NASDAQGS **NVDA**

NVIDIA CORPORATION

REGION **NORTH AMERICA**

OVERALL RATING FOR **1ST QUARTER 2026** **HOLD**

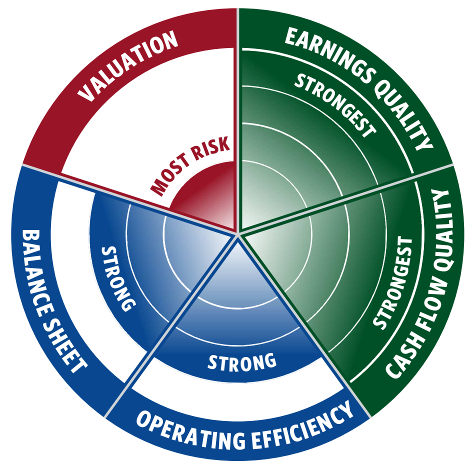
INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

OUR EVALUATION OF NVDA

NVIDIA Corporation is showing strong Earnings Quality, Cash Flow Quality, Operating Efficiency and Balance Sheet Quality, but Valuation suggests a higher amount of price risk. When combined, NVDA deserves a HOLD rating.

The Operating Efficiency rating improved on the strength of better margins. Though this dimension and all of the others were either stronger or unchanged at worst, it was not sufficient to raise the overall rating.

FINANCIAL SONAR™ FOR NVDA 1ST QUARTER 2026



HISTORICAL RATINGS

	Q2 2025	Q3 2025	Q4 2025	**Q1 2026**
OVERALL RATING	HOLD	BUY	HOLD	HOLD
EARNINGS QUALITY	STRONGEST	STRONGEST	STRONGEST	STRONGEST
CASH FLOW QUALITY	STRONG	STRONG	STRONGEST	STRONGEST
OPERATING EFFICIENCY	STRONG	STRONG	WEAK	STRONG
BALANCE SHEET	STRONG	STRONGEST	STRONG	STRONG
VALUATION	MOST RISK	MOST RISK	MOST RISK	MOST RISK

PRICE TRENDS AND VALUATION

Price (USD, AS OF 07/10/25)	**162.90**	MARKET CAP.	**3,974.3 BILLION**	PRICE/SALES	**20.8**
PRICE/EARNINGS	**37.8**	PRICE/EARNINGS GROWTH	**NA**	PRICE/CASH FLOW	**42.8**
PRICE/ADJUSTED EARNINGS	**44.3**	PRICE/ADJUSTED EARNINGS GROWTH	**NA**	PRICE/ADJUSTED CASH FLOW	**36.4**

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INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

EARNINGS QUALITY: STRONGEST

Earnings quality has long been analyzed and used by investors as a measure of the fundamental quality of the company and its future prospects. Companies may be including certain items that increase reported earnings and often the amount of cash flow supporting the earnings may be weak. Jefferson adjusts for these kinds of items and other anomalies to produce an adjusted earnings number that more accurately reflects ongoing business fundamentals at NVIDIA Corporation. Reported earnings are compared to the Jefferson adjusted earnings as a means to gauge earnings quality. Also measured is the amount of cash flow that underpins earnings.

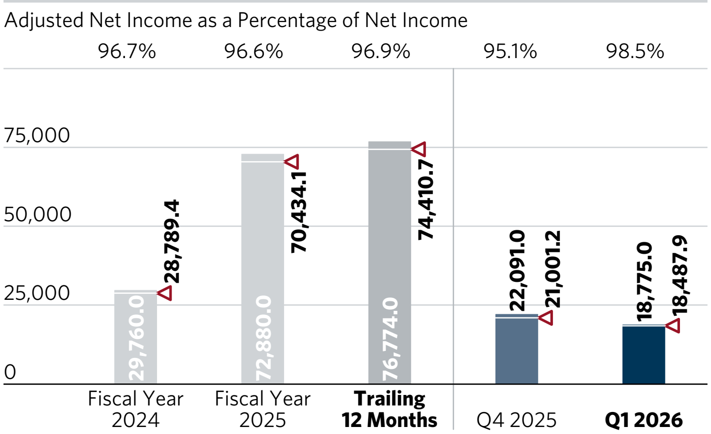
The earnings quality for NVDA remains STRONGEST.

Though the reported net income dropped to 18,775M from 22,091M in the previous quarter, the quality of that reported net income improved. In addition, operating cash flow increased during the last quarter to 27,414M from 16,629M, and the ratio of operating cash flow to earnings has also improved. Though both Earnings Quality measures improved, the rating for NVDA is already a STRONGEST, the best possible rating.

