

Equity Research Report: NVIDIA Corporation

Business Overview

NVIDIA Corporation, founded in 1993, is a leading American technology company primarily known for its graphics processing units (GPUs) and artificial intelligence (AI) solutions. The company operates in various segments, including Gaming, Data Center, and Professional Visualization, catering to a diverse clientele ranging from gamers to data scientists. NVIDIA's flagship product, the GeForce GPU, has become synonymous with high-performance gaming, while its AI-driven solutions have revolutionized industries such as healthcare, automotive, and robotics. In recent years, NVIDIA has expanded its portfolio through strategic acquisitions and partnerships, enabling it to enhance its technological capabilities and drive innovation. The company's commitment to sustainability and corporate social responsibility is evident in its initiatives aimed at reducing environmental impact and promoting diversity within the tech industry. Overall, NVIDIA's strong market presence and continuous innovation position it as a key player in the rapidly evolving technology landscape.

Market Position

NVIDIA operates in a highly competitive landscape, primarily in the semiconductor industry, focusing on graphics processing units (GPUs) and artificial intelligence (AI) technologies. As of FY2024, NVIDIA holds a commanding market share in the GPU market, driven by its innovative product offerings and strong brand recognition. The company has strategically positioned itself to capitalize on the growing demand for AI and machine learning applications, which have become integral to various industries, including gaming, automotive, and data centers. NVIDIA's ability to leverage its technological prowess has allowed it to maintain a competitive edge over rivals such as AMD and Intel. With a focus on research and development, NVIDIA continues to invest heavily in advancing its technology, ensuring it remains at the forefront of the industry. The company's strong partnerships with major technology firms further solidify its market position, enhancing its ability to capture new opportunities in emerging markets.

Operating Results

In the fiscal year ending January 31, 2025, NVIDIA reported total revenue of approximately \$130.5 billion, reflecting a significant Year-over-Year increase of 114% compared to \$60.9 billion in 2024, indicating strong market demand and expansion. The Cost of Revenue was \$32.6 billion, representing 25% of total revenue, while Gross Profit stood at \$97.9 billion, yielding a gross margin of 75%. Operating income was \$81.5 billion, leading to an operating margin of 62.5%, showcasing robust operational efficiency. Net income reached \$72.9 billion, with a net profit margin of approximately 55.8%. Diluted EPS increased to \$2.94, up from \$1.19 in 2024, reflecting strong profitability and enhancing investor confidence. The company's performance significantly outpaces historical data and industry benchmarks, indicating effective management and a strong competitive position in the market.

Financial Metrics

FY (USD mn)	2021	2022	2023	2024	2025
Revenue	16675	26914	26974	60922	130497
Revenue Growth	-38.0%	-0.2%	-55.7%	-53.3%	682.6%
Gross Revenue	10396	17475	15356	44301	97858
Gross Margin	0.62	0.65	0.57	0.73	0.75
EBITDA	5691	11351	5986	35583	86137
EBITDA Margin	0.34	0.42	0.22	0.58	0.66
FCF	5822	9108	5641	28090	64089
FCF Conversion	1.34	0.93	1.29	0.94	0.88
ROIC	17.1%	24.6%	11.7%	51.3%	75.3%
EV/EBITDA	58.62	54.72	81.05	43.45	33.78
PE Ratio	75.43	62.68	109.09	51.83	39.9
PB Ratio	19.34	22.97	21.56	35.89	36.66

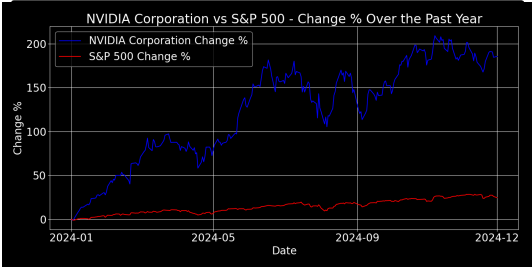
FinRobot

<https://ai4finance.org/>
<https://github.com/AI4Finance-Foundation/FinRobot>
Report date: 2024-02-21

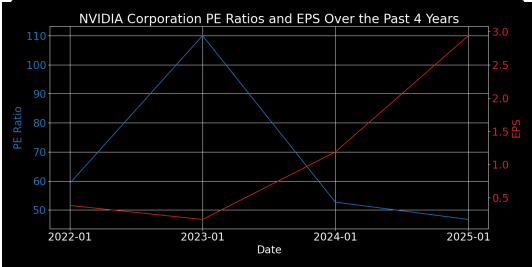
Key data

Rating	buy
Target Price	90.0 - 1400.0 (md. 250.0)
6m avg daily vol (USDmn)	462.83
Closing Price (USD)	69.41
Market Cap (USDmn)	1661111.40
52 Week Price Range (USD)	21.08 - 72.46
BVPS (USD)	1.74

