

U.S. Semiconductors

NVIDIA (NVDA): Fine China?



Stacy A. Rasgon, Ph.D.
+1 213 559 5917
stacy.rasgon@bernsteinsg.com



Alrick Shaw
+1 917 344 8454
alrick.shaw@bernsteinsg.com



Arpad von Nemes
+1 917 344 8461
arpad.vonnemes@bernsteinsg.com

Last night (following Jensen's recent meetings in Washington and Beijing), NVIDIA announced in a blog post that they anticipate H2O licenses will soon be granted.

We note the exact wording was that "NVIDIA is filing applications to sell the NVIDIA H2O GPU again" and that "the U.S. government has assured NVIDIA that licenses will be granted, and NVIDIA hopes to start deliveries soon" which (given the administration's history) is not necessarily 100% the same as "H2O licenses have absolutely been granted" but it seems close enough. The company also announced a "fully compliant" RTX PRO GPU (perhaps the 6000D parts that [have been posited in the press in recent months?](#)).

The news was a welcome surprise especially after the way the original ban was put into place (which came as a surprise/shock to the company as well as investors in April). We note, however, that Jensen has been carefully cultivating Trump and members of the administration, as well as clearly laying out the risks of maintaining the ban; we are glad to see cooler heads prevail.

Recall that NVDA suggested ~\$8B of lost revenue just in the current quarter; it seems unlikely they would be able to ship much in FQ2 given the quarter ends in 2 weeks but we might expect substantial catch-up in the 2H, as well as (hopefully) some release of the sizable (\$4.5B) inventory reserve they took, though we note that at this point we do not know if all customers behind that \$8B will receive licenses. But every ~\$10B of recovered NVDA China revenues would drive roughly 25 cents in additional EPS (**Exhibit 1**). Therefore, **capturing an incremental \$15-\$20B in China revenue through the rest of the fiscal year would provide 40-50 cents in EPS upside for FY2026, all else being equal** (10%+ or so accretion on current consensus?) (**Exhibit 2**).

Beyond the revenue/earnings recovery, we are glad to see NVDA able to compete at least somewhat in China as it limits potential for more structural risks. We always saw the H2O ban as unnecessary and, frankly, somewhat nonsensical as performance of the part is already low, and well below already-available Chinese alternatives (**Exhibit 3**); a ban would simply hand the AI market in China over to Huawei as well as encourage the growth of local ecosystem alternatives (with a risk that they filter out of China over time). Allowing NVIDIA to compete in China (even with constrained parts) should help them at least preserve their ecosystem advantages.

What about AMD? As of this writing we have not seen a similar announcement from them; nevertheless it seems reasonable (we think?) to expect similar dynamics. AMD took a ~\$700M hit to Q2 revenues from their own China ban, and suggested another ~\$800M lost in the 2H (~\$1.5B for the year) and took an \$800M charge. It is clearly too late to book China sales in the current quarter, but perhaps they might recover some (a billion perhaps?) in the 2H. For the company, every ~\$1B in additional China revenue would correspond to ~25 cents in EPS (**Exhibit 1**); capturing that much incremental this year would be accretive to current consensus CY25 EPS in the mid to maybe upper single digits (**Exhibit 2**).

We make no changes to our models at this time. We rate NVDA Outperform (\$185 PT) and AMD Market Perform (\$95 PT).

BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	14 Jul 2025	Price Target	TTM	Adjusted EPS				Adjusted P/E (x)		
			Closing Price		Rel. Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
NVDA	O	USD	164.07	185.00	15.3%	USD	2.99	4.11	5.36	54.8	39.9	30.6
AMD	M	USD	146.24	95.00	(31.1)%	USD	3.31	3.71	4.60	44.2	39.4	31.8
SPX			6,268.56									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

AMD base year is 2024;

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

NVDA (Outperform, \$185): The datacenter opportunity is enormous, and still early, with material upside still possible.

AMD (Market-Perform, \$95): AI expectations remain high, portions of the core business remain weak, and shares remain somewhat expensive.

DETAILS

EXHIBIT 1: Every ~\$10B in China revenues for NVDA represents ~25 cents in EPS; every ~\$1B in China revenues for AMD is also ~25 cents for them

		NVIDIA China Revenue (\$M)			
		\$5,000	\$10,000	\$15,000	\$20,000
NVIDIA China Gross Margin	70.0%	\$0.12	\$0.24	\$0.36	\$0.48
	72.5%	\$0.12	\$0.25	\$0.37	\$0.49
	75.0%	\$0.13	\$0.26	\$0.38	\$0.51

		AMD China Revenue (\$M)			
		\$500	\$1,000	\$1,500	\$2,000
AMD China Gross Margin	45.0%	\$0.12	\$0.24	\$0.36	\$0.48
	50.0%	\$0.13	\$0.27	\$0.40	\$0.53
	55.0%	\$0.15	\$0.29	\$0.44	\$0.59

Assumes 24,500M diluted shares and a 16.5% tax rate for NVDA; assumes 1,635M diluted shares and a 13% tax rate for AMD, and assumes all incremental gross profit falls through to the bottom line for both.