NET INCOME VS. ADJUSTED NET INCOME

IN MILLIONS

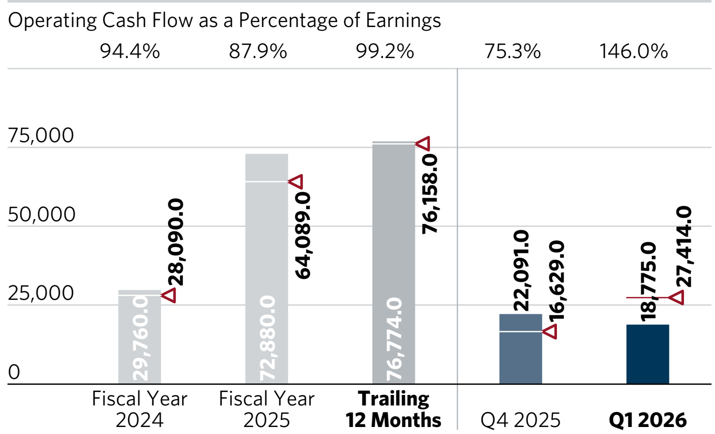
△ Adjusted Net Income



EARNINGS VS. OPERATING CASH FLOW

IN MILLIONS

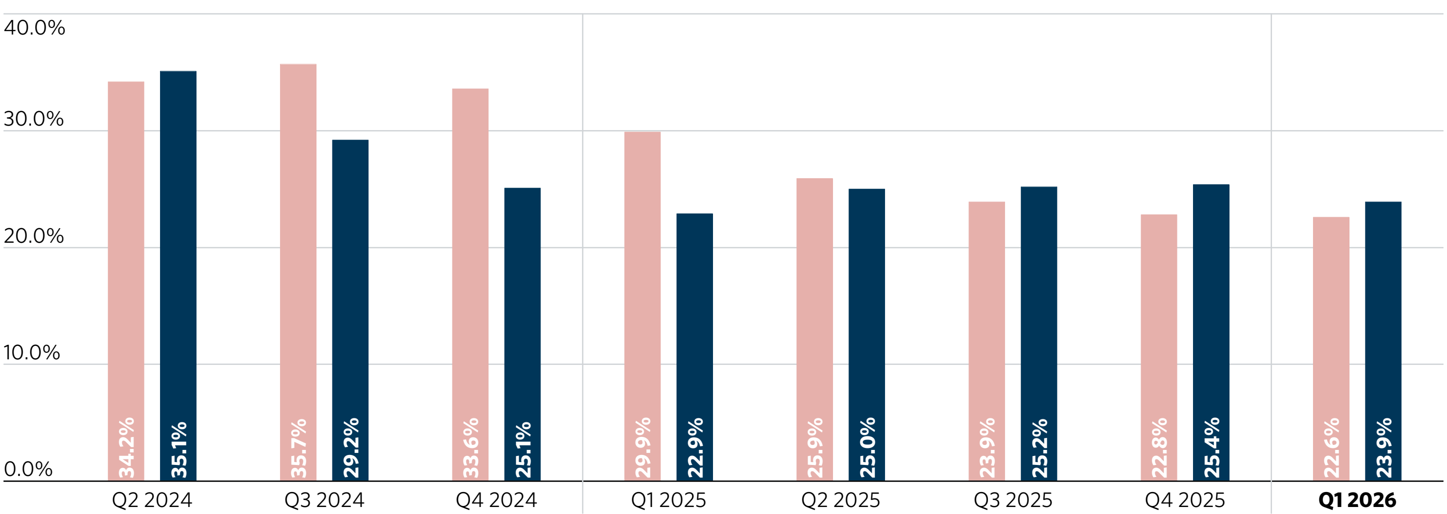
△ Reported Operating Cash Flow



ACCRUALS

% OF SALES

■ Actual Accruals ■ Forcasted Accruals



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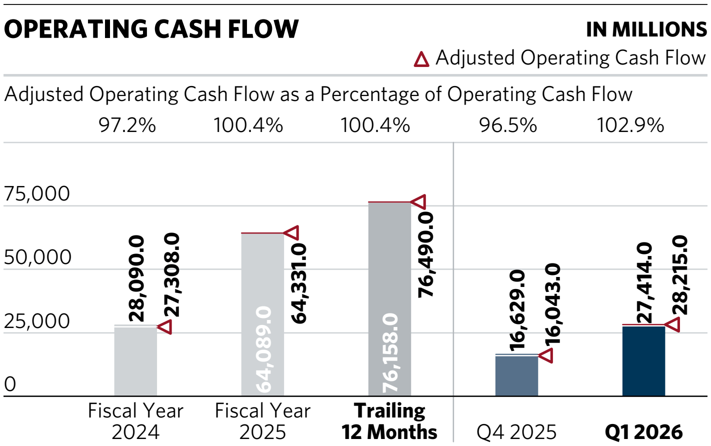
INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

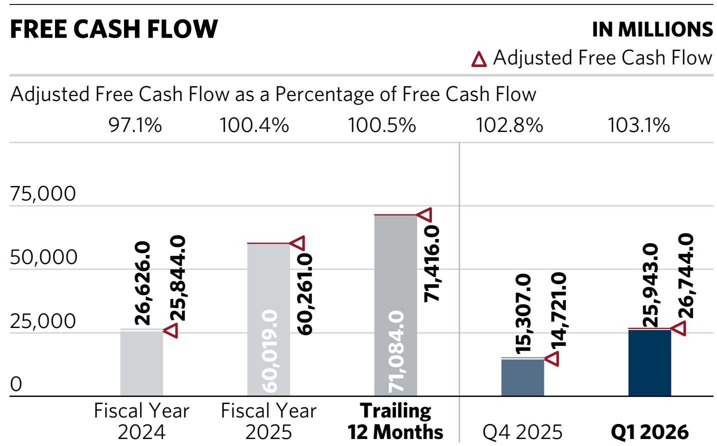
CASH FLOW QUALITY: STRONGEST

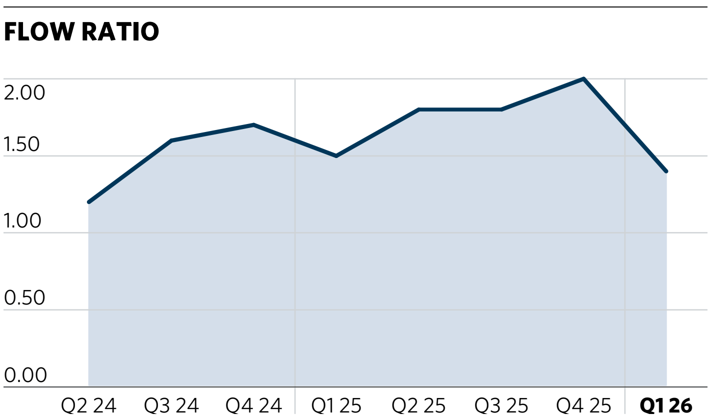
Cash flow is considered by many investors to be the ultimate measure of company performance and more reliable than reported earnings. The Jefferson measurement eliminates items that are not part of recurring cash flow or the result of actual operations for NVIDIA Corporation. These adjustments to cash flow provide a truer measure of cash flow and the resultant cash flow quality rating.

