ARGUS®

Nvidia Corp., based in Santa Clara, California, is a visual computing company with worldwide operations and markets. The company operates through two segments, Graphics and Compute & Networking. The company's four main markets are Gaming, Professional Visualization, Data Center, and Automotive. In calendar 2020, Nvidia completed the acquisition of data-center connectivity leader Mellanox.

Analyst's Notes

Analysis by Jim Kelleher, CFA, and Wallis Kelleher-Ferguson, May 28, 2025

ARGUS RATING: BUY

- Solid quarter and guidance, with China in focus
- Nvidia topped consensus estimates for fiscal 1Q26, opening the fiscal 2026 year with quarterly revenue and non-GAAP EPS that exceeded management's outlook while rising in double-digits percentages.
- Fiscal 1Q26 data center revenue of $39.1 billion rose 73% from a year earlier, as Nvidia found an increasing market for GPU-based servers to support multi-modal large language models (LLMs).
- Management guided for fiscal 2Q26 midpoint revenue of $45 billion, consistent with strong annual growth in the 50% range, though slightly below the pre-reporting consensus.
- We look for growth beyond data center and AI in the company's other end-markets of gaming, professional visualization, and automotive, and are reiterating our 12-month target price of $150.
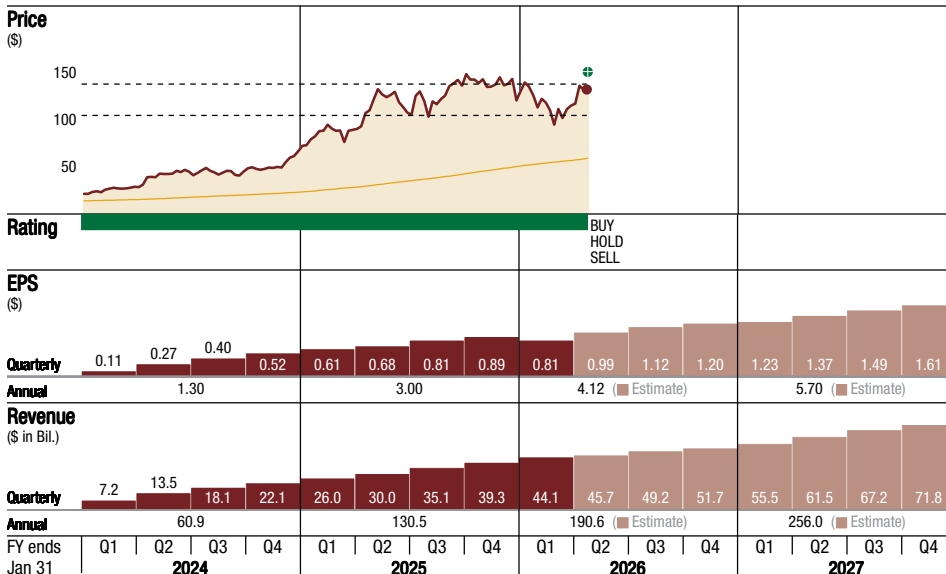
INVESTMENT THESIS

BUY-rated Nvidia Corp. (NGS: NVDA) rose in the after-market on 5/28/25 after the AI leader posted fiscal 1Q26 revenue and non-GAAP EPS that exceeded Wall Street consensus estimates and revenue that came in above the high end of management's guidance. Nvidia does not guide on EPS. Fiscal 1Q26 revenue of $44.1 billion grew 69% annually and 12% sequentially. Sales topped the high end of management's guidance of $42.2-$43.9 billion and the Wall Street consensus estimate of $43.3 billion by over $800 million. Management's guidance was issued before the company stated it would take up to $4.50 billion in charges for H20 chips originally destined for China. Non-GAAP EPS of $0.81 for 1Q26 rose 33% annually and beat the (revised) consensus estimate of $0.75.

At the company's annual GTC Conference in mid-March, CEO Jensen Huang used the keynote address to describe new products, the cadence of Blackwell production, enhanced partnerships, and new foundation models. The company believes the era of AI robotics has begun, addressing the industrial infrastructure market and its $50 trillion opportunity. Nvidia provided detail on new products for the age of reasoning AI, including Blackwood Ultra and the upcoming Rubin family of GPUs. Nvidia expects data center capex to reach $1 trillion annually in the next few years to support a massive 'AI factory buildout.'

