

NVIDIA Corporation

Lead Times Still Stretched; Rack Shipments Seen Gaining Momentum in F2H26; H20 Green-Lighted But Awaiting Orders; Solid Networking Momentum; Reit OW

We hosted an investor group meeting with Toshiya Hari, VP of IR and Strategic Finance at NVIDIA, with a focus on its Data Center business. Below are the key takeaways from the meeting.

- **Demand continues to outweigh supply, keeping lead times stretched but stable; Rubin on track for C2H26 ramp.** Even with Blackwell Ultra (BWU) ramping sharply in FQ2 (~50% of Blackwell mix), management noted that lead times have remained fairly consistent (measuring “in quarters, not months”), indicative of demand still outstripping supply more than two years into this AI spending cycle. Looking beyond CY25, NVDA reiterated expectations of growth in CY26 and confirmed that its upcoming Vera Rubin platform has not experienced any delays (despite recent noise to the contrary) and is on track for a C2H26 launch, with all 6 chips that make up the platform having already tapped out at TSMC.
- **FQ2 inventory uptick was in support of ongoing BWU ramp, and not indicative of GB200 inventory build.** When queried on balance sheet inventory growth in FQ2 (+33% Q/Q), which raised concerns that the rapid ramp in demand for GB300 may have led to a GB200 inventory build, management indicated that this was undertaken deliberately in preparation for supporting a further ramp in BWU in FQ3. In fact, the vast majority of the finished goods on NVDA’s B/S at the end of FQ2 (~\$8.7B, up from ~\$3.5B in FQ1) has already shipped this quarter.
- **Strong networking attach rates seen driving sustained growth over the long term.** With Networking having seen two consecutive quarters of unusually strong Q/Q growth (+64%/+46% in FQ1/FQ2), NVDA cautioned that this should not be extrapolated into FQ3, and instead pointed to Networking revenue growth aligning more closely with Compute growth over the longer-term, with some quarterly variation/lumpiness likely. Management did indicate though that the attach rate for NVDA networking content relative to its GPUs remains strong (in the high-70s%/80% range), but emphasized that the company does not “bundle” networking with compute, instead allowing customers flexibility in their system designs.
- **Green light from US government for H20 exports to China, but no orders yet from Chinese customers.** NVDA noted that it has received license approval from the US government for the export of H20 GPUs to Chinese customers, and that customer interest has been strong, but that no purchase orders have yet been received (we think largely a function of geopolitical pressures that have yet to be resolved). Depending on the timing of POs though, NVDA has sufficient inventory on hand to support \$2-5B of H20 revenue in FQ3 (implying a \$56-59B soft guide for FQ3), and if order volumes are

Overweight

NVDA, NVDA US

Price (03 Sep 25):\$170.62

Price Target (Dec-26):\$215.00

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Quarterly Forecasts (FYE Jan)

Adj. EPS (\$)

	2025A	2026E	2027E
Q1	0.61	0.81A	1.49
Q2	0.68	1.05A	1.57
Q3	0.81	1.26	1.73
Q4	0.89	1.42	1.85
FY	2.99	4.53	6.63

Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	83	79	85	78	83
Growth	17	14	4	55	31
Momentum	24	21	6	65	7
Quality	2	2	2	3	10
Low Vol	63	56	58	56	44
ESGQ	88	8	3	12	3

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 6 for analyst certification and important disclosures.

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Price Performance



	YTD	1m	3m	12m
Abs	27.0%	-1.8%	20.8%	58.0%
Rel	17.4%	-5.2%	12.8%	41.4%

Company Data

Shares O/S (mn)	24,990
52-week range (\$)	184.48-86.62
Market cap (\$ mn)	4,263,794.00
Exchange rate	1.00
Free float (%)	96.1%
3M ADV (mn)	175.93
3M ADV (\$ mn)	28,811.9
Volatility (90 Day)	30
Index	S&P 500
BBG ANR (Buy Hold Sell)	73 7 1

Key Metrics (FYE Jan)

\$ in millions	FY25A	FY26E	FY27E
Financial Estimates			
Revenue	130,497	206,829	281,411
Adj. EBIT	81,583	124,178	185,663
Adj. EBITDA	82,007	124,602	186,087
Adj. net income	74,266	111,140	162,544
Adj. EPS	2.99	4.53	6.63
BBG EPS	4.49	6.31	-
Cashflow from operations	64,091	100,587	148,076
FCFF	60,855	93,678	140,500
Margins and Growth			
Revenue Growth Y/Y (%)	114.2%	58.5%	36.1%
EBIT margin	62.5%	60.0%	66.0%
EBIT Growth Y/Y (%)	146.7%	52.2%	49.5%
EBITDA margin	62.8%	60.2%	66.1%
EBITDA Growth Y/Y (%)	144.8%	51.9%	49.3%
Net margin	56.9%	53.7%	57.8%
Adj. EPS growth	131.0%	51.3%	46.5%
Ratios			
Adj. tax rate	13.4%	16.1%	16.5%
Interest cover	-	-	-
Net debt/Equity	NM	NM	NM
Net debt/EBITDA	NM	NM	NM
ROE	121.4%	99.0%	81.1%
Valuation			
FCFF yield	1.4%	2.2%	3.4%
Dividend yield	0.0%	0.0%	0.0%
EV/Revenue	34.5	21.6	15.5
EV/EBITDA	54.9	35.8	23.5
Adj. P/E	57.0	37.7	25.7

