01%**	**10.45%**	**51.40%**	**61.98%**
LT Debt & Leases		-99.28%	19790.00%	-0.20%	0.15%	0.15%	199.55%	83.53%	-11.36%	-12.82%
Deferred LT Liabilities		1.43%	-57.97%	-77.24%	96.97%	36.92%	353.93%	10.64%	4.03%	122.58%
Minority Interests		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Liabilities		-27.41%	16.67%	375.40%	-5.18%	119.54%	28.71%	15.08%	27.23%	11.70%
Total Liabilities		**1.10%**	**43.85%**	**-6.87%**	**4.77%**	**29.39%**	**132.79%**	**47.71%**	**8.57%**	**19.23%**
Temporary Equity		0.00%	-64.37%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Share Capital		32.63%	0.00%	0.00%	0.00%	0.00%	0.00%	200.00%	-33.33%	0.00%
Additional Paid-In Capital		8.17%	12.90%	13.66%	13.08%	16.43%	23.79%	19.08%	15.27%	9.70%
Retained Earnings		10.16%	40.41%	43.86%	43.00%	19.15%	26.30%	-14.14%	-37.35%	193.16%
Accum Other Comprehensive Income		-150.99%	300.00%	12.50%	-33.33%	-108.33%	1800.00%	-157.89%	290.91%	-162.79%
Treasury Stock		19.25%	24.48%	31.97%	39.29%	5.95%	9.60%	0.00%	0.00%	0.00%
Other Equity		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Equity		**3.12%**	**27.15%**	**28.97%**	**25.04%**	**30.64%**	**38.42%**	**57.53%**	**-16.95%**	**94.46%**
Total Liabilities & Equity		**2.34%**	**33.53%**	**14.23%**	**18.25%**	**30.27%**	**66.28%**	**53.48%**	**-6.80%**	**59.60%**

Table (1): Balance Sheet Horizontal Common Size Analysis

	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24
Cash & Equivalents	6.90%	8.09%	17.95%	35.60%	5.88%	62.93%	2.94%	4.50%	8.23%	11.08%
Short Term Investments	57.30%	60.26%	51.13%	27.63%	49.96%	0.01%	37.21%	43.49%	24.06%	28.46%
Cash & Equivs & ST Investments	64.20%	68.35%	69.08%	63.23%	55.84%	62.93%	40.16%	48.00%	32.29%	39.53%
Receivables (ST)	6.58%	6.85%	8.39%	11.25%	10.71%	9.57%	8.44%	10.52%	9.29%	15.21%
Inventories	6.71%	5.67%	8.07%	7.08%	11.85%	5.65%	6.34%	5.90%	12.53%	8.04%
Current Tax Assets	0.88%	-	-	-	-	-	-	-	-	-
Other Current Assets	0.97%	1.26%	1.20%	0.77%	1.02%	0.91%	0.83%	0.83%	1.92%	4.69%
Total Current Assets	**79.34%**	**82.13%**	**86.74%**	**82.33%**	**79.42%**	**79.06%**	**55.76%**	**65.24%**	**56.03%**	**67.47%**
Gross Property Plant & Equip	16.38%	14.93%	12.10%	15.45%	16.33%	15.51%	12.36%	10.59%	15.79%	11.29%
Accumulated Depreciation	8.64%	8.60%	6.81%	6.58%	5.77%	5.84%	4.89%	4.31%	6.54%	5.34%
Net Property Plant & Equip	7.74%	6.32%	5.29%	8.87%	10.56%	9.67%	7.46%	6.29%	9.24%	5.96%
LT Investments	-	-	-	-	-	-	-	0.60%	0.73%	-
Intangible Assets	11.66%	10.64%	7.34%	5.96%	4.99%	3.85%	24.07%	15.14%	14.69%	8.43%
Prepayments LT	-	-	-	-	-	-	-	4.88%	8.20%	-
Deferred LT Assets	-	-	-	-	-	3.17%	2.80%	2.77%	8.25%	9.25%
Other Assets	1.26%	0.91%	0.63%	2.84%	5.03%	4.25%	9.90%	5.09%	2.87%	8.89%
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Accounts Payable & Accrued Exps	7.96%	7.97%	8.75%	8.97%	7.91%	7.70%	7.39%	7.22%	7.09%	11.41%
Accounts Payable	4.07%	4.02%	4.93%	5.30%	3.84%	3.97%	4.17%	4.04%	2.90%	4.11%
Accrued Expenses	3.89%	3.95%	3.82%	3.67%	4.06%	3.74%	3.22%	3.19%	4.19%	7.30%
Current Debt	-	19.17%	8.09%	0.13%	-	-	3.47%	-	3.04%	1.90%
Other Current Liabilities	4.48%	4.76%	1.33%	1.16%	2.09%	2.60%	2.77%	2.59%	5.81%	2.87%
Total Current Liabilities	**12.44%**	**31.90%**	**18.17%**	**10.26%**	**10.00%**	**10.30%**	**13.63%**	**9.81%**	**15.94%**	**16.17%**
LT Debt & Lease	19.42%	0.14%	20.21%	17.66%	14.96%	11.50%	20.72%	24.77%	23.56%	12.87%
Deferred LT Liabilities	4.72%	4.68%	1.47%	0.29%	0.49%	0.51%	1.40%	1.01%	1.13%	1.58%
Minority Interests	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Liabilities	2.07%	1.47%	1.28%	5.33%	4.27%	7.20%	5.58%	4.18%	5.71%	3.99%
Total Liabilities	**38.65%**	**38.18%**	**41.13%**	**33.54%**	**29.72%**	**29.52%**	**41.33%**	**39.77%**	**46.33%**	**34.61%**
Temporary Equity	-	1.18%	0.32%	-	-	-	-	-	-	-
Common Share Capital	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%	0.01%	0.01%	0.00%
Additional Paid-In Capital	53.53%	56.58%	47.84%	47.60%	45.52%	40.69%	30.29%	23.50%	29.07%	19.98%
Retained Earnings	54.84%	59.02%	62.07%	78.17%	94.53%	86.46%	65.67%	36.74%	24.70%	45.36%
Accum Other Comprehens Income	0.11%	-0.05%	-0.16%	-0.16%	-0.09%	0.01%	0.07%	-0.03%	-0.10%	0.04%
Other Equity	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Equity	**61.35%**	**61.82%**	**58.87%**	**66.46%**	**70.28%**	**70.48%**	**58.68%**	**60.23%**	**53.67%**	**65.39%**
Total Liabilities & Equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table (2): Balance Sheet Vertical Common Size Analysis