Market Data
Pricing reflects previous trading week's closing price.

200-Day Moving Average ⊕Target Price: $150.00 ●52 Week High: $137.40 ○52 Week Low: $104.08 ●Closed at $131.29 on 5/23

Price ($)

FY ends Jan 31	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2024				**2025**				**2026**				**2027**			

EPS ($)

| Quarterly | 0.11 | 0.27 | 0.40 | 0.52 | 0.61 | 0.68 | 0.81 | 0.89 | 0.81 | 0.99 | 1.12 | 1.20 | 1.23 | 1.37 | 1.49 | 1.61 |
| Annual | | | 1.30 | | | | 3.00 | | | | 4.12 (Estimate) | | | | 5.70 (Estimate) | |

Revenue ($ in Bil.)

| Quarterly | 7.2 | 13.5 | 18.1 | 22.1 | 26.0 | 30.0 | 35.1 | 39.3 | 44.1 | 45.7 | 49.2 | 51.7 | 55.5 | 61.5 | 67.2 | 71.8 |
| Annual | | | 60.9 | | | | 130.5 | | | | 190.6 (Estimate) | | | | 256.0 (Estimate) | |

Please see important information about this report on page 7

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Argus Recommendations

	SELL	HOLD	BUY
Twelve Month Rating			BUY
Five Year Rating			BUY

	Under Weight	Market Weight	Over Weight
Sector Rating			Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 27% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview
Price	$134.81
Target Price	$150.00
52 Week Price Range	$86.62 to $153.13
Shares Outstanding	24.39 Billion
Dividend	$0.04

Sector Overview
Sector	Information Technology
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	30.30%

Financial Strength
Financial Strength Rating	HIGH
Debt/Capital Ratio	11.5%
Return on Equity	134.3%
Net Margin	51.7%
Payout Ratio	9.71
Current Ratio	4.44
Revenue	$148.51 Billion
After-Tax Income	$76.77 Billion

Valuation
Current FY P/E	32.72
Prior FY P/E	44.94
Price/Sales	22.14
Price/Book	41.61
Book Value/Share	$3.24
Market Capitalization	$3.29 Trillion

Forecasted Growth

1 Year EPS Growth Forecast
37.33%

5 Year EPS Growth Forecast
14.00%

1 Year Dividend Growth Forecast
33.33%

Risk
Beta	1.89
Institutional Ownership	64.94%

Analyst's Notes ...Continued

In mid-April, NVDA announced it would take up to $5.5 billion of charges associated with H20 products that now require a license before being shipped to China. Actual charges in the quarter were about $4.5 billion. The Trump administration has eased the final set of Biden-era export rules while preparing its own set of restrictions. Nvidia is preparing H20-like chips that would meet the U.S. government's criteria. Nvidia believes China is a viable market, and we expect this situation to play out for multiple quarters before a final set of export regulations is in place.

Following a highly successful FY24 and record revenue and profits in FY25, Nvidia, in our view, is positioned for continued momentum in FY26. The company has unmatched positioning within transformational generative AI technology. We recommend establishing or adding to positions in this preeminent vehicle for participation in the AI economy.

We believe the NVDA shares have much further to go and believe that most technology investors should own NVDA in the early stages of generative AI and GPU-driven applications acceleration. We are reiterating our BUY rating and our 12-month target price of $150.

RECENT DEVELOPMENTS

For fiscal 1Q26 (ended 4/27/25), Nvidia posted revenue of $44.1 billion, up 69% year over year and 12% sequentially. That topped the high end of management's guidance of $42.2-$43.9 billion and the Wall Street consensus estimate of $43.3 billion.

Non-GAAP earnings of $0.81 per diluted share for fiscal 1Q26 were up 33% from $0.61 (split-adjusted) for fiscal 1Q25 and down $0.08 sequentially from $0.89 for fiscal 4Q25. Non-GAAP EPS was above the (revised) $0.75 consensus estimate. Nvidia provides line-item guidance but does not furnish non-GAAP EPS forecasts.