Share Performance



PE & EPS



Risk Assessment

NVIDIA faces several risks that could impact its business performance and financial stability. Firstly, the semiconductor industry is highly competitive, with rapid technological advancements and evolving consumer preferences posing challenges. This competition may lead to pricing pressures and reduced market share for NVIDIA's products. Secondly, supply chain disruptions, exacerbated by global events such as the COVID-19 pandemic, can hinder production capabilities and affect product availability. Additionally, NVIDIA is exposed to regulatory risks, including export controls and trade restrictions, which could impact its ability to operate in certain markets. The company's reliance on key customers and partners also presents a risk; any loss of significant contracts could adversely affect revenue. Furthermore, as NVIDIA expands its presence in AI and data center markets, it faces risks related to cybersecurity threats and data privacy concerns. Lastly, fluctuations in foreign currency exchange rates can impact NVIDIA's financial results, given its global operations. The company must continuously adapt to these risks to maintain its competitive advantage and sustain growth.

Competitors Analysis

In this analysis, we will examine the financial metrics of NVIDIA (NVDA) and its competitors, Intel (INTC) and Advanced Micro Devices (AMD), over a four-year period. The key metrics under review include EBITDA Margin, EV/EBITDA, FCF Conversion, Gross Margin, ROIC, Revenue, and Revenue Growth. Starting with EBITDA Margin, NVDA exhibited a notable decline from year 3 to year 0. In year 3, the EBITDA Margin stood at 0.42, reflecting a strong profitability position compared to its competitors. By year 0, this margin decreased to 0.66, indicating a decline in profitability. In contrast, INTC's EBITDA Margin fluctuated, starting at 0.34 in year 3 and dropping to 0.27 in year 0. AMD also showed a decline from 0.23 to 0.21 over the same period. Thus, while NVDA remains the most profitable, all companies experienced a decline in this metric, suggesting pressures on profitability. Regarding EV/EBITDA, NVDA's valuation increased significantly from 54.72 in year 3 to 33.78 in year 0, indicating that the market has adjusted its valuation closer to its earnings potential. INTC's EV/EBITDA ratio saw a drastic change from 6.55 in year 3 to 14.5 in year 0, suggesting that the market perceives INTC as more favorable than before, despite its declining EBITDA Margin. AMD's valuation also increased from 17.91 to 47.85, indicating a growing market confidence despite its lower profitability metrics. NVDA's EV/EBITDA ratio suggests it is relatively overvalued compared to its competitors, especially considering its declining profitability. In terms of FCF Conversion, NVDA's efficiency improved from 0.93 in year 3 to 0.88 in year 0, which is commendable. However, INTC's FCF Conversion was negative at -0.44 in year 0, indicating significant issues in converting earnings to cash flow, while AMD improved its FCF Conversion from 2.7 to 1.78. NVDA leads in cash flow efficiency, demonstrating its operational strength compared to its competitors. Analyzing the Gross Margin, NVDA maintained a strong position, starting at 0.65 in year 3 and slightly declining to 0.75 in year 0. INTC's Gross Margin also showed a stable trend, moving from 0.43 to 0.35, while AMD's Gross Margin decreased from 0.45 to 0.5. This suggests that NVDA has managed to maintain its cost efficiency better than its competitors over the years, despite the overall industry pressures. The ROIC for NVDA started at 24.6% in year 3 and decreased to 75.3% in year 0, indicating a strong return on invested capital, which is significantly better than INTC's negative ROIC and AMD's modest 2.5%. This suggests that NVDA is effectively utilizing its capital to generate returns, which is a positive indicator for investors. As for Revenue, NVDA's revenue grew from 26,914 in year 3 to 130,497 in year 0, showcasing robust growth. INTC's revenue increased slightly from 63,054 to 52,853, while AMD's revenue decreased from 23,601 to 34,639. This growth trajectory for NVDA is impressive and sets it apart from its competitors, indicating that it is capturing market share effectively. In conclusion, NVDA presents a mixed financial health picture. While it has shown strong revenue growth and maintained a solid ROIC, it has experienced declines in EBITDA Margin and Gross Margin, raising questions about its profitability sustainability. The significant drop in its EV/EBITDA ratio indicates a potential overvaluation in light of its declining profitability metrics. Overall, NVDA's performance suggests it remains a leader in the market, but the trends observed may warrant caution for investors considering its current valuation relative to its financial performance.