	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24
Profitability Ratios										
ROA % (Net)	8.80%	8.30%	19.40%	29.00%	33.90%	18.30%	18.50%	26.80%	10.30%	55.80%
ROE % (Net)	14.30%	13.50%	32.30%	46.10%	49.40%	26.00%	29.30%	45.00%	18.00%	91.70%
ROI % (Operating)	13.10%	12.50%	26.60%	35.70%	36.70%	22.40%	23.40%	32.80%	12.00%	77.10%
EBITDA Margin %	19.60%	17.50%	29.30%	34.00%	34.60%	29.30%	30.10%	40.00%	18.60%	56.00%
Calculated Tax Rate %	16.50%	17.40%	12.60%	4.70%	-6.30%	5.90%	1.80%	1.90%	-4.50%	12.00%
Revenue per Employee	508,709	750,682	672,782	844,959	884,853	794,773	864,576	1,200,905	1,032,528	2,063,830
Liquidity Ratios										
Quick Ratio	5.70%	2.40%	4.30%	7.30%	6.70%	7.00%	3.60%	6.00%	2.60%	3.40%
Current Ratio	6.40%	2.60%	4.80%	8.00%	7.90%	7.70%	4.10%	6.70%	3.50%	4.20%
Net Current Assets % TA	66.90%	50.20%	68.60%	72.10%	69.40%	68.80%	42.10%	55.40%	40.10%	51.30%
Debt Management										
LT Debt to Equity	0.30%	-	0.30%	0.30%	0.20%	0.20%	0.40%	0.40%	0.40%	0.20%
Total Debt to Equity	0.30%	0.30%	0.50%	0.30%	0.20%	0.20%		0.40%	0.50%	0.20%
Interest Coverage	42.10%	93.40%	483.50%	-	-	-	0.40% 35.70%	48.50%	-	-
Asset Management										
Total Asset Turnover	0.65	0.68	0.81	0.92	0.96	0.72	0.71	0.74	0.63	1.14
Receivables Turnover	10.43	10.07	10.41	9.32	8.74	7.11	8.03	7.62	6.38	8.84
Days in Receivables	35 Days	36 Days	35 Days	39 Days	42 Days	51 Days	45 Days	48 Days	57 Days	41 Days
Inventory Turnover	4.78	4.88	4.7	4.9	3.83	3.25	4.48	4.26	2.99	3.18
Days in Inventory	76 Days	75 Days	78 Days	74 Days	95 Days	112 Days	81 Days	86 Days	122 Days	115 Days
Accounts Payable Turnover	15.2	16.73	17.74	18.02	21.23	18.28	17.38	18.09	18.18	31.39
Accrued Expenses Turnover	15.23	17.26	20.78	24.72	24.68	18.45	20.85	23.11	17.26	18.73
Property Plant & Equip Turnover	8.24	9.63	14.04	12.83	9.79	7.11	8.58	10.96	8.22	15.82
Cash & Equivalents Turnover	5.7	9.02	5.87	3.38	4.91	1.87	2.79	19.03	10.06	11.45
Per Share										
Cash Flow per Share	$0.04	$0.05	$0.08	$0.15	$0.15	$0.20	$0.23	$0.37	$0.23	$1.14
Book Value per Share	$0.20	$0.21	$0.25	$0.31	$0.39	$0.50	$0.68	$1.06	$0.90	$1.74