At the time of the 4Q25 results report in February, line-item guidance pointed to fiscal 1Q26 adjusted EPS of $0.88-$0.92. The consensus prior to the mid-April announcement was $0.92. In April, we reduced our FY26 estimate, bringing our 1Q26 estimate to a range of $0.72-$0.75. Excluding charges, according to the company, non-GAAP gross margin would have been 71.3%; and non-GAAP EPS would have been $0.95 per diluted share.

CEO Jensen Huang stated that the company's new Grace Blackwell products represent a 'giant leap in inference performance,' with up to 40-times the speed and throughput of predecessor products (original Hopper). The availability of Grace Blackwell chips such as GB200 and NVlink72 (NVL72) are redesigning how supercomputers are built. Workloads have transitioned from training to inference, and agentic AI represents a change from generative AI. The market for AI solutions has broadened from the hyperscalers to include enterprise and sovereign customers, as AI pervades every region.

CFO Collette Kress called fiscal 1Q26 another strong quarter, with annual 69% revenue growth exceeding the company's outlook. The CFO noted that Nvidia took a $4.5 billion charge for H20 chips now banned in China; that was $1 billion better than

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2021	2022	2023	2024	2025
Revenue	16,675	26,914	26,974	60,922	130,497
COGS	6,279	9,439	11,618	16,621	32,639
Gross Profit	10,396	17,475	15,356	44,301	97,858
SG&A	1,940	2,166	2,440	2,654	3,491
R&D	3,924	5,268	7,339	8,675	12,914
Operating Income	4,532	10,041	5,577	32,972	81,453
Interest Expense	127	207	-5	-609	-1,539
Pretax Income	4,409	9,941	4,181	33,818	84,026
Income Taxes	77	189	-187	4,058	11,146
Tax Rate (%)	2	2	—	12	13
Net Income	4,332	9,752	4,368	29,760	72,880
Diluted Shares Outstanding	25,100	25,350	25,070	24,940	24,804
EPS	0.17	0.39	0.17	1.19	2.94
Dividend	0.02	0.02	0.02	0.02	0.03
GROWTH RATES (%)					
Revenue	52.7	61.4	0.2	125.9	114.2
Operating Income	59.2	121.6	-44.5	491.2	147.0
Net Income	54.9	125.1	-55.2	581.3	144.9
EPS	53.1	122.5	-55.8	600.0	147.1
Dividend					112.5
Sustainable Growth Rate	39.9	24.6	67.7	125.8	117.8
VALUATION ANALYSIS					
Price: High	$34.65	$30.71	$50.55	$152.89	—
Price: Low	$11.57	$10.81	$14.03	$47.32	—
Price/Sales: High-Low	52.2 - 17.4	28.9 - 10.2	47.0 - 13.0	62.6 - 19.4	— - —
P/E: High-Low	200.3 - 66.9	79.8 - 28.1	297.3 - 82.6	128.5 - 39.8	— - —
Price/Cash Flow: High-Low	107.8 - 36.0	120.6 - 42.5	66.8 - 18.5	64.5 - 20.0	— - —

Financial & Risk Analysis

FINANCIAL STRENGTH

FINANCIAL STRENGTH	2023	2024	2025
Cash ($ in Millions)	3,389	7,280	8,589
Working Capital ($ in Millions)	16,510	33,714	62,079
Current Ratio	3.52	4.17	4.44
LT Debt/Equity Ratio (%)	48.0	22.3	12.6
Total Debt/Equity Ratio (%)	54.4	25.7	12.9
RATIOS (%)			
Gross Profit Margin	56.9	72.7	75.0
Operating Margin	20.7	54.1	62.4
Net Margin	16.2	48.8	55.8
Return On Assets	10.2	55.7	82.2
Return On Equity	17.9	91.5	119.2
RISK ANALYSIS			
Cash Cycle (days)	132.6	113.3	81.8
Cash Flow/Cap Ex	3.1	26.3	19.8
Oper. Income/Int. Exp. (ratio)	17.0	132.6	341.2
Payout Ratio	6.8	2.1	1.1

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Analyst's Notes ...Continued

expected due to Nvidia being able to reuse some of the inventory. Nvidia lost an additional $2.5 billion in foregone sales to China, meaning the full impact was $7 billion. The company is undecided if it will produce a product that fits in under the latest ban, and believes that such bans hurt the U.S. and help rival nations.