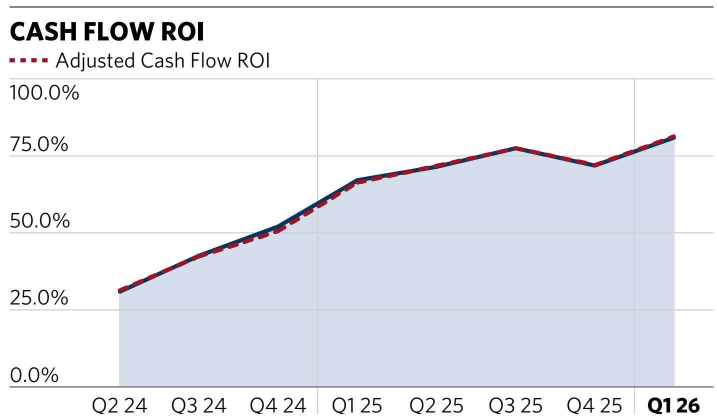
The cash flow quality rating for NVDA remains STRONGEST as the operating cash flow quality year over year improved.

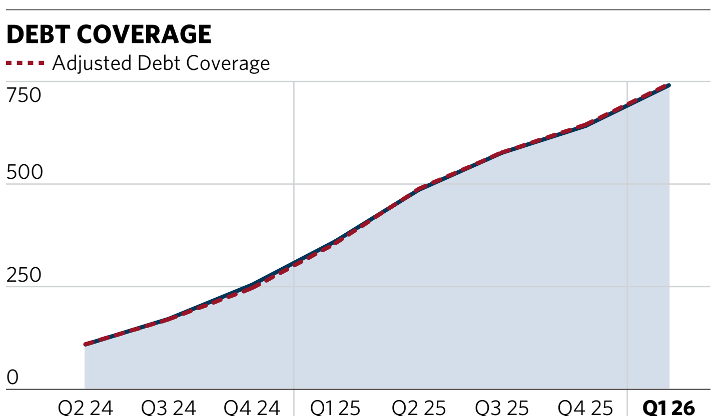
Even though the annual operating cash flow quality improved this fiscal year with a reported number of 64,089M and an adjusted number that was 100.4% of reported, the decline in the quarterly operating cash flow quality offset this with a reported number of 27,414M and an adjusted number that was 102.9% of reported. This represents deterioration from the previous period when the reported number was closer to the adjusted number.











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INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

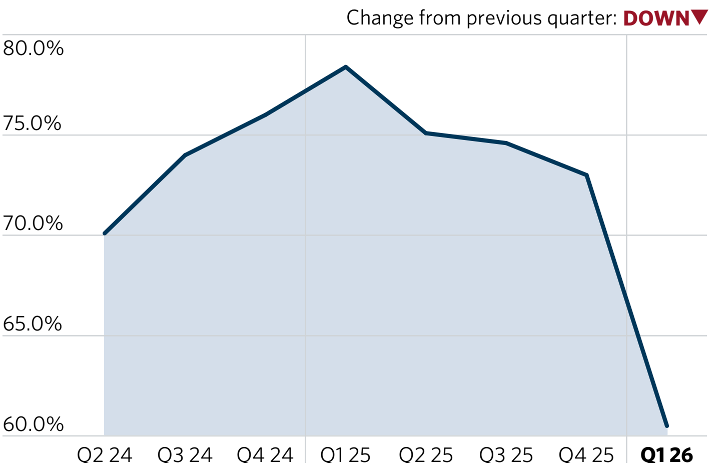
OPERATING EFFICIENCY: STRONG

The ability of NVIDIA Corporation to earn a profit is in part the result of how rapidly it converts its collection of assets into revenues and the resulting earnings and cash flow margins available. Operating Efficiency is measured by a combination of factors including: return on invested capital (ROIC), gross margin, EBIT margin, asset turnover, equity turnover, and lastly Staff, General, and Administrative costs as a percentage of sales (SGA).

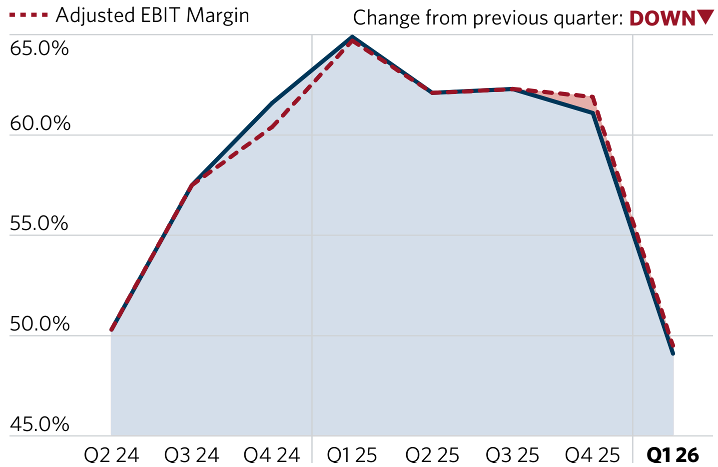
The operating efficiency rating for NVDA improved from WEAK to STRONG as the return on incremental investment capital and SGA costs improved since the last quarter.

In addition, the SGA costs improved from 2.5% to 2.4% of sales. The lower SGA costs indicate that NVDA has decreased the amount of revenue devoted to overhead costs.