Table (3): Comparative Ratios & Figures

	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24
Total Revenue		7%	38%	41%	21%	-7%	53%	61%	0%	126%
Direct Costs		6%	29%	37%	17%	-9%	51%	50%	23%	43%
Gross Profit		**8%**	**45%**	**43%**	**23%**	**-6%**	**54%**	**68%**	**-12%**	**188%**
Selling General & Admin		25%	10%	23%	22%	10%	77%	12%	13%	9%
Research & Development		-2%	10%	23%	32%	19%	39%	34%	39%	18%
Other Operating Expense			-98%	-100%						-100%
Total Indirect Operating Costs		**12%**	**3%**	**23%**	**29%**	**16%**	**50%**	**27%**	**50%**	**2%**
Operating Income		**-2%**	**159%**	**66%**	**19%**	**-25%**	**59%**	**122%**	**-58%**	**681%**
Interest Income		-56%	-50%	-300%	875%	62%	-201%	63%	-102%	12080%
Other Non-Operating Income		-71%	-725%	-12%	-164%	-114%	-300%	2575%	-145%	-594%
Total Non-Operating Income		**-4%**	**625%**	**-52%**	**-757%**	**35%**	**-199%**	**-19%**	**-57%**	**-2067%**
Earnings Before Tax		**-2%**	**156%**	**68%**	**22%**	**-24%**	**48%**	**125%**	**-58%**	**709%**
Taxation		4%	85%	-38%	-264%	-171%	-56%	145%	-199%	-2270%
Net Income		**-3%**	**171%**	**83%**	**36%**	**-32%**	**55%**	**125%**	**-55%**	**581%**

Table (4): Income Statement Horizontal Common Size Analysis

	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24
Total Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Direct Costs	44%	44%	41%	40%	39%	38%	38%	35%	43%	27%
Gross Profit	**56%**	**56%**	**59%**	**60%**	**61%**	**62%**	**62%**	**65%**	**57%**	**73%**
Selling General & Admin	10%	12%	10%	8%	8%	10%	12%	8%	9%	4%
Research & Development	29%	27%	21%	18%	20%	26%	24%	20%	27%	14%
Other Operating Expense	0.00%	2.61%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	5.02%	0.00%
Total Indirect Operating Cost	**39%**	**41%**	**31%**	**27%**	**29%**	**36%**	**35%**	**28%**	**41%**	**19%**
Operating Income	**16%**	**15%**	**28%**	**33%**	**32%**	**26%**	**27%**	**37%**	**16%**	**54%**
Interest Income	-0.39%	-0.16%	-0.06%	0.08%	0.67%	1.15%	-0.76%	-0.77%	0.02%	1.00%
Other Non-Operating Income	0.30%	0.08%	-0.36%	-0.23%	0.12%	-0.02%	0.02%	0.40%	-0.18%	0.39%
Total Non-Operating Income	**0%**	**0%**	**0%**	**0%**	**1%**	**1%**	**-1%**	**0%**	**0%**	**1%**
Earnings Before Tax	**16%**	**15%**	**28%**	**33%**	**33%**	**27%**	**26%**	**37%**	**16%**	**56%**
Taxation	3%	3%	3%	2%	-2%	2%	0%	1%	-1%	7%
Net Income	**13%**	**12%**	**24%**	**31%**	**35%**	**26%**	**26%**	**36%**	**16%**	**49%**