For fiscal 1Q26, data center revenue of $39.1 billion (89% of total) increased 73% from the prior year and was up 10% sequentially from $35.6 billion in fiscal 4Q25. Within Data Center, AI Compute revenue of $34.2 billion was up 76% annually and 5% sequentially. Networking revenue of $4.96 billion within the Data Center business rose 56% annually and 64% sequentially after two quarters of sequential decline.

At its GTC event in spring 2024, Nvidia introduced the Nvidia Blackwell platform, which is designed to meet the multi-modal AI challenge and enables generative AI on trillion-parameter large language models (LLMs). Blackwell variants represented 70% of data center GPU sales in 1Q26, according to the CFO, and is on its way to fully displacing the predecessor Hopper architecture.

For the largest GPU cluster implementations, Nvidia is replacing reliance on NVlink with InfiniBand with NVlink with Spectrum X for Ethernet. Cisco, the world's largest networking company, is integrating Spectrum X across its systems.

Blackwell is the 'fastest ramp in company history,' the CFO noted. Nvidia is working with partners to increase supply worldwide in response to the high demand. Nvidia believes that it is the largest inference platform in the world, given its massive and

unrivaled installed base of GPUs and software, and Blackwell should broaden this advantage and the competitive moat.

Blackwell is at the heart of the GB200 NVL72 server system, which the company called the most-advanced computer in the world. Customers for this server system, which uses 72 Blackwell chips and 32 Grace CPUs, include Meta Platforms, Microsoft, and others. For multiple quarters, data center growth was led by the HGX platform, based on the Hopper GPU computing platform used for training and inference for LLMs. We expect Hopper to recede as Blackwell takes over.

Most Blackwell systems sales were initially to hyperscale companies, including the largest cloud service providers (CSPs). But the market is broadening to enterprise and now sovereign (government) customers. CEO Huang noted that Azure, AWS, Google Cloud, and Oracle Cloud acquired over 200 Blackwell systems to meet surging AI cloud demand worldwide late last year. Currently, major hyperscalers on average are deploying 72,000 B200 GPUs per week. GB300, the latest Blackwell iteration, is a drop-in design into GB200 systems.

Beyond hyperscalers, the other half of Data Center revenue came from enterprise and consumer internet customers. Consumer internet revenue in Data Center tripled year over year, while Enterprise revenue more than doubled. Consumer Internet revenue is being driven by demand for deep recommender engines and generative AI applications. In addition to enterprise AI and industrial AI, sovereign is the next big opportunity.
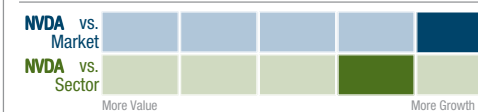
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare NVDA versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how NVDA stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how NVDA might fit into or modify a diversified portfolio.
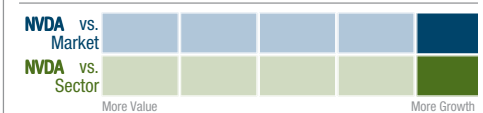
Scatterplot — Growth (P/E axis) vs. Value (5-yr Growth Rate %): AVGO, NVDA, TXN, AMD, ASML, TSM, AMAT, QCOM

Bar charts: P/E, Price/Sales, Price/Book, PEG, 5 Year Growth, Debt/Capital — NVDA vs. Market and NVDA vs. Sector (More Value ↔ More Growth)
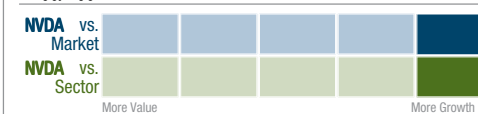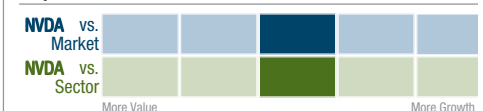
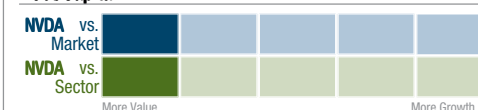| Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
NVDA	NVIDIA Corp	3,287,687	14.0	32.7	51.7	38.3	BUY
AVGO	Broadcom Inc	1,125,788	11.0	36.8	18.5	17.2	BUY
TSM	Taiwan Semiconductor Manufactu	1,017,289	13.0	20.4	41.7	15.6	BUY
ASML	ASML Holding NV	293,999	12.0	25.5	28.3	12.4	BUY
AMD	Advanced Micro Devices Inc.	182,992	15.0	27.9	8.0	49.5	BUY
TXN	Texas Instruments Inc.	167,295	10.0	31.1	30.4	19.9	BUY
QCOM	Qualcomm, Inc.	162,065	11.0	12.5	26.1	7.2	BUY
AMAT	Applied Materials Inc.	129,676	11.0	16.7	24.1	6.0	BUY
Peer Average		**795,849**	**12.1**	**25.5**	**28.6**	**20.8**	

