

# NVIDIA FY2025 Financial Research Memo

Company: NVIDIA Corporation (NVDA) | Analyst: Prathyusha | Date: 16 Feb 2026

## Executive summary

This memo answers: What drove NVIDIA's explosive FY2025 performance, and is it financially sustainable? We rely on primary SEC filings only (10-K and 10-Q) to extract, verify, and document core financials, then quantify the drivers (growth, margin expansion, operating leverage, and capital efficiency) and the main risks.

## Data sources and scope

Filing	Period	Purpose	Assurance
Form 10-K	FY ended Jan 26, 2025	Full-year baseline, audited statements, segments	Audited
Form 10-Q	Quarter ended Oct 27, 2024	Momentum + YTD run-rate + cash flow signals	Inaudited

## FY2025 key financials (10-K)

Metric	Value
Revenue	\$130,497M
Gross profit	\$97,858M
Operating income	\$81,453M
Net income	\$72,880M
Gross margin	75.0%
Operating margin	62.4%
Net margin	55.8%
Total assets	\$111,601M
Total liabilities	\$32,274M
Shareholders' equity	\$79,327M

## Revenue mix (primary growth driver)

Segment	FY2025 revenue	Share
Compute & Networking	\$116,193M	89.0%
Graphics	\$14,304M	11.0%
Total	\$130,497M	100.0%

## Driver decomposition (with formulas)

Margin expansion: Gross Margin = Gross Profit / Revenue = \$97,858M / \$130,497M = 75.0%.

Operating leverage: Operating Margin = Operating Income / Revenue = \$81,453M / \$130,497M = 62.4%.

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Capital efficiency (DuPont):  $ROE = (\text{Net Income}/\text{Revenue}) \times (\text{Revenue}/\text{Assets}) \times (\text{Assets}/\text{Equity}) = 55.8\% \times 1.17 \times 1.41 = 91.9\%$ .

### In-year momentum snapshot (10-Q, Q3 FY2025)

Metric	Quarter (3M)	Year-to-date (9M)
Revenue	\$35,082M	\$91,166M
Gross profit	\$26,156M	—
Operating income	\$21,869M	—
Net income	\$19,309M	\$50,789M

Quarter concentration (within YTD): Q3 share of 9-month revenue = Quarter Revenue / YTD Revenue = \$35,082M / \$91,166M = 38.5%.

Free cash flow (9M): FCF = Operating Cash Flow - CapEx = \$47,046M - \$2,759M = \$44,287M.  
FCF margin = FCF / YTD Revenue = 48.6%.

# Sustainability assessment

Financial sustainability is assessed through profitability, cash generation, leverage, and concentration risk.

Pillar	Metric	Formula	Result	Interpretation
Profitability	Net margin	Net income / Revenue	55.8%	High profitability supports resilience.
Cash generation	FCF margin (9M) <small>(OCF - CapEx) / Revenue</small>	48.6%	Strong cash conversion; earnings quality high.	
Leverage	Liabilities / Equity <small>Total liabilities / Equity</small>	0.41	Moderate leverage; low balance-sheet stress.	
Concentration	Compute & Networking segment / Total revenue	89.0%	Strategic risk if AI demand cycle slows.	

## Key risks to monitor (qualitative)

- AI infrastructure demand cyclical; revenue concentration in Compute & Networking.
- Regulatory and export controls impacting some geographies/customers.
- Capacity constraints and supply chain dependency on leading-edge foundry nodes.
- Competitive dynamics: accelerators, custom silicon, and potential pricing pressure.

## Interview-ready response (30-60 seconds)

NVIDIA's FY2025 results were driven primarily by AI-led Compute & Networking revenue (about 89% of total), with strong mix and pricing reflected in 75% gross margin and 62% operating margin. DuPont shows ROE near 92% is profitability-led, not leverage-led (equity multiplier about 1.41). Financial sustainability looks strong due to robust free cash flow conversion and moderate leverage, while the main watch-out is strategic concentration in the AI demand cycle and regulatory/export risk.

## Appendix: formulas used

Gross margin = Gross Profit / Revenue

Operating margin = Operating Income / Revenue

Net margin = Net Income / Revenue

Free cash flow = Operating Cash Flow - Capital Expenditures

FCF margin = Free Cash Flow / Revenue

DuPont ROE = (Net Income/Revenue) × (Revenue/Assets) × (Assets/Equity)