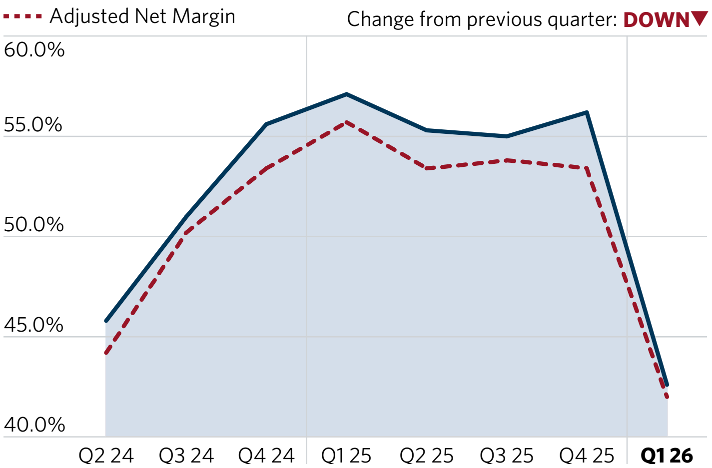
GROSS MARGIN



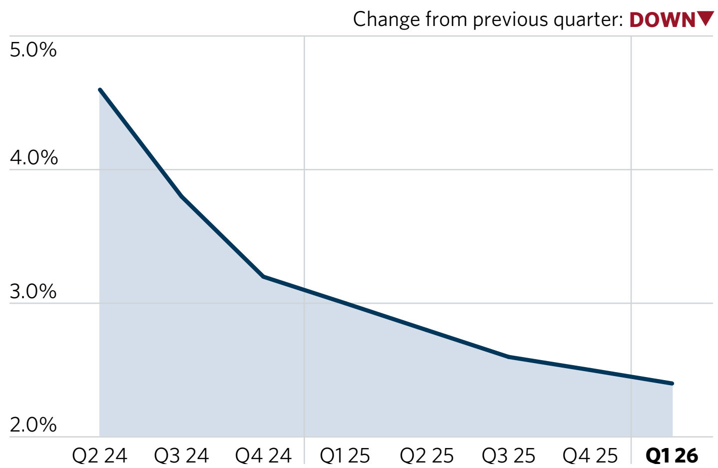
EBIT MARGIN



NET MARGIN



SG&A AS A PERCENTAGE OF SALES



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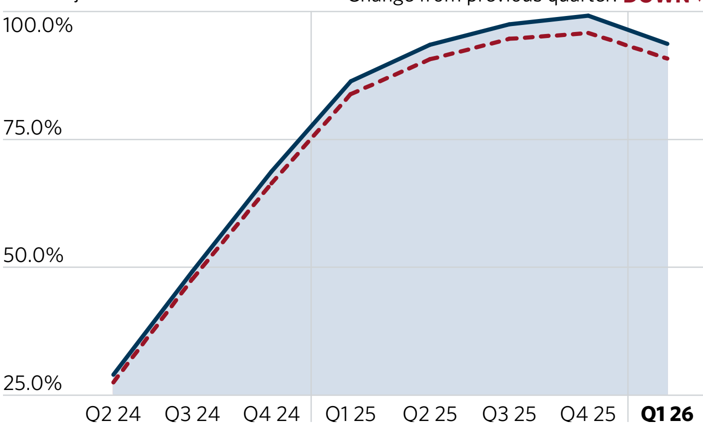
INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