Analyst's Notes ...Continued

Nvidia's other businesses collectively represented 11% of revenue in fiscal 1Q26 and no longer drive the stock. Of the three other businesses, Automotive is surging, while Gaming and Professional Visualization are slower growing.

Automotive revenue of $567 million for 1Q26 increased 87% annually and was flat sequentially with fiscal 4Q25. Growth is shifting from AI cockpit solutions to autonomous (self-driving) platforms. At CES 2025, Toyota announced it would build its next generation of vehicles on the DRIVE Orin platform. For all of FY25, Automotive revenue of $1.7 billion increased 53%.

Gaming revenue of $3.76 billion for 1Q26 rose 42% annually and 48% sequentially. Nvidia believes availability of the new GeForce RTX 50 series with AI capabilities will drive a revival in PC gaming. Professional Visualization revenue of $509 million was up 19% annually and flat sequentially.

In a potential major offset to negative China news, Nvidia is poised to support massive demand for AI data center infrastructure in the Middle East. During President Trump's recent visit to the region, Nvidia announced a 'landmark strategic partnership' with HUMAIN, the new AI subsidiary of Saudi Arabia's Public Investment Fund. HUMAIN is making a major investment to build AI factories in Saudi Arabia, with a projected capacity of up to 500 megawatts powered by 'several hundred thousand' of Nvidia's most-advanced GPUs over the next five years. HUMAIN will deploy the Nvidia Omniverse platform to drive the new era of physical AI and robotics.

Nvidia was also part of a consortium of companies -- including OpenAI, Oracle, Softbank, Cisco, and others -- that will partner to build Stargate UAE. The project is described as a next-generation AI infrastructure cluster that will run in the newly established 5-gigawatt UAE-U.S. AI campus in Abu Dhabi. For both HUMAIN and Stargate UAE, Nvidia will provide Grace Blackwell GB300 systems.

In a Form 8-K issued in mid-April, Nvidia reported that the U.S. government (USG) on 4/9/25 informed the company that the USG requires a license for export to China (including Hong Kong and Macau) of Nvidia's H20 integrated circuits and any other circuits achieving the H20's memory bandwidth, interconnect bandwidth, or a combination thereof.

The USG indicated that the license requirement addresses the risk that covered products may be used or diverted to a supercomputer in China. On 4/14/25, the USG informed Nvidia that the license requirements will be in effect for the indefinite future.

The H20 circuit has the same underlying technology and some similar characteristics to H100 and H200 ('Hopper') products that are shipped to all nations besides China. The H20 has less bandwidth and slower interconnection speeds than the H100 and H200. Despite the lesser capabilities, Chinese companies such as DeepSeek have successfully used clusters of H20 chips to train AI models including advanced reasoning models such as DeepSeek's R1.

As Nvidia indicated in mid-April, fiscal 1Q26 results included $4.5 billion of charges associated with H20 products for inventory, purchase commitments, and related reserves. Nvidia first faced restrictions from the Biden administration in 2022 on exports of its main AI GPU, the A100 ('Ampere'), and its leading-edge AI accelerator at the time, the H100. The Biden administration put in place much-more severe restrictions late in 2023 aimed at a range of products with lower performance thresholds. Nvidia designed the H20 to be compliant with those restrictions, and the product reportedly generated $10-$15 billion in 2024 revenue.

The company is now working on an H20 variant that meets the new guidelines to qualify for an export license. Moreover, the administration has rolled back export restrictions enacted in the final weeks of the Biden administration. Still, the White House is readying its own set of export restrictions.

