

June 11, 2025 11:56 PM GMT


NVIDIA Corp. | North America

# GTC Paris focuses on several new growth drivers

European catch-up investment, quantum/classical opportunities, and industrial/physical AI were the main focus, all of which provide incremental growth from the exceptional growth we are seeing in AI overall. Stay OW, remains Top Pick in semis.

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We attended NVIDIA's European GTC developer's conference, held this year in Paris, and will attend several panels tomorrow as well.

No stock-moving announcements stemming from the GTC Paris keynote, but the ramp of EU investment in AI datacenters is another bullish proof point for Nvidia's business beyond 2025. Earlier this year the EU launched a €200 billion initiative for AI investment, including €20 billion to help finance 5 AI gigafactories (100k+ GPUs each). With Nvidia announcing today plans that will require "more than 3,000 exaflops of NVIDIA Blackwell compute"; that includes an 18k GB200 phase one deployment with Mistral in France that will expand to multiple locations next year, a 14k Blackwell development in the UK with Nebius and Nscale, along with others from partners like Dymyn and with telcos Swisscom, Telefónica, Telenor, Fastweb , and Orange. Nvidia specifically will be building , "the world's first industrial AI cloud for European manufacturers" featuring 10k Blackwell GPUs, and AI technology centers in Germany, Sweden, Italy, Spain, the U.K. and Finland focused on development and R&D. Nvidia also announced a collaboration to advance AI enabled drug discovery with Novo Nordisk. Overall the keynote focused much more on robotics and physical AI than those in the US, given the EU's higher share of manufacturing as a percent of GDP those initiatives are of greater importance here.

That European expansion did involve some financial forecasting, with the company saying that the installed base of "GPU die" would grow 3x this year vs. CY24, and 10x in CY26 vs CY24. If we assume that all of 2024 was hopper at \$22k per die, and

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NVIDIA Corp. (NVDA.O, NVDA US)  
Top Pick

Semiconductors | United States of America

Stock Rating	Overweight
Industry View	Attractive
Price target	\$170.00
Shr price, close (Jun 11, 2025)	\$142.83
Mkt cap, curr (mm)	\$3,539,639
52-Week Range	\$153.13-86.62

Fiscal Year Ending	01/25	01/26e	01/27e	01/28e
EPS (\$)**	2.99	4.33	6.28	7.25
Prior EPS (\$)**	-	-	-	-
P/E	41.1	34.7	23.7	20.5
EPS (\$)§	-	4.30	5.76	6.42
Div yld (%)	0.0	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

\*\* = Based on consensus methodology

§ = Consensus data is provided by Refinitiv Estimates

e = Morgan Stanley Research estimates

QUARTERLY EPS (\$)					
Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	0.61	-	0.81a	-	1.47
Q2	0.68	-	0.99	-	1.56
Q3	0.81	-	1.17	-	1.60
Q4	0.89	-	1.37	-	1.64

e = Morgan Stanley Research estimates, a = Actual Company reported data

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all of 2026 is Blackwell at about \$18k per die, that would still imply that European revenue growth can be 8x or more from CY24 to CY26, with more than 150% growth in CY26. It has not been a large market, and there is some catch-up in these numbers, but it's still yet another strong growth indication for next year.

**Nvidia also announced the expansion of DGX Cloud Lepton, a global platform that helps coordinate compute capacity between Nvidia partners and companies looking to utilize it.** Cloud lepton is a compute marketplace connecting developers with GPUs, AWS and Azure are the first large CSPs adding compute to the platform, joining a list that included smaller compute providers Coreweave, Crusoe and others. The goal of the initiative is to make it easier for developers to manage, monitor, and deploy their compute rescores globally across several providers on a single platform.

**As an aside, CEO Jensen Huang also sounded somewhat more constructive on Quantum - specifically NVIDIA's opportunity to sell classical computing technology to simulate and eventually complement quantum computing,** reiterating this prior comments that the industry is nearing an inflection during the keynote. He clarified those comments further during the Q&A session, that while he does not see a quicker timeline beyond the noisy intermediate-scale quantum (NISQ) era he is more constructive on a timeline for hybrid GPU/QPU systems to see commercial applications. This comes on the back of the announcement earlier this year that Nvidia will be building a Quantum Computing Research Center in Boston.

**As is often the case in these events, keynote commentary was on next-wave activity in physical and industrial AI.** We are increasingly seeing aggressive investment in these areas, and even if humanoid robotics takes time, that investment is happening now. There was focus on using Omniverse for digital twins for planning manufacturing and warehouses, new technologies in driving and physical training for robots.

**Our enthusiasm for the stock has been mostly about the clear acceleration in inference workloads, with our contacts everywhere telling us that they need more GPUs - and everything discussed here is incremental to that.** The company characterized some of that growth with GTC in March, with the comments that top 4 cloud customers deployed 1.3 million Hoppers in CY24, and would deploy 3.6 million Blackwell die - 1.8 mm chips -O in CY25, numbers that we believe have accelerated since March at all 4 customers.