OPERATING EFFICIENCY: STRONG

ROIC

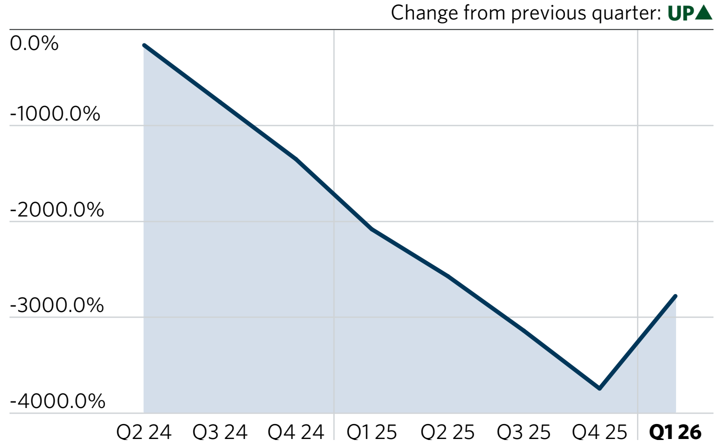
Adjusted ROIC

Change from previous quarter: **DOWN▼**

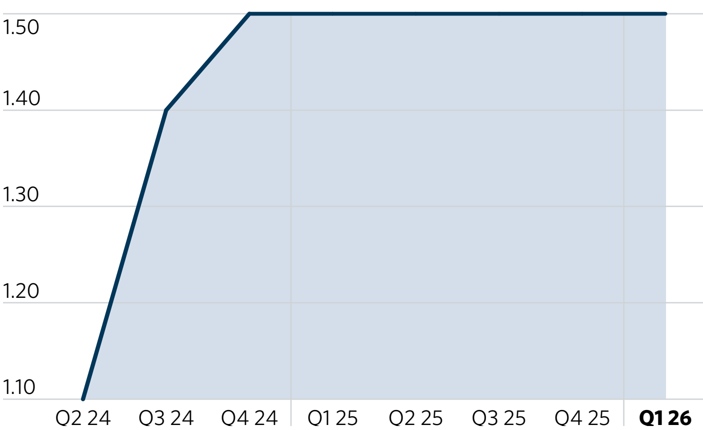


RETURN ON INCREMENTAL INVESTED CAPITAL

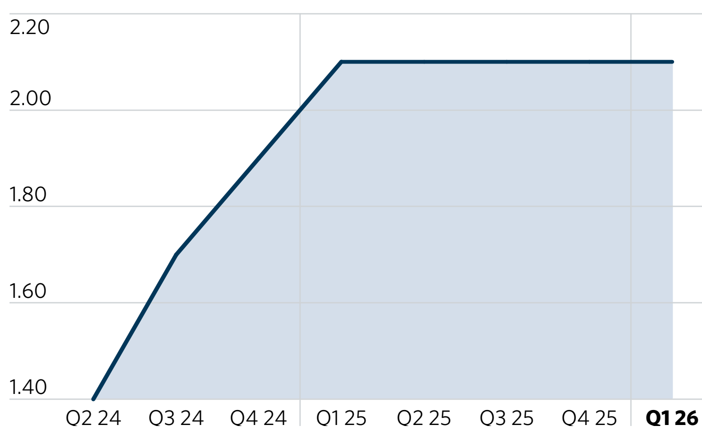
Change from previous quarter: **UP▲**



ASSET TURNOVER



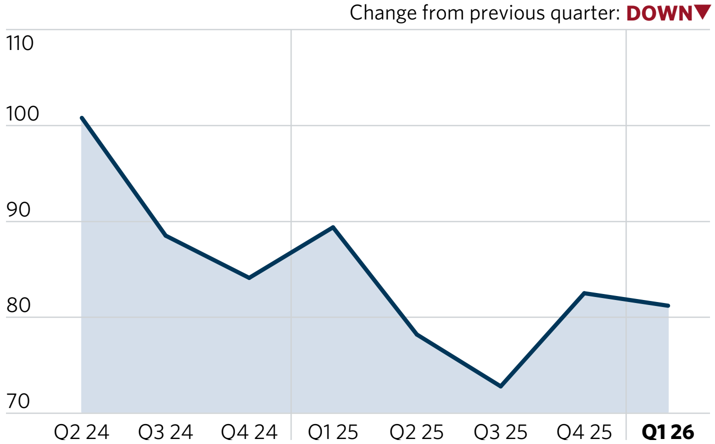
EQUITY TURNOVER



CASH CONVERSION CYCLE

IN DAYS

Change from previous quarter: **DOWN▼**



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INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

BALANCE SHEET QUALITY: STRONG

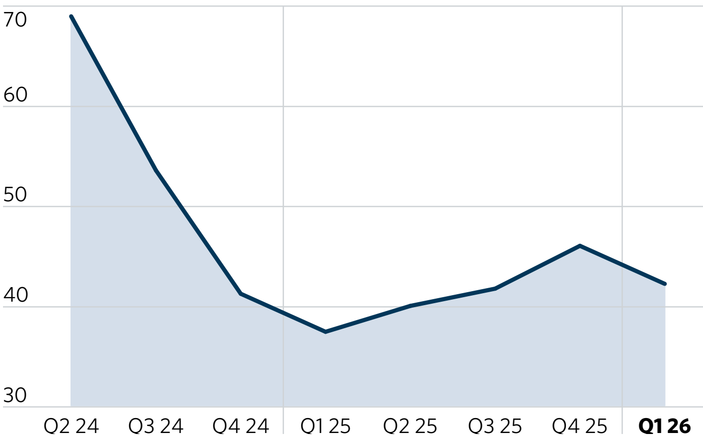
The balance sheet shows the ability of NVIDIA Corporation to pay its bills and fund future growth. It also provides clues to aggressive accounting since reported earnings that do not generate cash flow generally end up somewhere on the balance sheet. The following are analyzed in determining balance sheet quality: quick ratio, current ratio, cash position, accounts receivable days sales outstanding (AR DSOs), and number of days inventory is held prior to sale to customers (Inv Days).

The balance sheet rating for NVDA remains STRONG as the cash position, AR DSOs, debt/assets, and debt/equity strengthened over the last quarter while the current ratio, quick ratio and Inv Days weakened.

Even though the cash position improved from 43,210M to 53,691M, the decline in the current ratio offset this by deteriorating from 4.4X to 3.4X. The lower current ratio indicates that NVDA has decreased the amount of current assets relative to current liabilities.