Table (5): Income Statement Vertical Common Size Analysis

Standardized Annual Income Statement	Jan-23	Jan-24	Projected Jan-25	Projected Jan-26	Projected Jan-27	Projected Jan-28	Projected Jan-29	Projected Jan-30
Scale	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**
Total Revenue	$ 26,974,000.00	$ 60,922,000.00	$ 128,666,000.00	$ 167,437,324.00	$ 217,891,732.00	$ 250,720,727.00	$ 275,904,211.00	$ 303,617,234.00
Direct Costs	$ 11,618,000.00	$ 16,621,000.00	$ 32,166,500.00	$ 41,859,331.00	$ 54,472,933.00	$ 75,216,218.00	$ 82,771,263.00	$ 100,193,687.00
Gross Profit	**$ 15,356,000.00**	**$ 44,301,000.00**	**$ 96,499,500.00**	**$ 125,577,993.00**	**$ 163,418,799.00**	**$ 175,504,509.00**	**$ 193,132,948.00**	**$ 203,423,547.00**
Selling General & Admin	$ 2,440,000.00	$ 2,654,000.00	$ 3,859,980.00	$ 8,371,866.00	$ 10,894,587.00	$ 17,550,451.00	$ 19,313,295.00	$ 27,325,551.00
Research & Development	$ 7,339,000.00	$ 8,675,000.00	$ 12,866,600.00	$ 16,743,732.00	$ 21,789,173.00	$ 37,608,109.00	$ 55,180,842.00	$ 60,723,447.00
Other Operating Expense	$ 1,353,000.00	-	$ 1,286,660.00	$ 1,674,373.00	$ 2,178,917.00	$ 2,507,207.00	$ 2,759,042.00	$ 3,036,172.00
Total Indirect Operating Costs	**$ 11,132,000.00**	**$ 11,329,000.00**	**$ 18,013,240.00**	**$ 26,789,972.00**	**$ 34,862,677.00**	**$ 57,665,767.00**	**$ 77,253,179.00**	**$ 91,085,170.00**
Operating Income	**$ 4,224,000.00**	**$ 32,972,000.00**	**$ 78,486,260.00**	**$ 98,788,021.00**	**$ 128,556,122.00**	**$ 117,838,741.00**	**$ 115,879,769.00**	**$ 112,338,377.00**
Interest Income	$ 5,000.00	$ 609,000.00	$ 1,029,328.00	$ 1,339,499.00	$ 1,743,134.00	$ 2,005,766.00	$ 2,207,234.00	$ 2,428,938.00
Other Non-Operating Income	$ (48,000.00)	$ 237,000.00	$ 257,332.00	$ 334,875.00	$ 435,783.00	$ 501,441.00	$ 551,808.00	$ 607,234.00
Total Non-Operating Income	**$ (43,000.00)**	**$ 846,000.00**	**$ 1,286,660.00**	**$ 1,674,373.00**	**$ 2,178,917.00**	**$ 2,507,207.00**	**$ 2,759,042.00**	**$ 3,036,172.00**
Earnings Before Tax	**$ 4,181,000.00**	**$ 33,818,000.00**	**$ 77,199,600.00**	**$ 97,113,648.00**	**$ 126,377,204.00**	**$ 115,331,534.00**	**$ 113,120,726.00**	**$ 109,302,204.00**
Taxation	$ (187,000.00)	$ 4,058,000.00	$ 11,579,940.00	$ 15,069,359.00	$ 19,610,256.00	$ 17,550,451.00	$ 13,795,211.00	$ 15,180,862.00
Net Income	**$ 4,368,000.00**	**$ 29,760,000.00**	**$ 65,619,660.00**	**$ 82,044,289.00**	**$ 106,766,948.00**	**$ 97,781,083.00**	**$ 99,325,516.00**	**$ 94,121,343.00**

