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, April 17, 2025

ARGUS RATING: BUY

- Reducing estimates after export restrictions
- The U.S. government has informed Nvidia that it will require a license to export its H20 chips to China. Nvidia will take a $5.5 billion charge for foregone business.
- At the company's GTC conference in March 2025, Nvidia estimated that data center capex could reach $1 trillion annually in the next few years to support a massive 'AI factory buildout.'
- Nvidia has significant competitive advantage in that its first-mover status enabled it to provide a comprehensive solution unmatched by any competitor to all the major AI and cloud service providers.
- Competition in AI will continue to intensify, but beyond data center, Nvidia also has huge growth opportunities in gaming, professional visualization, and automotive.

INVESTMENT THESIS

We are reiterating our BUY rating on Nvidia Corp. (NGS: NVDA). The U.S. government has informed Nvidia that it will require a license to export its H20 chips to China. Nvidia will take a $5.5 billion charge for foregone business in the current fiscal first quarter (ending April 27, 2025) of its January 2026 year.

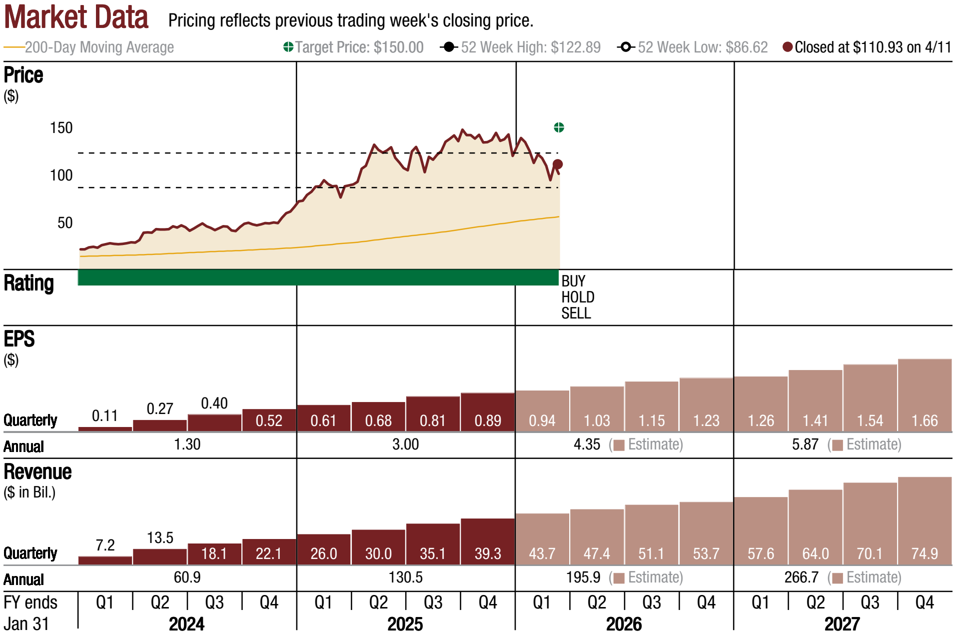
Nvidia has experienced multiple rounds of restrictions on shipments of its products to China, beginning under the Biden Administration in 2022. The H20 chip is mature technology and far from cutting edge. But U.S. government officials and industry watchers believe H20 clusters were used to train models from China-based AI company DeepSeek. The chip may even be used in training advanced 'reasoning' models such as DeepSeek's R1. The selloff in AI stocks late in calendar 2024 accelerated early in 2025 after investors became broadly aware of DeepSeek in January.

We believe global demand for AI solutions will eventually supersede any weakness in Chinese demand. We also see the trade war with China as in process and far from resolved.

Nvidia conducted its annual GTC conference in 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 company believes the era of AI robotics has begun, addressing the industrial infrastructure market and its $50 trillion

Market Data

Pricing reflects previous trading week's closing price.



Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**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: 74% Buy, 26% 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	$104.49
Target Price	$150.00
52 Week Price Range	$75.61 to $153.13
Shares Outstanding	24.40 Billion
Dividend	$0.04

Sector Overview

Sector	Information Technology
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	29.60%

Financial Strength

Financial Strength Rating	HIGH
Debt/Capital Ratio	11.5%
Return on Equity	138.3%
Net Margin	55.8%
Payout Ratio	9.20
Current Ratio	4.44
Revenue	$130.50 Billion
After-Tax Income	$72.88 Billion

Valuation

Current FY P/E	24.02
Prior FY P/E	34.83
Price/Sales	19.54
Price/Book	32.25
Book Value/Share	$3.24
Market Capitalization	$2.55 Trillion

Forecasted Growth

1 Year EPS Growth Forecast	45.00%
5 Year EPS Growth Forecast	14.00%
1 Year Dividend Growth Forecast	33.33%

Risk

Beta	1.89
Institutional Ownership	65.07%

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Analyst's Notes ...Continued

opportunity.

The era of accelerated computing has arrived, the company believes, and in 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, and it is primarily powered by Nvidia's full stack and infrastructure

Following a highly successful FY24 and record revenue and profits in FY25, Nvidia in our view is positioned for continued momentum in FY26 despite the loss of Chinese business (not for the first time). 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 reducing our 12-month target price to $150 from $175.

RECENT DEVELOPMENTS

NVDA is down 22% year-to-date in 2025, in line with the 22% decline for peers. NVDA rose 171% in 2024, versus a 12% gain for the Argus-covered semiconductor peer group. NVDA rose 239% in 2023, versus a 63% gain for peers; declined 50% in 2022, versus a 33% decline for peers; rose 125% in 2021, versus a 34% gain for semiconductor peers; and advanced 122% in 2020, while peers rose 45%.

On April 15, 2025, Nvidia issued an 8-K report stating that on 4/9/25, the U.S. government (USG) 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 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 company's fiscal 2026 first quarter ends on April 27, 2025. First-quarter results are expected to include up to approximately $5.5 billion of charges associated with H20 products for inventory, purchase commitments, and related reserves. BUY-rated AMD was also informed that its MI300 series accelerators will also require a license for export to China. AMD will take $800 million in charges in the current first quarter of the December 2025 year.

The H20 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. That reportedly includes training advanced 'reasoning' models such

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	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

as DeepSeek's R1. The selloff in AI stocks late in calendar 2024 accelerated early in 2025 after investors became broadly aware of DeepSeek in January.

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.

During the fiscal 4Q25 results presentation in February 2025, CEO Jensen Huang stated that revenue from China had declined to about half the level prior to first round of restrictions. China was nonetheless Nvidia's fourth-largest market in fiscal 2025 (ended January 2025). The U.S. is by far Nvidia's biggest market, accounting for more than half of sales.

Nvidia's CEO reportedly had dinner recently at Mar-a-Largo with the president, possibly to discuss the coming restrictions, but also Nvidia's plans to invest 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.

AI technology from Nvidia is in such high demand that product sales would likely not be impacted by any level of tariffs. As the trade war heats up, however, China and the U.S. are deploying not just tariffs but also prohibitions. China is no longer allowing its airlines to take delivery of Boeing commercial airplanes.

President Trump regards himself as a dealmaker. We see the trade war with China as being in-process and far from resolved. But we are also reducing our sales and EPS estimates to reflect the foregone business.

Nvidia conducted its annual GTC conference in 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 company believes the era of AI robotics has begun, addressing the industrial infrastructure market and its $50 trillion opportunity.