**As Jensen highlighted during the Q&A, all the EU investment highlighted is incremental to the investment we're seeing from the large US CSPs.** And while some of this investment is going into place to serve some of the same demand the CSPs are investing for, there is a clear data and AI sovereignty push at play within the EU that these investments are supporting. And given Europe as a region has been characterized as lagging behind areas like the US and Asia in terms of AI investment, signals for greater participation supports another leg of Nvidia's growth trajectory. All in, 5 GW of power capacity translates to something like 2mn Blackwells of demand, a slightly larger figure than Nvidia said all 4 big US CSPs had ordered as of GTC in March (a number that's higher now). That's about \$70bn of GPU investment, and \$100bn or so total, which would make the government

financing of €20 billion a little larger than ~1/5th of the total investment, which seems plausible. It's hard to be precise, but clearly sovereign AI in aggregate is driving a longer tail of investment beyond the traditional cloud players.

**Sentiment from the management team in our meetings was highly confident, though they aren't talking up next year the way others are.** NVIDIA tends to be fairly disciplined about guiding only one quarter at a time, and that's still the case here - the company sidestepped comparisons to AVGO's commentary calling for 50%+ AI growth again next year. But the growth drivers are clearly in front of us, and in our view everything is accelerating, as rack supply comes together, with a transition to GB300, and demand for inference, physical AI training, and sovereign all growing at the same time. NVIDIA is outgrowing ASIC competitors meaningfully - we believe that AVGO's ASIC growth was 10-15% y/y last quarter (with 170% growth in networking), while NVIDIA grew 76% y/y in compute (with 56% growth in networking), and there is certainly no sign of the company slowing down. We would characterize management as highly confident about prospects for the next few quarters, and we think that it's positive that this growth plays out one quarter at a time rather than with a big 12 month out forecast.

**Some other things worth noting from our meetings,** (1) NVlink fusion sounds like it's more about enabling the use of x86 CPUs with Nvidia GPUs than ASICs, which is an exciting new opportunity. 2). The company's posture continues to be that export controls on China should be lifted to give the US a strong position in China AI infrastructure, and reduce trade deficits while increasing tax revenues, but the forecast is built with zero assumption for China compute - and no real indication that they are planning on that changing). 3) GB300 transition appears likely to be very smooth, with the decision to stay with Bianca cards for longer (and presumably Coredelia coming later) described as "a clear positive" in driving a seamless transition. There will still be a long tail on GB200, with some customers choosing to stay with that for longer.

Overall, we see new growth drivers on top of our base case for a strong reacceleration in 2h. Stay OW, NVDA remains our Top Pick in semis.

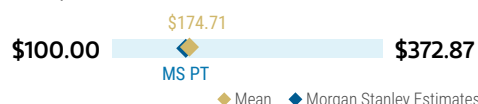
## Risk Reward – NVIDIA Corp. (NVDA.O) Top Pick

OW as large language model enthusiasm is transforming cloud capex

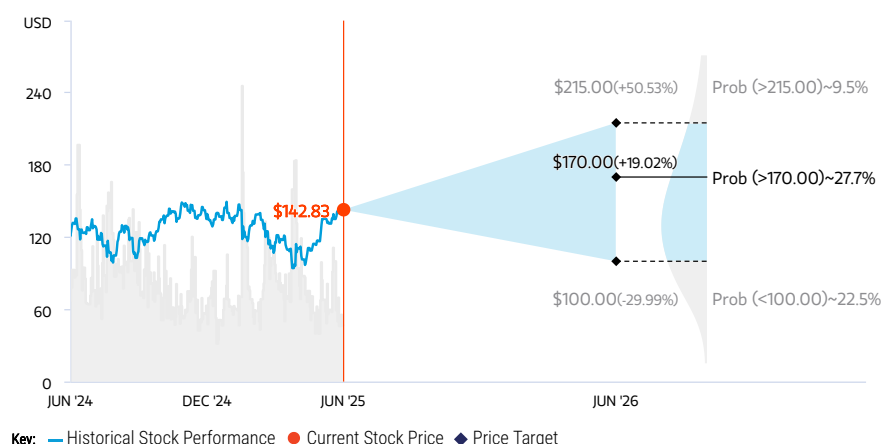
### PRICE TARGET \$170.00

~28x our MW CY25 EPS estimate of \$6.02, roughly in line with large cap AI peer AVGO, and a premium to semis overall. Reflecting our higher conviction in upward revisions to estimates, and premium margin/ growth profile within the space

