

NVIDIA Corporation

OpenAI investment: potential for 4x+ ROI over time, with some debatable optics

Reiterate Rating: BUY | PO: 235.00 USD | Price: 182.88 USD

Breaking News

- Reiterate Buy as OpenAI \$100bn investment could generate 3x-5x in ROI over time and secure preferential vendor status
- Optics of customer financing will raise qs. but we see it as equity investment with OpenAI treated as any other customer
- NVDA preferential treatment could raise competitive stakes for other vendors such as AVGO and AMD

\$100bn investment could generate \$300-500bn in revenue

Reiterate Buy on NVDA on the company's dominance in the buildout of AI which is the largest and fastest growing tech investment, ever, coupled with a compelling valuation at ~30x CY26 PE, <1x PEG ratio versus large cap growth peers closer to 2x PEG. Earlier today NVDA announced the decision to invest up to \$100bn in OpenAI (equity) to promote deployments of data centers and power capacity. The partnership includes a letter of intent for NVDA to be involved in at least 10 GW of systems, starting in 2H26 with Vera Rubin, which we estimate could be ~\$300-\$500bn in revenue over time, or roughly a 3x-5x return on investment (ROI). Second, and perhaps more importantly, OpenAI will work with NVDA as a preferred strategic compute and networking partner. While no share is specified, the agreement on surface raises the competitive risks for other vendors including AVGO and AMD.

Some question mark around optics of customer financing

The optics of such large investment in a customer will raise questions until NVDA clarifies the appropriate accounting treatment. Our current assumption is NVDA will treat the investment as any other (large) equity investment (such as CoreWeave), with OpenAI treated as any other commercial customer. While \$300-\$500bn of potential (cumulative) revenue seems large, recall NVDA could generate 3x as much total revenue from CY26-30E, so from that perspective OpenAI would be about as much as NVDA's current large customers that are between 15%-25% of total sales. In other words, OpenAI could be one ore of a concentrated set of large cloud customers that NVDA is selling to, and not necessarily an outlier.

.. but it is strategic deployment of FCF

NVDA's ~40-50% FCF margins on \$200bn of topline implies the company will generate \$100s of bn of FCF over the next few years. Unlike the old days, investing in other public assets has become difficult given lack of strategic fit and the burdensome regulatory process. Hence the only other alternative (beyond returning to investors) is to invest in the ecosystem to expand the size of the addressable opportunity that could multiply future benefits, or accelerate time to market for new products, and/or for geopolitical benefits (such as recent INTC investment).

22 September 2025

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Stock Data

Price	182.88 USD
Price Objective	235.00 USD
Date Established	27-Aug-2025
Investment Opinion	C-1-7
52-Week Range	86.62 USD - 184.48 USD
Mrkt Val (mn) / Shares Out (mn)	4,550,054 USD / 24,880.0
Free Float	96.1%
Average Daily Value (mn)	32464.14 USD
BofA Ticker / Exchange	NVDA / NAS
Bloomberg / Reuters	NVDA US / NVDA.OQ
ROE (2026E)	98.5%
Net Dbt to Eqty (Jan-2025A)	-0.2%

NVDA: Nvidia
AMD: Advanced Micro Devices
AI: Artificial Intelligence
GW: Gigawatt
AVGO: Broadcom
INTC: Intel

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Timestamp: 22 September 2025 02:37PM EDT

Price objective basis & risk

NVIDIA Corporation (NVDA)

Our \$235 PO is based on 37x CY26E PE ex cash, in the middle of NVDA's historical 25x-56x forward year PE range, which we believe is justified by NVDA's leading share in fast-growing AI compute/networking markets, offset by lumpiness in global AI projects, cyclical gaming market, and concerns around access to power.

Downside risks are: 1) weakness in consumer driven gaming market, 2) Competition with major public firms, internal cloud projects and other private companies in AI and accelerated computing markets, 3) Larger than expected impact from restrictions on compute shipments to China, or additional restrictions placed on activity in the region, 4) Lumpy and unpredictable sales in new enterprise, data center, and autos markets, 5) Potential for decelerating capital returns, and 5) Enhanced government scrutiny of NVDA's dominant market position in AI chips.