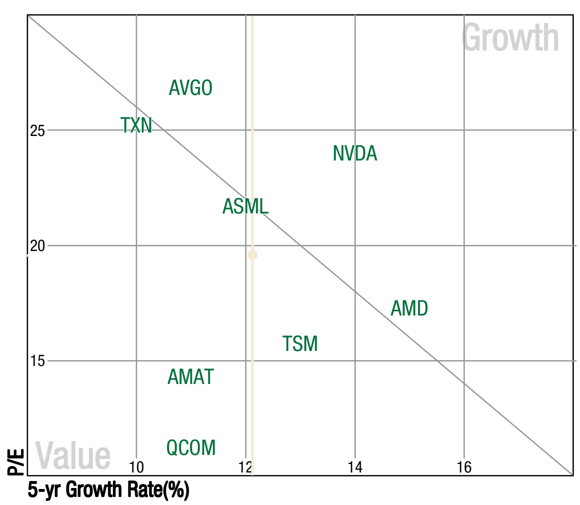
Nvidia continues to build on its significant competitive advantage and first-mover status that have enabled it to become the center of the generative AI universe and chief supplier to all the major AI and cloud service providers. The company's multi-generation lead in GPU compute technology and its CUDA library, NIMs, and other software and hardware products provide a comprehensive solution unmatched by any competitor.

The next stage in AI development is reasoning models and supporting their development will require a massive industry

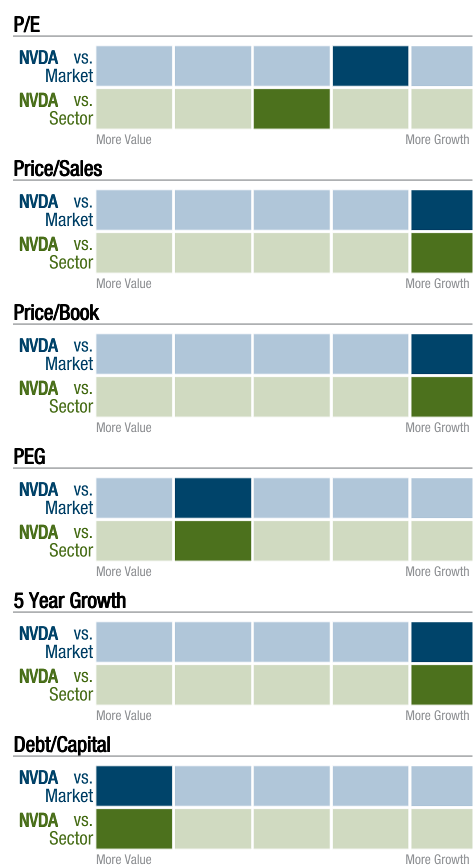
Peer & Industry Analysis

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.**



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	2,549,556	14.0	24.0	55.8	34.9	BUY
AVGO	Broadcom Inc	821,007	11.0	26.9	18.5	17.2	BUY
TSM	Taiwan Semiconductor Manufactu	786,644	13.0	15.8	40.5	15.6	BUY
ASML	ASML Holding NV	250,055	12.0	21.7	30.9	12.4	BUY
QCOM	Qualcomm, Inc.	150,128	11.0	11.3	25.9	7.6	BUY
AMD	Advanced Micro Devices Inc.	143,439	15.0	17.3	6.4	19.6	BUY
TXN	Texas Instruments Inc.	133,348	10.0	25.2	30.7	19.8	BUY
AMAT	Applied Materials Inc.	112,271	11.0	14.3	23.0	7.5	BUY
Peer Average		**618,306**	**12.1**	**19.6**	**29.0**	**16.8**	



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Analyst's Notes ...Continued

commitment. 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, as all data centers become accelerated and support a massive 'AI factory buildout.'

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 that address the entire AI and robotics market to meet 'surging demand' for pre-training, post-training, and inference. The company's annual cadence with Blackwell 'is in high gear.' 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 'staggering leap in performance.'

Blackwell, Blackwell Ultra, and Rubin are designed for the age of reasoning AI. Moving beyond the capabilities of early generative AI models, reasoning AI models can analyze patterns within available data and knowledge, draw logical conclusions, make inferences, and solve problems.

Reasoning AI systems use a mix of deductive reasoning (drawing conclusions from general principles), inductive reasoning (drawing conclusions from specific observations), and abductive reasoning (determining the most plausible explanation for or pattern within a set of observations). Reasoning AI, in turn, supports agentic AI, meaning AI systems designed to act autonomously and achieve specific goals with minimal human intervention.