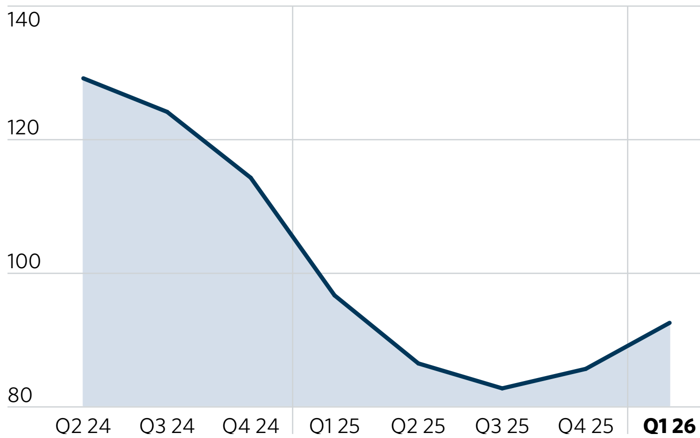
RECEIVABLES DAYS OUT

Change from previous quarter: **DOWN▼**



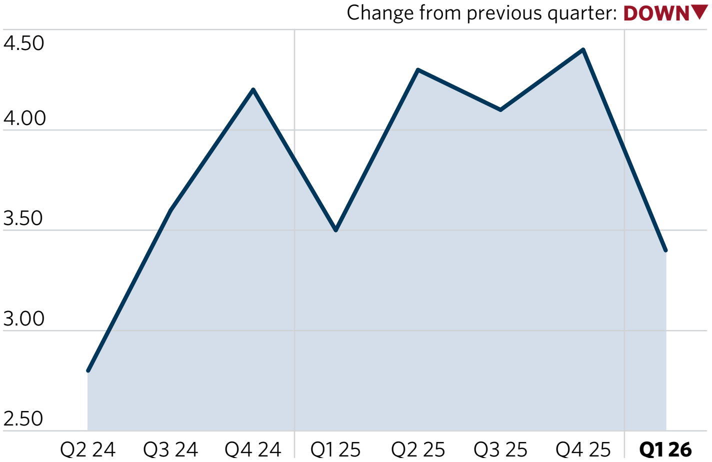
INVENTORY DAYS OUT

Change from previous quarter: **UP▲**



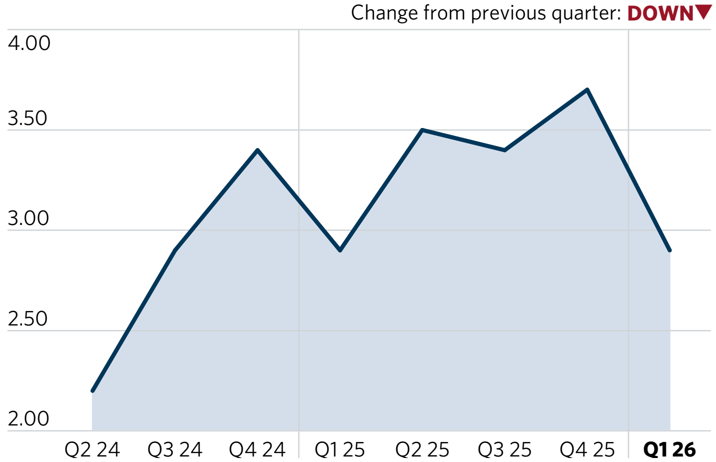
CURRENT RATIO

Change from previous quarter: **DOWN▼**



QUICK RATIO

Change from previous quarter: **DOWN▼**



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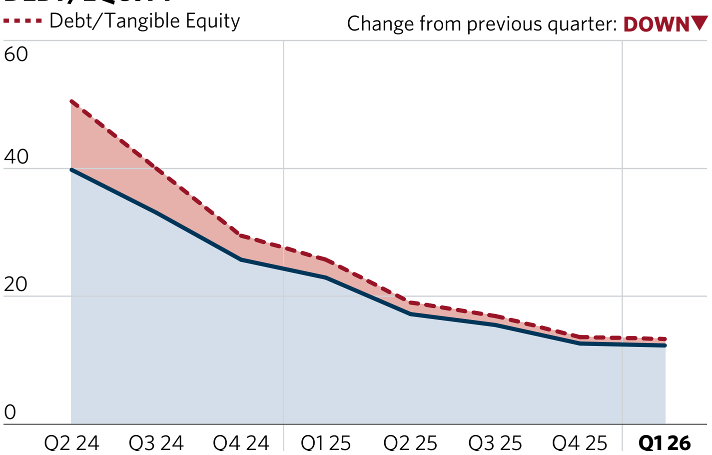
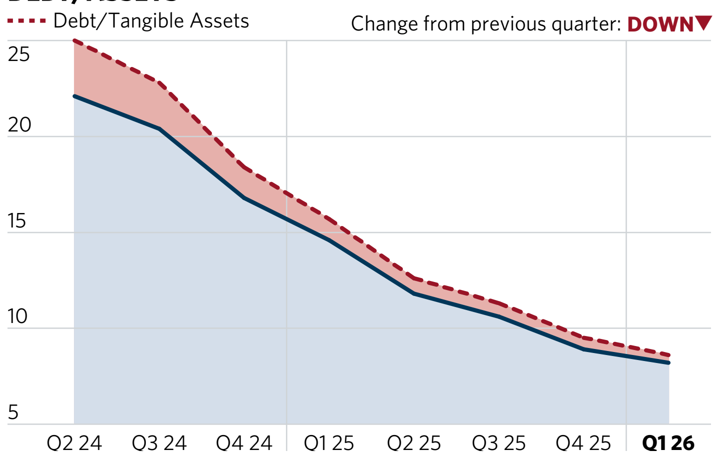
BALANCE SHEET QUALITY: STRONG

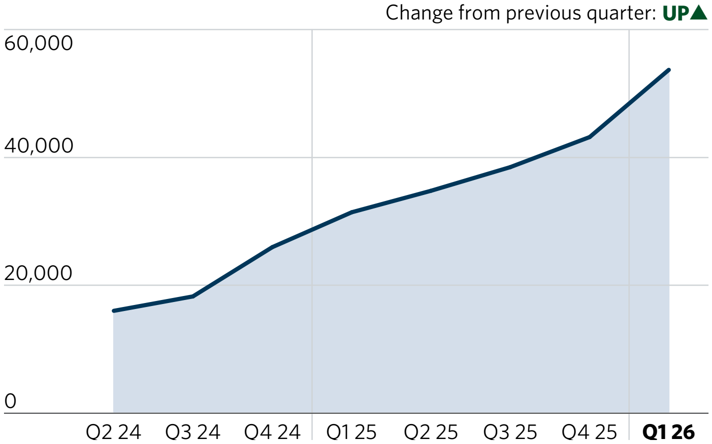
DEBT/EQUITY



DEBT/ASSETS



CASH



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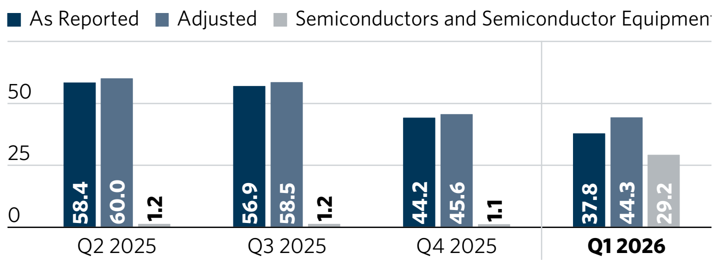
VALUATION: MOST RISK

An unfavorable valuation (a MEDIUM RISK or MOST RISK rating) implies higher potential downward price risk that is evidenced by a company price multiple that is higher than the corresponding sector average. The valuation rating is based on both absolute and relative levels at NVIDIA Corporation compared to its peers within its sector based on price to earnings (PE), price to earnings growth (PEG), price to sales (PS), and price to cash flow (PCF).

