



## *Nvidia hits valuation top in echo of dotcom boom*

The Australian

June 20, 2024 Thursday

Australian Edition

Copyright 2024 Nationwide News Pty Limited All Rights Reserved

**Section:** WSJ; Pg. 21

**Length:** 839 words

**Byline:** ASA FITCH

### **Body**

---

Nvidia has become the US's most valuable listed company because of the demand for its artificial-intelligence chips, leading a tech boom that brings back memories of one from earlier this century.

Nvidia's chips have been the workhorses of the AI boom, essential tools in the creation of sophisticated AI systems that have captured the public's imagination with their ability to produce cogent text, images and audio with minimal prompting.

The last time a big provider of computing infrastructure was the most valuable US company was in March 2000, when networking-equipment company **Cisco** took that spot at the height of the dotcom boom.

**Cisco** was riding the wave of a different revolution - the internet - where its products powered that budding industry. Like Nvidia, **Cisco** also surpassed Microsoft to become the most valuable company.

John Chambers, who was chief executive of **Cisco** during the dotcom boom, said there were some parallels, but the dynamics of the AI revolution were different from previous ones such as the internet and cloud computing. Mr Chambers, now a venture investor, has made big bets on AI in cybersecurity and other arenas.

"The implications in terms of the size of the market opportunity is that of the internet and cloud computing combined," he said.

"The speed of change is different, the size of the market is different, the stage when the most valuable company was reached is different." Nvidia, a 31-year-old company, became the world's most valuable firm on Tuesday. Its stock closed at \$US135.58, giving the chip maker a valuation of \$US3.335 trillion (\$5 trillion), just above Microsoft at \$US3.317 trillion.

It marks the first time a company other than Microsoft or Apple has held the title of largest company since February 2019, when Amazon.com briefly topped the list. Nvidia was ranked fifth largest by market valuation a year ago and was 10th largest two years ago. Five years ago, it wasn't in the top 20 largest companies.

## Nvidia hits valuation top in echo of dotcom boom

The scramble among tech -giants such as Microsoft, Meta and Amazon to lead the way in AI's development and capture its hoped-for benefits has led to a chip-buying spree that lifted Nvidia's revenue to unprecedented heights. In its latest quarter, the company brought in \$US26bn, more than triple the same period a year before.

Nvidia's stock was the best performer in the S&P 500 in 2023, and has more than tripled in value over the past 12 months. The company's value hit \$US3 trillion this month, less than four months after it reached \$US2 trillion.

Nvidia split its shares 10-for-one this month, a move aimed at lowering the price of each share and making it more accessible to investors.

The stunning rise has won plaudits from analysts who agree with chief executive Jensen Huang's assertion that AI is the foundation of a new industrial revolution to which the company is the key supplier. Mr Huang says Nvidia is building "AI factories" that take in data and churn out -intelligence.

Nvidia "will be the most important company to our civilisation over the next decade as the world becomes more AI-driven," CFRA Research analyst Angelo Zino said recently. The chips Nvidia pioneered would be the most important invention of this century, he said.

The insatiable flow of money into AI has raised eyebrows among investors uncertain that the boom can continue without pause. Some \$US50bn has been invested in Nvidia's chips since the boom began, according to a Sequoia Capital estimate in March, but generative-AI start-ups have only brought in \$US3bn in sales.

That imbalance, Sequoia partner Sonya Huang said at the time, meant "we've got some real problems to fix". Capital Economics chief economist Neil Shearing on Monday said the AI bubble would probably help keep US stocks rising for the next year and a half, although it would eventually burst, with the US market "destined for a period of significant underperformance" to follow.

Nvidia and its chief, Mr Huang, are showing few signs of concern, despite an array of challenges around them, from feisty competitors to regulators increasingly scrutinising the company's dominance in the AI-chip market, where analysts suggest it has a share of above 80 per cent.

Mr Huang early this month was in Taiwan, where he gave an address and announced new details about a future generation of AI chips set to arrive in 2026.

With the rise of the stock, he has taken on an aura of stardom usually reserved for pop singers and athletes, not 61-year-old tech executives. At the company's annual conference in March, Mr Huang gave his keynote speech in an 11,000-capacity arena.

Mr Chambers said Mr Huang was working from a different playbook than Cisco, but was facing some similar challenges. Nvidia has a dominant market share, much like Cisco did with its products as the internet grew, and is also fending off rising competition. Also like Nvidia, Cisco benefited from investments before the industry became profitable. "We were absolutely in the right spot at the right time, and we knew it, and we went for it," Mr Chambers said.

**Load-Date:** June 19, 2024