Investors, technologists, and industry participants have been aware of Blackwell Ultra and Rubin for some time. At GTC 2025, Nvidia provided more specifics regarding 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,' according to the company. 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) based models, while providing multiples higher performance in compute and memory.

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 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 will introduce a 'huge wave' 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.

Our base-case assumption is that the global AI industry will grow at a 40% CAGR through 2030, when total revenue could reach between $1.5 trillion up to $2 trillion. Even as this growing pie attracts large and small competitors, we expect Nvidia to remain the linchpin of the generative AI industry. Beyond data center, Nvidia also has huge growth opportunities in gaming, professional visualization, and automotive.

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.

EARNINGS & GROWTH ANALYSIS

For fiscal 4Q25 (ended 1/27/25), Nvidia posted revenue of $39.3 billion, which was up 78% year over year and 12% sequentially. Revenue exceeded the high end of management's $36.8-$38.3 billion guidance range by about $1 billion and beat the consensus call of $38.2 billion.

The non-GAAP gross margin tightened to 73.5% in fiscal 4Q25 from 75.0% in fiscal 3Q25 and 76.7% a year earlier. The non-GAAP operating margin was 64.9% in 4Q25, compared to 66.3% in 3Q25 and 66.7% a year earlier.

Non-GAAP earnings of $0.89 per diluted share for fiscal 4Q25 were up 73% from $0.52 (split-adjusted) for fiscal 4Q24 and up $0.08 sequentially from $0.81 for fiscal 3Q25. Non-GAAP EPS was above the $0.85 consensus estimate. Nvidia provides line-item guidance but does not furnish non-GAAP EPS forecasts. Line-item guidance pointed to fiscal 4Q25 adjusted EPS of $0.80-$0.85, by our calculation.

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 1Q26, Nvidia projected revenue of $42.2-$43.9 billion; at the $43.0 billion midpoint, revenue would be up 65% annually and up 9% sequentially. The pre-reporting consensus was $42.05 billion, so the Street missed by about $950 million. At the

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Analyst's Notes ...Continued

revenue midpoint, management guided for a non-GAAP gross margin of 71.0%; non-GAAP operating costs of $3.6 billion; a tax rate of 17%; and non-GAAP other income of $400 million.

Based on top-line and line-item guidance, we believe that Nvidia is positioned to earn about $0.88-$0.92 per share in fiscal 1Q26, which at midpoint would up 47% 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.

We have reduced our non-GAAP EPS estimate for FY26 to $4.35 per diluted share from $4.48. We have reduced our preliminary non-GAAP EPS projection for FY27 to $5.87 per diluted share from an initial $6.18. 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 $43.2 billion at the end of fiscal 2025. Cash, equivalents, and investments were $26.0 billion at the end of fiscal 2024, $13.30 billion at the end of FY23, $21.2 billion at the end of FY22, and $11.56 billion at the end of FY21.

Debt was $8.5 billion at the end of fiscal 2025. Debt tripled following the Mellanox deal but is now below peak levels. Debt was $9.7 billion at the end of fiscal 2024, $10.95 billion at the end of FY23, $10.94 billion at the end of FY22, $6.96 billion at the end of FY21, and (prior to acquiring Mellanox) $1.99 billion at the end of FY20.

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 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, and 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 24.2-times our FY26 non-GAAP EPS estimate and at 17.9-times our FY27 non-GAAP projection. The two-year forward average P/E of 21.0 is well below the five-year (FY21-FY25) average of 43.0. The stock trades at 1.23-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 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, PEG, and EV/EBITDA. Peer-indicated value of about $90 has declined during 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

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Analyst's Notes ...Continued

the $330s, well above current prices. Our blended valuation is around $280, reduced from $300 due to DeepSeek and tariff turmoil but well above current prices.

Despite near-term weakness, 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 lowering our 12-month target price to $150 from $175.

On April 17 at midday, BUY-rated NVDA traded at $101.38, down $3.11.

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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.

Argus Research Disclaimer

Morningstar Disclaimer

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