Table (6): Projected Income Statement

Standardized Annual Balance Sheet	Jan-23	Jan-24	Projected Jan-25	Projected Jan-26	Projected Jan-27	Projected Jan-28	Projected Jan-29	Projected Jan-30
Scale	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**
Cash & Equivalents	3,389,000	7,280,000	16,726,580	21,766,852	28,325,925	32,593,694	35,867,547	39,470,240
Short Term Investments	9,907,000	18,704,000	32,166,500	41,859,331	54,472,933	50,144,145	55,180,842	60,723,447
Cash & Equivs & ST Investments	**13,296,000**	**25,984,000**	**48,893,080**	**63,626,183**	**82,798,858**	**82,737,840**	**91,048,390**	**100,193,687**
Receivables (ST)	3,827,000	9,999,000	20,086,209	33,487,465	43,578,346	42,622,524	41,385,632	45,542,585
Inventories	5,159,000	5,282,000	14,047,574	18,280,572	23,789,114	50,144,145	68,976,053	75,904,309
Current Tax Assets	-	-	-	-	-	-	-	-
Other Current Assets	791,000	3,080,000	6,504,896	8,465,037	11,015,832	12,675,550	13,948,737	15,349,809
Total Current Assets	**23,073,000**	**44,345,000**	**89,531,759**	**123,859,257**	**161,182,150**	**188,180,058**	**215,358,811**	**236,990,390**
Gross Property Plant & Equip	6,501,000	7,423,000	25,784,009	50,231,197	87,156,693	125,360,363	165,542,527	182,170,341
Accumulated Depreciation	2,694,000	3,509,000	2,783,127	5,421,958	9,407,698	13,531,404	17,868,669	19,663,476
Net Property Plant & Equip	**3,807,000**	**3,914,000**	**23,000,882**	**44,809,239**	**77,748,995**	**111,828,959**	**147,673,858**	**162,506,865**
Long Term Investments	299,000	-	-	5,000,000	6,000,000	7,200,000	8,640,000	10,368,000
Intangible Assets	6,048,000	5,542,000	11,704,589	11,938,681	12,177,454	12,421,003	12,669,424	12,922,812
Prepayments (LT)	3,376,000	-	5,064,000	7,596,000	11,394,000	17,091,000	25,636,500	38,454,750
Deferred LT Assets	3,396,000	6,081,000	13,829,334	28,487,465	54,472,933	75,216,218	96,566,474	121,446,894
Other Assets	1,183,000	5,846,000	7,634,323	22,165,622	41,924,796	71,738,748	97,599,709	127,064,180
Total Assets	**41,182,000**	**65,728,000**	**150,764,887**	**243,856,264**	**364,900,329**	**483,675,987**	**604,144,775**	**709,753,891**
Accounts Payable & Accrued Exps	**2,919,000**	**7,496,000**	**14,891,330**	**19,378,580**	**25,217,988**	**29,017,495**	**31,932,139**	**35,139,542**
Accounts Payable	1,193,000	2,699,000	7,547,555	9,821,883	12,781,542	14,707,292	16,184,557	17,810,204
Accrued Expenses	1,726,000	4,797,000	7,343,775	9,556,697	12,436,446	14,310,203	15,747,582	17,329,338
Current Debt	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	2,500,000	2,500,000	2,500,000
Other Current Liabilities	2,394,000	1,885,000	5,742,328	7,472,682	9,724,448	11,189,597	12,313,529	13,550,353
Total Current Liabilities	**6,563,000**	**10,631,000**	**21,883,658**	**28,101,262**	**36,192,436**	**42,707,092**	**46,745,668**	**51,189,896**
LT Debt & Leases	9,703,000	8,459,000	9,006,620	9,096,686	9,187,653	18,375,306	18,559,059	18,744,650
Deferred LT Liabilities	465,000	1,035,000	1,819,739	2,368,087	3,081,670	3,545,974	3,902,147	4,294,096
Minority Interests	-	-	-	-	-	-	-	-
Other Liabilities	2,350,000	2,625,000	7,604,397	9,895,853	12,877,801	14,818,055	16,306,446	17,944,336
Total Liabilities	**19,081,000**	**22,750,000**	**40,314,414**	**49,461,888**	**61,339,560**	**79,446,428**	**85,513,320**	**92,172,978**
Temporary Equity	-	-	-	-	-	-	-	-
Common Share Capital	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Additional Paid-In Capital	11,971,000	13,132,000	15,101,800	17,367,070	19,972,131	22,967,950	26,413,143	30,375,114
Retained Earnings	10,171,000	29,817,000	95,279,173	177,126,555	283,637,263	381,183,672	480,270,807	574,166,258
Accum Other Comprehensive Income	-43,000	27,000	67,500	-101,250	-50,625	75,938	113,906	22,781
Treasury Stock	-	-	-	-	-	-	11,831,600	13,014,760
Other Equity	-	-	-	-	-	-	-	-
Total Equity	**22,101,000**	**42,978,000**	**110,450,473**	**194,394,375**	**303,560,769**	**404,229,559**	**518,631,455**	**617,580,913**
Total Liabilities & Equity	**41,182,000**	**65,728,000**	**150,764,887**	**243,856,264**	**364,900,329**	**483,675,987**	**604,144,775**	**709,753,891**

Table (7): Projected Balance Sheet