Mainly for business reasons, but partly to generate goodwill with the Trump administration, Nvidia's plans to invest heavily in the U.S. On 4/14/25, Nvidia announced it was working with partners to manufacture American-made AI supercomputers in the U.S. for the first time. Nvidia has commissioned more than one million square feet of manufacturing space to build and test Nvidia Blackwell chips in Arizona and AI supercomputers in Texas. Blackwell has started production at Taiwan Semiconductor's Phoenix facility. Nvidia will build supercomputer plants with Foxconn in Houston and Wistron in Dallas.

At Nvidia's annual GTC conference in mid-March 2025, CEO Jensen Huang used the keynote address to describe new products, the cadence of Blackwell production, enhanced partnerships, and new foundation models. The era of accelerated computing has arrived, the company believes, and in the future, all data centers will be accelerated (meaning equipped with GPU compute capability). The company expects data center capex to reach $1 trillion annually in the next few years. A massive AI factory buildout is underway, primarily powered by Nvidia's full stack and infrastructure.

The company's current flagship product, Blackwell, is in full production and represents the fastest product ramp in company history. Nvidia is shipping Blackwell family products in a range of configurations to meet surging demand for pre-training, post-training, and inference. The next iteration is Blackwell Ultra, and the company expects to introduce the Blackwell Ultra AI factory platform beginning in the second half of calendar 2025. In 2026, Nvidia will bring to market its next-up product family, Rubin, which will support the future of AI with a major leap in performance.

Blackwell, Blackwell Ultra, and Rubin are designed for the age of reasoning AI. Using a mix of deductive, inductive, and abductive reasoning, reasoning AI models are able to analyze patterns within available data and knowledge, draw logical conclusions, make inferences, and solve problems. Reasoning AI, in turn, supports agentic AI, meaning AI systems designed to act autonomously and achieve specific goals with minimal human intervention.

During GTC 2025, Nvidia specified how products based on these technologies will be architected and deployed. The Blackwell Ultra AI factory platform has been engineered for the era of AI reasoning, and leading CPS and AI companies including Google Cloud, Microsoft Azure, Meta Platforms, Oracle Cloud, and GPU cloud provider CoreWeave will be among the first to offer Blackwell Ultra instances.

Blackwell Ultra AI factory configurations include the GB300 NLV 72, a rackscale system delivering 1.5-times the performance of GB200 systems. GB300 NLV 72 connects 72 Blackwell Ultra GPUs and 36 Grace Hopper CPUs to act as a single GPU. The HGX B300 NVL 16 can perform inference on LLMs more than 10-times fast than H200 (Hopper) models, while providing multiples higher performance in compute and memory.

Analyst's Notes ...Continued

Nvidia, which acquired Mellanox for its leadership in InfiniBand data center connectivity, is now also offering Ethernet-based networking solutions. Quantum-X Photonics InfiniBand switches are configured with 144 ports of 800 Gbps on 200 Gbps Serdes using a liquid-cooled design. Spectrum-X Photonics Ethernet switches are configured with either 128 ports or 512 ports capable of 800 Gbps switching. Quantum-X will be available later in 2025, and Spectrum-X will be available in 2026.

Nvidia also announced the Dynamo open-source inference platform, which it stated scales reasoning AI to deliver massive throughput gains. These include a 30-times increase in inferencing for DeepSeek R1. Dynamo maximizes data center revenue and efficiency by coordinating reasoning inferences across thousands of GPUs processing millions of queries.

Nvidia is also 'turbocharging' agentic AI development with open reasoning AI models, platforms, and partnerships. These include Llama Nemotron reasoning models to accelerate agentic AI development for complex tasks. Nvidia AI data platform enables enterprise agentic AI workflows. Nvidia AI-Q Blueprint accelerates data extraction and retrieval up to 1.5-times for AI data platform storage. Oracle and Nvidia also announced a 'landmark' integration of Oracle Cloud infrastructure with Nvidia AI enterprise, making 160-plus AI tools and 100-plus NIM microservices available natively.

Over the course of GTC 2025 conference, Nvidia introduced a range of Nvidia foundation models, blueprints, tools, and partnerships to advance robotics. New products and platforms will support the era of AI robotics, which is just getting underway. AI robotics addresses a $50 trillion global industrial market, and Nvidia believes billions of robots, hundreds of millions of autonomous vehicles, and hundreds of thousands of robotic factories and warehouses will be developed and deployed. Nvidia addresses this opportunity with Nvidia DGX to train the robot brain, Nvidia OVX and Omniverse to design, test and validate the modern workspace, and Nvidia AGX to run the robot computer.