The valuation rating for NVDA remains a MOST RISK.

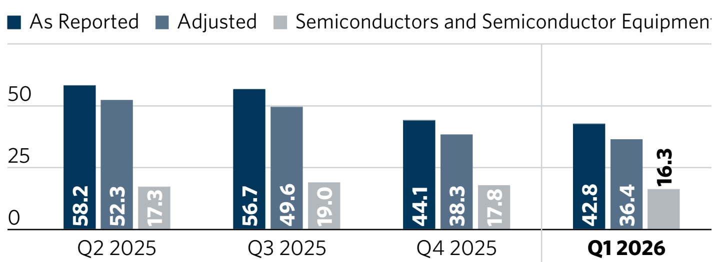
PRICE/EARNINGS

LAST 2 YEARS	RANGE LOW	RANGE HIGH	AVERAGE
Reported Price/Earnings	**37.80**	**112.20**	**62.16**
Adjusted Price/Earnings	**44.30**	**118.10**	**65.00**
Sector Price/Earnings	**27.10**	**30.40**	**28.99**



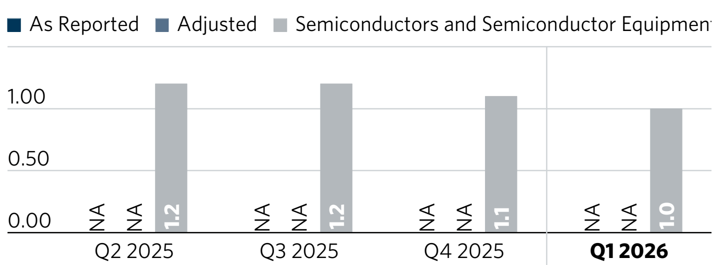
PRICE/CASH FLOW

LAST 2 YEARS	RANGE LOW	RANGE HIGH	AVERAGE
Reported Price/Cash Flow	**42.80**	**112.90**	**62.76**
Adjusted Price/Cash Flow	**36.40**	**106.70**	**57.84**
Sector Price/Cash Flow	**13.90**	**19.00**	**16.35**



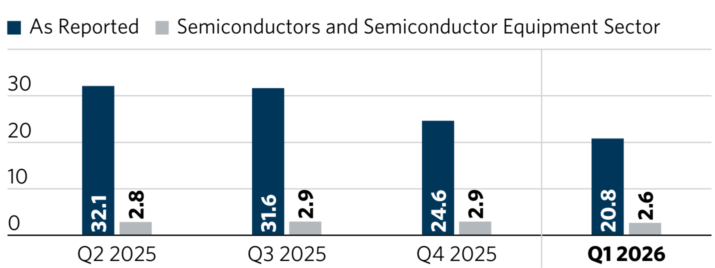
PRICE/EARNINGS GROWTH

LAST 2 YEARS	RANGE LOW	RANGE HIGH	AVERAGE
Reported Price/Earnings Growth	**0.10**	**3.20**	**0.93**
Adjusted Price/Earnings Growth	**0.10**	**3.40**	**0.98**
Sector Price/Earnings Growth	**0.90**	**1.20**	**1.09**



PRICE/SALES

LAST 2 YEARS	RANGE LOW	RANGE HIGH	AVERAGE
Reported Price/Sales	**20.80**	**35.40**	**29.34**
Sector Price/Sales	**2.40**	**2.90**	**2.73**



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PEER VALUATION COMPARISON

TICKER	COMPANY	MARKET CAP.	PRICE ON 07/10/25	PRICE/ EARNINGS	PRICE/ SALES	PRICE/ CASH FLOW	PRICE/ EARNINGS GROWTH	VALUATION RATING
NVDA	**NVIDIA Corporation**	**3,974.3 B**	**162.90**	**37.8**	**20.8**	**42.8**	**NA**	**MOST RISK**
AVGO	Broadcom Inc.	1,307.1 B	277.90	94.2	17.6	92.1	NA	**MOST RISK**
981	Semiconductor Manufacturing International Corporation	455.8 B	45.00	98.9	7.5	591.6	NA	**MOST RISK**
ASML	ASML Holding N.V.	264.5 B	690.40	32.5	8.7	25.9	1.4	**MOST RISK**
AMD	Advanced Micro Devices Inc.	224.4 B	138.40	103.2	6.5	72.8	1.0	**MOST RISK**
TXN	Texas Instruments Incorporated	196.6 B	216.40	34.6	10.5	30.2	NA	**MOST RISK**
QCOM	QUALCOMM Incorporated	175.1 B	159.40	16.5	4.1	14.8	0.5	**LOW RISK**
SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT SECTOR		**30.9 B**	—	**29.2**	**2.6**	**16.3**	**1.0**	—

PEER OPERATING COMPARISON

TICKER	COMPANY	MARKET CAP.	GROSS MARGIN (%)	EBIT MARGIN (%)	NET MARGIN (%)	ROIC (%)	CASH CONVERSION CYCLE (DAYS)	OPERATING EFFICIENCY RATING
NVDA	**NVIDIA Corporation**	**3,974.3 B**	**60.5**	**49.1**	**42.6**	**93.7**	**81.0**	**LOW RISK**
AVGO	Broadcom Inc.	1,307.1 B	78.0	39.6	33.1	9.7	61.0	**MEDIUM RISK**
981	Semiconductor Manufacturing International Corporation	455.8 B	22.5	13.8	8.4	1.4	103.0	**LEAST RISK**
ASML	ASML Holding N.V.	264.5 B	54.0	35.4	30.4	40.8	NA	**MEDIUM RISK**
AMD	Advanced Micro Devices Inc.	224.4 B	53.6	10.8	9.5	3.7	188.0	**MEDIUM RISK**
TXN	Texas Instruments Incorporated	196.6 B	56.8	32.5	29.0	15.7	236.0	**LOW RISK**
QCOM	QUALCOMM Incorporated	175.1 B	55.0	28.4	25.6	26.9	97.0	**LOW RISK**

DEFINITIONS

Adjusted Net Income: Adjusted Net Income is a company's reported net income less adjustments for one-time and non-operating items yielding a more realistic picture of a company's ongoing earnings.