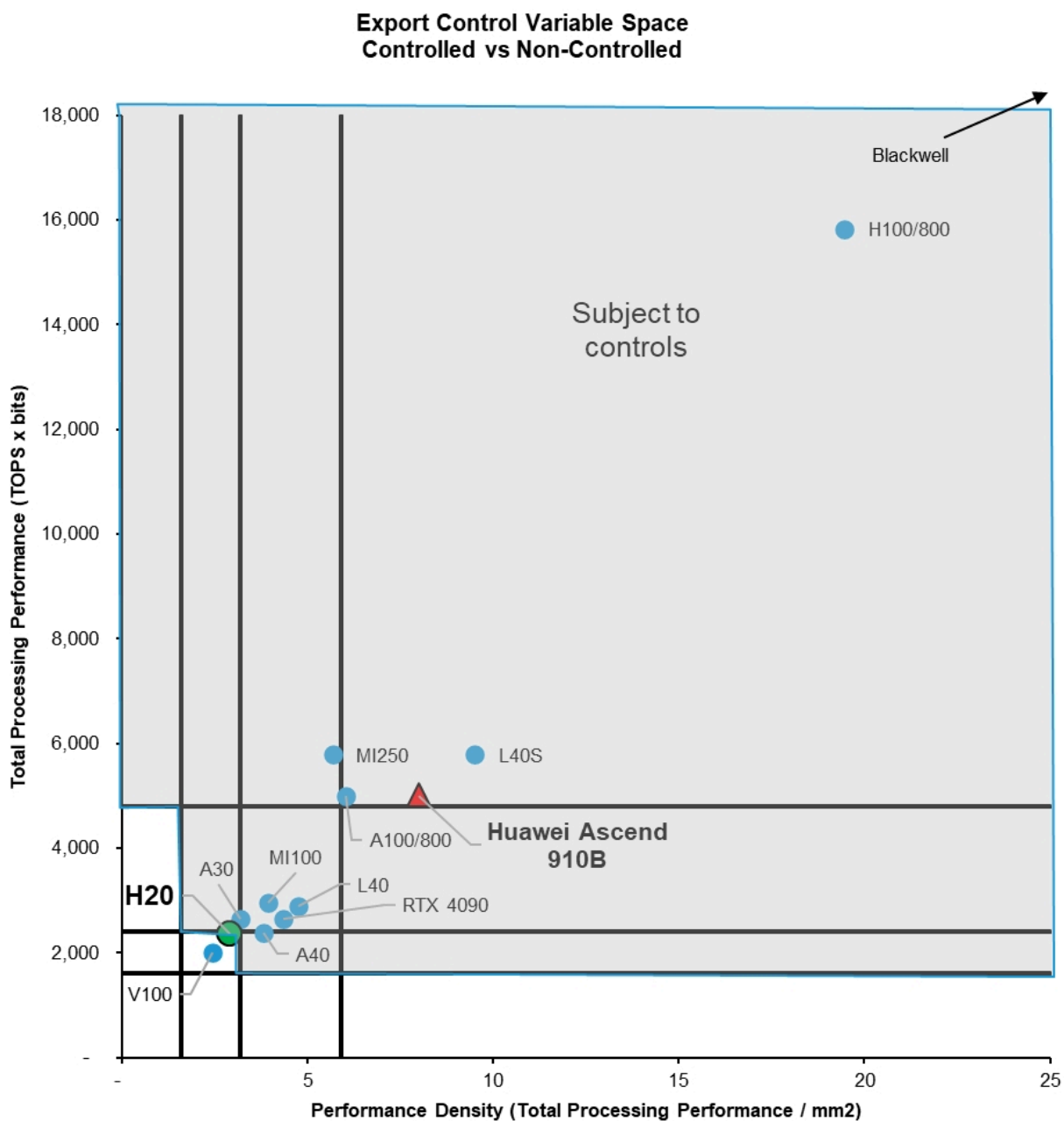
Source: Company reports, Bernstein estimates and analysis

EXHIBIT 2: We might expect NVDA's current year EPS to benefit in the low double digits (10% or so) from the easing of the China bans; AMD might benefit in the mid to upper single digits

	NVIDIA	AMD
Incremental China Revenue (\$M)	\$17,500	\$1,000
Gross Margin	75%	50%
Gross Profit (\$M)	\$13,125	\$500
Tax Rate	16.5%	13.0%
Net Income (\$M)	\$10,959	\$435
Share Count (M)	24,500	1,635
EPS Impact	\$0.45	\$0.27
Current Year Consensus EPS	\$4.34	\$3.95
EPS Accretion to Consensus EPS	10%	7%

Source: Company reports, Bloomberg, Bernstein estimates and analysis

EXHIBIT 3: Banning the H20 never made much sense to us as performance is already well below local Chinese alternatives; a ban would simply hand the Chinese AI market over to Huawei



Source: Company reports, US Department of Commerce, Bernstein analysis

DISCLOSURE APPENDIX