Following a highly successful FY24 and record revenue and profits in FY25, Nvidia, in our view, is positioned for continued momentum in FY26. The company has unmatched positioning within transformational generative AI technology.

We recommend establishing or adding to positions in this preeminent vehicle for participation in the AI economy. We believe the NVDA shares have much further to go and believe that most technology investors should own NVDA in the early stages of generative AI and GPU-driven applications acceleration.

EARNINGS & GROWTH

For fiscal 1Q26 (ended 4/27/25), Nvidia posted revenue of $44.1 billion, which was up 69% year over year and 12% sequentially. That topped the high end of management's guidance of $42.2-$43.9 billion and the Wall Street consensus estimate of $43.3 billion.

The non-GAAP gross margin tightened to 61.0% in fiscal 1Q26 from 73.5% in fiscal 4Q25 and 78.9% a year earlier.

Non-GAAP earnings of $0.81 per diluted share for fiscal 1Q26 were up 33% from $0.61 (split-adjusted) for fiscal 1Q25 and down $0.08 sequentially from $0.89 for fiscal 4Q25. Non-GAAP EPS was above the (revised) $0.75 consensus estimate. Nvidia provides line-item guidance but does not furnish non-GAAP EPS forecasts.

Excluding the $4.5 billion charge, according to the company, non-GAAP gross margin would have been 71.3%; and non-GAAP

EPS would have been $0.95 per diluted share.

For all of FY25, revenue of $130.50 billion increased 114% from $60.92 billion in FY24. Non-GAAP earnings totaled $3.00 per diluted share in FY25, up 131% from $1.30 per diluted share for FY24 (all current and historical totals are split-adjusted).

For fiscal 2Q26, Nvidia projects revenue of $44.2-$45.9 billion; at the $45.0 billion midpoint, revenue would be up 50% annually and up 2% sequentially. At the revenue midpoint, management guided for a non-GAAP gross margin of 72.0%; non-GAAP operating costs of $4.0 billion; a tax rate of 16.5%; and non-GAAP other income of $450 million.

Based on top-line and line-item guidance, we believe that Nvidia is positioned to earn about $0.94-$1.04 per share in fiscal 2Q26, which at midpoint would up 46% annually from the year-earlier quarter. Because Nvidia consistently blows out revenue expectations based on its own guidance, it has also been blowing out EPS expectations even as margins come down.

Due to foregone Chinese business, we are reducing our non-GAAP EPS projection for FY26 to $4.12 per diluted share from $4.35. We are reducing our preliminary non-GAAP EPS projection for FY27 to $5.70 per diluted share from $5.87. Our long-term EPS growth rate forecast is 14%.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength ranking on Nvidia is High. While Nvidia has issued some debt, its cash flow from operations, free cash flow, and cash and investments are all growing sharply.

Cash was $53.7 billion at the end of fiscal 1Q26. Cash, equivalents, and investments were $43.2 billion at the end of fiscal 2025, $26.0 billion at the end of fiscal 2024, $13.30 billion at the end of FY23, and $21.2 billion at the end of FY22.

Debt was $8.5 billion at the end of fiscal 1Q26. Debt was $8.5 billion at the end of fiscal 2025, $9.7 billion at the end of fiscal 2024, $10.95 billion at the end of FY23, and $10.94 billion at the end of FY22.

Debt to capitalization was 10.7% at the end of fiscal 2025. Debt to cap was 18.4% at the end of FY24, 33.1% at the end of FY23, and 29.1% at the end of FY22. The debt to cap ratio has been going down because growth in stockholders' equity is far outpacing growth in debt.

Cash flow from operations was $64.1 billion for fiscal 2025. Cash flow from operations was $28.1 billion for fiscal 2024, $6.05 billion in FY23, $9.12 billion in FY22, and $5.82 billion in FY21.

In terms of capital allocation, Nvidia returned $34.5 billion to shareholders in FY25, $9.9 billion to shareholders in FY24, and $11.5 billion to shareholders in FY23. The company in August 2024 announced a new $50 billion share-buyback authorization, on top of the $7.5 billion remaining from the prior authorization.

