Team 7

Danielle Sciuto, Diego Negron Jimenez,
Tre Totten, Samiksha Sarda

Team leader: Samiksha Sarda

17968 Tuesday and Thursday

8.00 am – 9.15 am

Company Overview

History:

Founded on April 5, 1993 by Jensen Huang, Chris Malachowsky, and Curtis Priem at a Denny's Roadside Diner in East San Jose.

- They predicted that the ideal future of computing would be in graphics-based processing. (Video Games & 3D Graphics)
- Company originally had no name, but they created the name by combining NV (Next Version) and the latin word "invidia".
- In 1997, after being down to about 40 employees, Nvidia released the RIVA 128 which sold about 1 million copies in 4 months.
- Went public in 1999
- Forbes' Company of the Year 2007

Primary Goods/Services:

- Graphics Processing Units (GPUs)
- Application Programming Interfaces (APIs)
- System of a Chip Units (SoCs)

Company HQ:

Santa Clara, California

Goals and Targets:

"NVIDIA's mission is to develop high-performance computers that scientists, researchers, artists, and creators from around the world use to create the future and improve lives" (NVIDIA CSR Directive)

Company Nuts & Bolts

- Primary leadership style : Decentralized leadership model with empowered teams
- Number of employees: 24,000+
- Fortune rating for the current year + two previous years
  - 2023: Fortune 500 (Number 64)
  - 2022: Fortune 500 (Number 152)
  - 2021: Fortune 500 (Number 132)
- Notable employee benefits:
  - Comprehensive health insurance plans
  - Generous parental leave policies
  - On-site fitness centers and wellness programs
  - Tuition reimbursement programs
- U.S. and/or international presence
  - Global headquarters in Santa Clara, California, USA
  - Offices and research facilities worldwide
- Partnerships (i.e., other corporations, defense)
  - AWS
  - Google
  - Dell
  - Collaboration with the Department of Defense on AI initiatives
- Key stakeholders
  - Employees
  - Customers
  - Investors
  - Partners
  - The global community

Culture

Social responsibility statement:

"We strive to make NVIDIA a place where employees can do their life's work and make positive change in the world"

- Corporate responsibility report
- Focus on inclusion
- Renewable and efficiency goals

Glassdoor rating: 4.6/5

Pros: great culture and benefits

Cons: long hours

Social media presence:

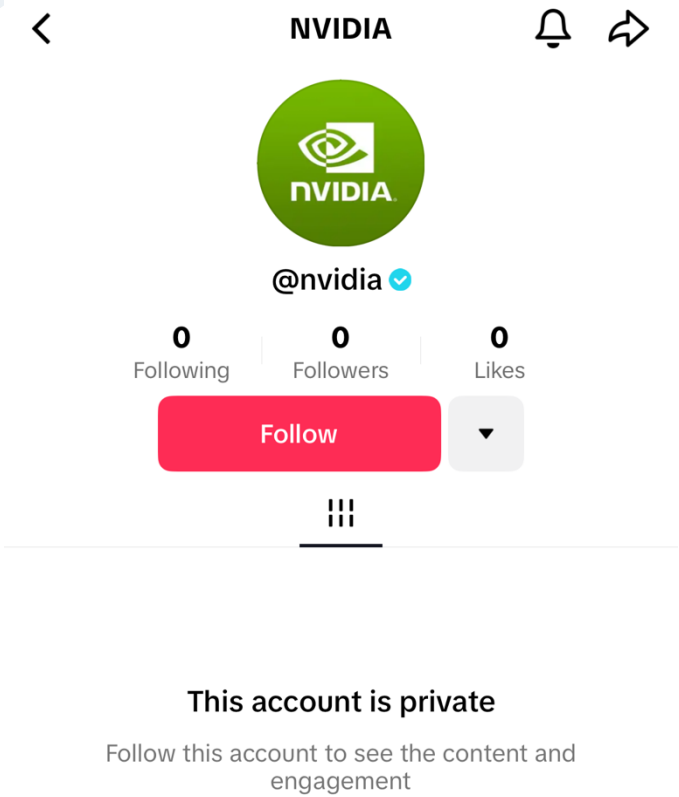
Instagram and X

- 2.1 million followers
- posts frequently but not much interactions (average 2,000 likes and 50 comments)