Summary Investment Thesis and Valuation

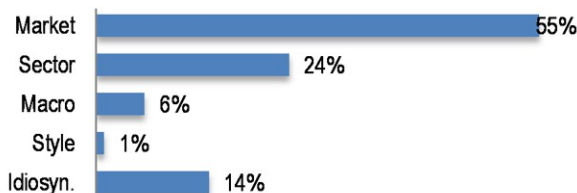
Investment Thesis

We believe NVIDIA continues to execute across all segments. While 1H is typically seasonally weaker than 2H, we expect solid demand in PC gaming to be a strong revenue driver for the company, offsetting PC OEM, which is in secular decline. We expect the data center segment to grow strongly as hyperscale customers continue to embrace GPU-accelerated deep learning for processing large data sets. We are encouraged by strength in the automotive and enterprise segments as well, although strong adoption of autonomous driving in the market remains to be seen. We anticipate significant upside in the shares, driving our Overweight rating.

Valuation

Our PT assumes NVDA trades at 30x (in-line with its longer-term EPS growth rate) 2HCY26 annualized earnings power of \$7.15 (\$1.73 + \$1.85 *2).

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI US	0.77	0.77
Sect: Technology	0.80	0.77
Ind: Semicond & S Equip	0.97	0.94
Macro:		
US Dollar	-0.29	-0.19
US 10yr yield	0.25	0.15
Credit Spread	0.22	0.12
Quant Styles:		
LowVol	-0.52	-0.42
DivYld	-0.38	-0.31
Growth	0.46	0.31

sufficiently large, could build more and recognize China H20 revenue beyond FQ3. On the prospect of shipping a BW SKU into China, management indicated that government discussions are still at an early stage, but that China represents a significant opportunity and a market in which NVDA intends to compete effectively.

- **We believe rack production run-rate inflecting higher in F2H26.** Interestingly, management noted that the cadence of BW/BWU rack shipments “hasn’t really changed” in the past three months, meaning it has been relatively consistent at ~1k racks/week, the main difference being a shift in mix towards BWU (which on a revenue basis was essentially equivalent to BW in FQ2). Supply chain partners are however expected to increase capacity in F2H26, which will help to drive growth in the back half of the year in combination with an ASP uplift from a mix shift towards BWU (about +30% gen-on-gen).

Investment Thesis, Valuation and Risks

NVIDIA Corporation (*Overweight; Price Target: \$215.00*)

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Risks to Rating and Price Target

- Although PC gaming demand seems resilient to macroeconomic weakness, any macro uncertainty could weigh on PC gaming demand trends. Given NVDA's ~53% exposure to the PC gaming segment, any consumer PC gaming weakness poses downside risk to our estimates.
- NVIDIA's GPUs could gain lower than expected deployment into data center applications as hyperscale customers further adopt deep learning as a new and effective way of processing large unstructured data sets. Any significant decrease in the adoption of deep learning by hyperscale customers or increase in competition could result in downside risk to our revenue and earnings estimates.

