

# FINANCIAL ANALYSIS REPORT – NVIDIA CORPORATION



**Contact Number:** +62 821 3258 2796

**Location:** Indonesia



Prepared by: **Gigih Priyo P**

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## 1. Executive Summary

NVIDIA has emerged as a dominant force in the global semiconductor industry, especially within the graphics processing unit (GPU) market and AI infrastructure. In the fiscal year 2024, the company experienced explosive growth, driven by surging demand for AI computing and data centre acceleration. This report provides a comprehensive review of NVIDIA's financial performance, strategic positioning, and the risks embedded in its current valuation. The aim is to determine whether the company's financial fundamentals justify its premium pricing and what the future holds amid increasing competition and geopolitical uncertainty.

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## 2. Why This Report Was Made

The global AI arms race has thrust semiconductor companies into the strategic spotlight, with NVIDIA often perceived as the backbone of this transformation. Given its expanding influence in enterprise AI, cloud computing, and edge infrastructure, understanding NVIDIA's financial resilience is crucial. This report was written to:

- Evaluate the sustainability of NVIDIA's revenue and profit growth.
  - Assess how much of this growth is structurally durable versus cyclical.
  - Identify real-world risks (e.g., supply chain, China-US tech tensions).
  - Benchmark NVIDIA's strategy against peers in a dynamic industry landscape.
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## 3. Company Overview

Founded in 1993, NVIDIA Corporation initially focused on consumer GPUs for gaming but has since expanded into data centres, AI hardware, and automotive computing. Its product segments include:

- Gaming: GeForce GPUs and gaming laptops.
- Data Center: AI inference and training via A100/H100 chips.
- Professional Visualization: Creative and enterprise-grade visual compute.
- Automotive & Embedded: Self-driving vehicle platforms.
- OEM & Other: Licensing and IP deals.

NVIDIA's strength lies not just in hardware, but also in its integrated software stack (CUDA, cuDNN), giving it a high switching cost advantage over competitors.

## 4. Financial Performance Analysis

### Revenue Growth

In FY2024, NVIDIA reported revenue of \$60.9 billion, up 126% YoY from \$26.9 billion in FY2022. The Data Center segment alone contributed \$47.5 billion, highlighting the AI boom as the primary driver.

### Profitability

Gross margin expanded to 72.7%, compared to 64.9% in FY2022. Net income reached \$29.8 billion, a 581% increase from \$4.4 billion in FY2022, demonstrating operational leverage.

### Balance Sheet Strength

Cash and cash equivalents stood at \$26.3 billion. Total liabilities were \$22.5 billion, resulting in a net cash position. Debt-to-equity remains below 0.5x, signaling financial conservatism.

### Cash Flow

Operating cash flow hit \$28.1 billion in FY2024, up from \$9.1 billion in FY2022. Capital expenditure increased modestly, enabling continued investment in R&D and data centre scaling.

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## 5. Key Drivers of Growth & Risk

### Drivers:

- AI demand from hyperscalers (e.g., Amazon AWS, Microsoft Azure).
- CUDA ecosystem lock-in for developers.
- High-margin Data Center products.

### Risks:

- Export restrictions to China affecting ~20% of Data Center sales.
- Rising competition from AMD (MI300X) and custom AI silicon (e.g., Google TPU).
- Supply chain constraints or over-reliance on TSMC.

## 6. Real-World Implications & Competitive Positioning

NVIDIA's role in the AI boom means its valuation is not just about current earnings but also market confidence in its ability to shape future compute paradigms. However, the same concentration in Data Center may pose long-term risks if demand normalizes or pricing power erodes. The race to build custom chips by major cloud players may dilute NVIDIA's dominance unless it further differentiates its offerings.

Compared to competitors:

- AMD: Cheaper alternative, but lacking CUDA moat.
- Intel: Struggling with execution.
- Apple/Google: Vertical integration for internal use, not for market-wide adoption.

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## 7. Strategic Outlook & Recommendations

NVIDIA's future depends on three levers:

1. Sustaining its innovation lead in AI chips (e.g., Blackwell architecture).
2. Diversifying AI software offerings (e.g., Nvidia Omniverse, DGX Cloud).
3. Managing geopolitical exposure through regional diversification.

Recommendations:

- Continue R&D reinvestment at >20% of revenue.
- Expand into sovereign AI infrastructure (governments, health care).
- Improve transparency in forward guidance to manage investor expectations.

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## 8. Conclusion

NVIDIA's FY2024 performance was exceptional, but its future is not without challenge. While its core strengths in architecture, ecosystem, and market share remain dominant, the company must navigate a more contested and politicised tech landscape. For longterm investors or analysts, NVIDIA is both a case study in strategic execution and a cautionary tale of concentration risk in emerging tech cycles.

## **9. References & Appendix**

- NVIDIA Annual Reports (2022–2024)
- Earnings Call Transcripts
- Bloomberg Terminal Data
- Messari Research
- TechCrunch, Reuters, Financial Times