Nvidia paid out about $830 million in dividends in FY25. Concurrent with the 10-for-1 stock split, Nvidia raised its dividend from $0.04 per quarter to a pre-split $0.10; the quarterly dividend is $0.01 post-split. The annualized dividend yields less than 0.1%. Our annual dividend estimates are $0.04 for FY26 and $0.06 for FY27.

MANAGEMENT & RISKS

Jen-Hsun Huang is co-founder, president, and CEO of Nvidia, as well as a board member. Chris Malachowsky, the other co-founder, is a Nvidia fellow. Colette Kress is CFO; Debra Shoquist is EVP of operations; and Jay Puri is EVP of world field

Analyst's Notes ...Continued

operations.

The worsening trade war between U.S. and China and U.S. deployment of tariffs on imported goods risk reducing business activity levels at Nvidia, particularly if these conditions trigger a recession, a period of stagflation, or other economic challenges. For the long term, global demand for Nvidia AI solutions is so strong that the company would likely replace lost Chinese business over time.

The slowdown in consumer demand accelerated rapidly and followed multiple years in which demand far outstripped supply. Nvidia responded by increasing its production capability; the company will now downscale production to better-match its immediate opportunity. Growth in gaming associated with the pandemic may never be seen again, but we expect this business to be a robust market leader for years or decades to come.

A main risk for Nvidia is M&A, as any major acquisition brings risks. We believe that Mellanox provides a worthwhile balance of opportunity that offsets risks, given that Nvidia and Mellanox offer complementary rather than overlapping assets; have a history of successful collaboration; and serve the fastest-growing and most-promising market in technology (AI data center). With the ARM deal terminated, we expect Nvidia to set its sights on smaller targets.

Other risks facing Nvidia include the possibility that CPU industry leaders such as AMD, Intel, or Qualcomm could incorporate advanced GPU functionality into their chipsets and SoCs. While these devices may have some level of graphics capability, we believe that Nvidia's expertise, market leadership, and continued investment in new technology puts it several generations ahead of rivals and gives it a sustainable advantage in its markets.

Nvidia is also at risk from downturns in the global economy, which would reduce consumer and enterprise spending on technology investments. Nvidia also risks investing extensively to support technologies (such as autonomous driving and VR gaming) that do not fully justify that spending. However, we believe that these two niches offer strong growth opportunities.

COMPANY DESCRIPTION

Nvidia Corp., based in Santa Clara, California, is a visual computing company with worldwide operations and markets. The company operates through two segments, Graphics and Compute & Networking. The company's four main markets are Gaming, Professional Visualization, Data Center, and Automotive. In calendar 2020, Nvidia completed the acquisition of data-center connectivity leader Mellanox.

VALUATION

NVDA trades at 32.9-times our FY26 non-GAAP EPS estimate and at 23.8-times our FY27 non-GAAP projection. The two-year forward average P/E of 28.4 is below the five-year (FY21-FY25) average of 43.0. The stock trades at 1.51-times the market P/E, below the five-year historical relative P/E of 2.38. NVDA is trading at premiums to its price-based metrics because it has become a company like no other, while its valuation metrics partially date from pre-AI times when gaming was the dominant price driver. Price-based metrics, including P/E, price/sales, and price/book, point to a comparable historical value in the mid- to upper-$200s (well above with current prices).

Relative to the peer group, NVDA trades at premiums on P/E, price/sales, and EV/EBITDA and at a discount on PEG. Peer-indicated value of about $100 declined during recent tech-sector profit-taking. Nvidia has become a much-faster-growing company than it was over the preceding five years, and in our view deserves to trade at very rich premiums to peers and to its own historical valuations.

On our forward-looking DFCF valuation, NVDA is valued in the $320s. Our blended valuation is around $275, well above current prices.

Despite near-term challenges that are more geopolitical than operational, NVDA shares have much further to go, in our view, given the company's positioning within transformational AI technology. We believe that most technology investors should own NVDA in the age of generative AI and GPU-driven applications acceleration. We are reiterating our BUY rating and our 12-month target price of $150.

On May 28, BUY-rated NVDA closed at $134.81, down $0.69.

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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