NVIDIA Corporation: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY24A	FY25A	FY26E	FY27E	FY28E		1Q26A	2Q26A	3Q26E	4Q26E	
Revenue	60,922	130,497	206,829	281,411	-	Revenue	44,062A	46,743A	55,013	61,011	-
COGS	(16,621)	(32,638)	(60,475)	(69,765)	-	COGS	(17,394)A	(12,890)A	(14,633)	(15,558)	-
Gross profit	44,301	97,859	146,354	211,646	-	Gross profit	26,668A	33,853A	40,379	45,453	-
SG&A	(2,558)	(3,362)	(4,504)	(5,149)	-	SG&A	(1,004)A	(1,070)A	(1,190)	(1,240)	-
Adj. EBITDA	33,493	82,007	124,602	186,087	-	Adj. EBITDA	21,781A	28,598A	34,724	39,498	-
D&A	(424)	(424)	(424)	(424)	-	D&A	(106)A	(106)A	(106)	(106)	-
Adj. EBIT	33,069	81,583	124,178	185,663	-	Adj. EBIT	21,675A	28,492A	34,618	39,392	-
Net Interest	-	-	-	-	-	Net Interest	-	-	-	-	-
Adj. PBT	33,680	83,133	126,146	187,663	-	Adj. PBT	22,123A	29,012A	35,118	39,892	-
Tax	(4,059)	(11,146)	(20,296)	(30,964)	-	Tax	(3,135)A	(4,784)A	(5,795)	(6,582)	-
Minority Interest	-	-	-	-	-	Minority Interest	-	-	-	-	-
Adj. Net Income	32,312	74,266	111,140	162,544	-	Adj. Net Income	19,894A	25,689A	30,785	34,771	-
Reported EPS	1.19	2.94	4.39	6.40	-	Reported EPS	0.76A	1.08A	1.20	1.36	-
Adj. EPS	1.30	2.99	4.53	6.63	-	Adj. EPS	0.81A	1.05A	1.26	1.42	-
DPS	0.02	0.04	0.04	0.04	-	DPS	0.01A	0.01A	0.01	0.01	-
Payout ratio	1.3%	1.4%	0.9%	0.6%	-	Payout ratio	1.3%A	0.9%A	0.8%	0.7%	-
Shares outstanding	24,933	24,805	24,536	24,500	-	Shares outstanding	24,611A	24,532A	24,500	24,500	-
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY24A	FY25A	FY26E	FY27E	FY28E		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	25,984	43,210	88,323	179,846	-	Gross margin	72.7%	75.0%	70.8%	75.2%	-
Accounts receivable	9,999	23,065	34,117	43,735	-	EBITDA margin	55.0%	62.8%	60.2%	66.1%	-
Inventories	5,282	10,080	17,892	22,272	-	EBIT margin	54.3%	62.5%	60.0%	66.0%	-
Other current assets	3,080	3,771	2,658	2,658	-	Net profit margin	53.0%	56.9%	53.7%	57.8%	-
Current assets	44,345	80,126	142,989	248,512	-	ROE	99.3%	121.4%	99.0%	81.1%	-
PP&E	3,914	6,283	12,717	19,869	-	ROA	60.4%	83.8%	74.9%	67.3%	-
LT investments	-	-	-	-	-	ROCE	67.8%	100.6%	86.3%	74.2%	-
Other non current assets	17,469	25,192	29,380	29,380	-	SG&A/Sales	4.2%	2.6%	2.2%	1.8%	-
Total assets	65,728	111,601	185,086	297,761	-	Net debt/equity	NM	NM	NM	NM	-
Short term borrowings	1,250	0	0	0	-	P/E (x)	131.7	57.0	37.7	25.7	-
Payables	2,699	6,310	8,364	10,412	-	P/BV (x)	99.0	53.4	28.8	16.3	-
Other short term liabilities	6,682	11,737	15,193	15,193	-	EV/EBITDA (x)	135.0	54.9	35.8	23.5	-
Current liabilities	10,631	18,047	23,557	25,605	-	Dividend Yield	0.0%	0.0%	0.0%	0.0%	-
Long-term debt	8,459	8,463	8,466	8,466	-	Sales/Assets (x)	1.1	1.5	1.4	1.2	-
Other long term liabilities	3,660	5,764	7,886	7,886	-	Interest cover (x)	-	-	-	-	-
Total liabilities	22,750	32,274	39,909	41,957	-	Operating leverage	369.1%	128.5%	89.3%	137.3%	-
Shareholders' equity	42,978	79,327	145,177	255,804	-	Revenue y/y Growth	125.9%	114.2%	58.5%	36.1%	-
Minority interests	-	-	-	-	-	EBITDA y/y Growth	433.2%	144.8%	51.9%	49.3%	-
Total liabilities & equity	65,728	111,601	185,086	297,761	-	Tax rate	12.1%	13.4%	16.1%	16.5%	-
BVPS	1.72	3.20	5.92	10.44	-	Adj. Net Income y/y Growth	286.3%	129.8%	49.7%	46.3%	-
y/y Growth	95.6%	85.5%	85.0%	76.5%	-	EPS y/y Growth	288.4%	131.0%	51.3%	46.5%	-
Net debt/(cash)	(16,275)	(34,747)	(79,857)	(171,380)	-	DPS y/y Growth	0.0%	150.0%	0.0%	0.0%	-
Cash flow from operating activities	28,091	64,091	100,587	148,076	-						
o/w Depreciation & amortization	424	424	424	424	-						
o/w Changes in working capital	(5,057)	(11,877)	(10,904)	(16,047)	-						
Cash flow from investing activities	(10,566)	(20,421)	(16,130)	(7,576)	-						
o/w Capital expenditure	(1,068)	(3,236)	(6,909)	(7,576)	-						
as % of sales	1.8%	2.5%	3.3%	2.7%	-						
Cash flow from financing activities	(13,634)	(42,361)	(49,875)	(48,976)	-						
o/w Dividends paid	(396)	(834)	(976)	(976)	-						
o/w Net debt issued/(repaid)	(1,279)	(1,250)	(21)	0	-						
Net change in cash	3,891	1,309	34,582	91,524	-						
Adj. Free cash flow to firm	27,023	60,855	93,678	140,500	-						
y/y Growth	609.5%	125.2%	53.9%	50.0%	-						

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Jan. o/w - out of which

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