Accruals – Forecasted and Actual: The comparison of forecasted and actual accruals identifies a discretionary build not attributable to a company's sales growth, and could be a sign of poor earnings quality. For our purposes, the forecasted accrual component is an aggregate measurement of total accruals (short-term balance sheet accounts) that distinguishes between "normalized" and "extraordinary" accruals. The normalized accruals are based on historical relationships between sales and accruals and are dynamically adjusted over time to account for changes in the ratio between these two variables. Normally, short term accruals will grow as sales grow – i.e., the "normalized" measure. Discretionary accruals are the portion of accruals that are in excess of the base factor and therefore exceed the normal and are "extraordinary".

Adjusted Operating Cash Flow: Adjusted Operating Cash Flow is reported operating cash flow less adjustments for one-time and non-operating items yielding a more realistic picture of a company's ongoing cash flow from operations.

Adjusted Free Cash Flow: Adjusted Free Cash Flow is reported operating cash flow less adjustments for one-time, non-operating items and capital expenditures. This provides a more realistic picture of a company's ongoing cash generation from operations after capital investments.

Flow Ratio: The Flow Ratio is a measurement of management's effectiveness in managing its working capital to maximize the company's cash flows. The measure is a ratio of a company's non-cash current assets to its non-interest bearing short-term liabilities.– These non-cash assets include items such as accounts receivable (which are essentially interest-free loans to customers) and inventory (which is subject to obsolescence or spoilage). The non-interest bearing liabilities are essentially interest-free loans to the company. A lower ratio implies tighter cash management for a company as it has less cash tied up in non-cash current assets and is able to utilize interest free loans from suppliers.

Cash Flow Return on Investment: Cash Flow ROI is a measure of a company's ability to generate operating cash flow from its invested capital. Many analysts consider this measure preferable to an earnings return measure such as ROE since cash flow is considered a more reliable measure.

Adjusted Cash Flow Return on Investment: Adjusted Cash Flow ROI is a measure of the ability to generate operating cash flow from its investment in capital calculated using a company's adjusted cash flow.

Debt Coverage: Debt Coverage is a measure of a company's ability to cover its debt obligations with cash flow it generated from continuing operations.

Adjusted Debt Coverage: Adjusted Debt Coverage is a measure of a company's ability to cover its debt obligations with cash flow it generated from continuing operations, calculated using a company's adjusted cash flow.

Adjusted Return on Invested Capital: Adjusted ROIC assesses a company's efficiency at allocating the capital to profitable investments using a company's adjusted net income (see above) yielding a measure of how well a company is using its capital to generate returns.

Adjusted EBIT Margin: Adjusted EBIT Margin is a measure of a company's earnings before interest and income taxes less adjustments for one-time and non-operating items divided by a company's sales.

Adjusted Net Margin: Adjusted Net Margin is a measure of a company's net income less adjustments for one-time and non-operating items divided by a company's sales.

Return on Incremental Invested Capital: ROIIC measures the relationship between incremental investment and incremental net operating profit after tax. This provides a measure of the returns a company is earning on recent investments rather than all investments as measured by ROIC.

Cash Conversion Cycle: The Cash Conversion Cycle measures the number of days working capital is tied up from the date of purchase of raw materials until the collection of cash from the sale of the product.

Debt to Tangible Equity: Debt to Tangible Equity is a ratio of a company's debt to equity less adjustments for goodwill and other intangible assets yielding tangible equity.

Debt to Tangible Assets: Debt to Tangible Assets is a ratio of a company's debt to total assets less adjustments for goodwill and other intangible assets.

Price/Adjusted Earnings: Adjusted Price/Earnings is a relative valuation measure comparing a company's share price to its adjusted net income.

Price/Adjusted Cash Flow: Adjusted Price/Cash Flow is a relative valuation measure comparing a company's share price to its adjusted cash flow.

Price/Adjusted Earnings Growth: Adjusted Price/Earnings Growth is a relative valuation measure comparing a company's share price to its growth in adjusted earnings.

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ABOUT THE FINANCIAL SONAR™ REPORT & METHODOLOGY

The Jefferson Financial Sonar™ ratings system classifies companies into three categories: Buy, Hold and Sell. The Financial Sonar rating is the result of a point scoring system derived from the five main criteria. The more negative the rating, the more likely the overall rating will be a Sell. More positive criteria will support an Overall Rating of Buy.

Jefferson Research & Management has developed the Financial Sonar™ Rating System which is based upon five analytical criteria: Earnings Quality, Cash Flow, Operating Efficiency, Balance Sheet, and Valuation. The first four criteria are rated in one of four categories (best to worst): Strongest, Strong, Weak, Weakest. Valuation is also rated in one of four categories (best to worst): Least Risk, Low Risk, Medium Risk, Most Risk.

ABOUT JEFFERSON RESEARCH & MANAGEMENT

Jefferson Research & Management is an independent investment research and advisory firm founded in 1989 and based in Portland, Oregon. The firm has been providing fundamental research to institutional and individual clients for more than 20 years. Financial Sonar™ ratings are based on a proprietary rating system developed by Jefferson Research & Management that measures the changes in company fundamentals using information from financial statements.

DISCLAIMER