#### Consensus Price Target Distribution



### RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)

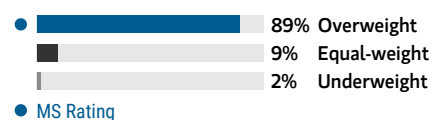


Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 11 Jun 2025. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

### OVERWEIGHT THESIS

- Blackwell still in its early stages, with all signs pointing to a strong ramp still ahead
- We expect NVDA's Data Center business to drive much of the growth over the next 5 years, as enthusiasm for generative AI has created a strong environment for AI/ML hardware solutions
- Broader Blackwell availability later in 2025 this year should further cement NVDA's competitive position, with higher dollar content through a greater mix of system sales

#### Consensus Rating Distribution



#### Risk Reward Themes

New Data Era: *Positive*  
Pricing Power: *Positive*  
Secular Growth: *Positive*

View descriptions of Risk Rewards Themes [here](#)

### BULL CASE \$215.00

~33x bull case MW CY26 EPS of ~\$6.50

Bull case has DC revenues continuing to grow through 2025. Upside from networking, GB200 based systems, and software create potential for a full stack AI computing company worthy of an even greater valuation premium

- Higher margin data center and AI-focused software and services growth accelerates
- GPU based AI PC gains traction, widely increasing the client TAM
- Automotive opportunity takes off, allowing the company to earn recurring, per-car licensing revenue

### BASE CASE \$170.00

~28x our MW CY26 EPS of \$5.70

~28x valuation is a premium to the semis group, but closer to in line with large cap AI peer AVGO. reflecting the expansion in all AI names as well as our higher conviction in estimates given NVIDIA's higher AI exposure. We believe that NVIDIA should trade at a premium given its higher probability of upward revisions in the near term.

- Revenue grows by 52.4% in 2025 and 33.1% in 2026
- Datacenter continues to grow significantly in 2025 and into 2026 as supply remains constrained

### BEAR CASE \$100.00

~24x bear case MW CY26 EPS of ~\$4.15

Two key debates both go the wrong direction, causing investors to question future prospects for growth

- Growth in DC slows substantially as supply catches up to demand faster than anticipated
- AI development costs come down materially, a strong competitor enters the market to take market share, or customers begin insourcing custom hardware solutions
- Greater than expected impact from tariff headwinds and export controls

## Risk Reward – NVIDIA Corp. (NVDA.O)

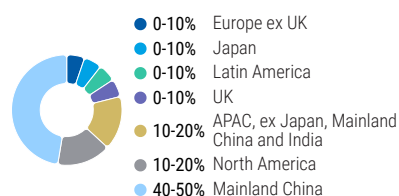
### KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
GAAP Revenue (\$, mm)	130,497	198,821	264,648	308,503
MW Gross Margin (%)	75.4	70.3	73.9	75.5
MW EPS (\$)	2.92	4.12	6.02	6.98
Inventory (\$, mm)	10,080	10,025	11,839	13,529
DOI	111.2	60.6	61.3	63.9

### INVESTMENT DRIVERS

- Growth in AI capex from customers
- Next gen GPUs continue to outpace the competition
- Systems approach allows for higher monetization over time
- New drivers emerge for Nvidia such as AI PCs, autonomous vehicles, robotics, and software

### GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate  
View explanation of regional hierarchies [here](#)

### MS ALPHA MODELS

<b>5/5 BEST</b>	<b>24 Month Horizon</b>	<b>4/5 MOST</b>	<b>3 Month Horizon</b>
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

### RISKS TO PT/RATING

#### RISKS TO UPSIDE

- Growth in training and inference propel data center revenue
- Gaming sales accelerate as GPU based AI PCs gain traction
- Nvidia can recapture lost revenue in China

#### RISKS TO DOWNSIDE

- AI end markets don't materialize as expected, customers sharply reduce GPU purchases
- AMD reemerges as a viable GPU competitor
- Cloud customers outside of Google are able to develop competitive custom hardware

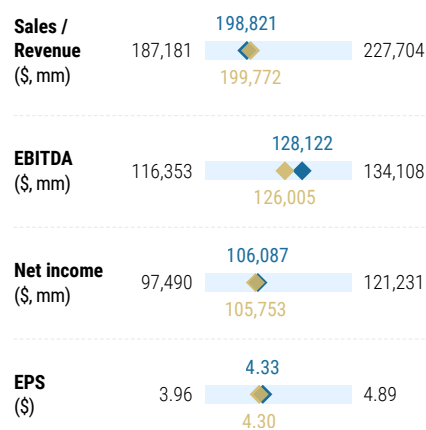
### OWNERSHIP POSITIONING

Inst. Owners, % Active	51.9%				
HF Sector Long/Short Ratio	1.9x				
HF Sector Net Exposure	23.6%				

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

### MS ESTIMATES VS. CONSENSUS

FY Jan 2026e



Source: Refinitiv, Morgan Stanley Research