Facebook

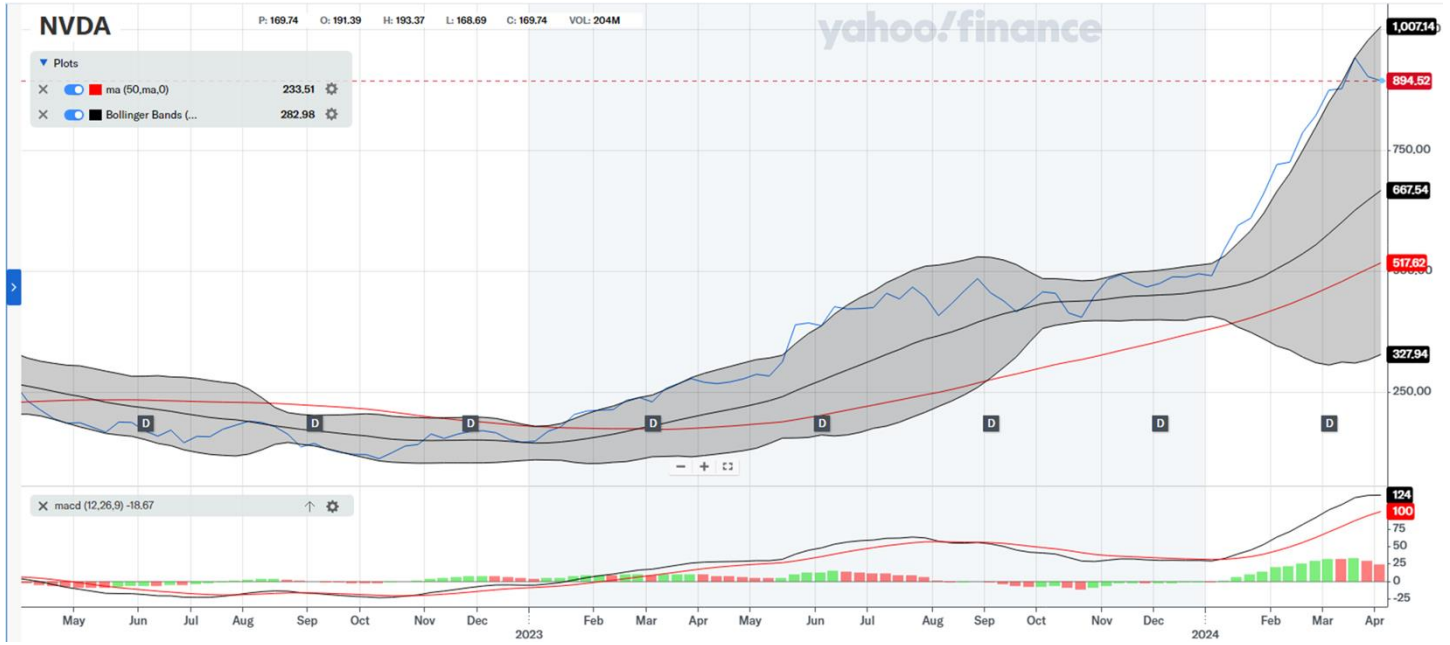
- 2.4 million followers, post frequently but not much interaction

No TikTok



Financials

Earnings (in Millions)	Q2 2023	Q3 2023
Revenue	**$13,507**	**$18,120**
% QoQ Sales Growth		34.2%
COGS	(4,045)	(4,720)
Gross Profit	**9,462**	**13,400**
Gross Margin	70.1%	74.0%
R&D	(2,040)	(2,294)
% of Sales	15.1%	12.7%
SG&A	(622)	(689)
Operating Income	**6,800**	**10,417**
% QoQ Operating Income Growth		53.2%
Operating Income Margin	50.3%	57.5%
Interest Income	$187	$234
Interest Expense	($65)	($63)
Other, net	$59	($66)
Earnings Before Tax	**6,981**	**10,522**
% QoQ EBT Growth		50.7%
Income Tax Expense (Benefit)	793	1,279
Net Income	**$6,188**	**$9,243**
% QoQProfit Growth		49.4%
Profit Margin	45.8%	51.0%
Operating Income	**$6,800**	**$10,417**
(+) D&A	749	1,121
Adj. EBITDA	**$7,549**	**$11,538**
% QoQ Adj. EBITDA Growth		52.8%



Executive Compensation

Individual	Jen-Hsung Huang CEO	Colette Kress CFO	Ajay Puri EVP	Debora Shoquist EVP	Timothy Teter General Counsel
Cash	$3,000,000	$1,200,000	$1,600,000	$1,100,000	$1,100,000
Equity	21,999,758	10,799,701	10,399,594	8,899,623	8,899,623
Total Comp	**$24,999,758**	**$11,999,701**	**$11,999,594**	**$9,999,623**	**$9,999,623**

Employee Compensation

Position	Software Engineer	Hardware Engineer	Product Manager
Avg. Cash	$207,500	$214,000	$219,800
Avg. Equity	110,333	122,429	94,600
Total Comp	**$317,833**	**$336,429**	**$314,400**

Employee Benefits

- Health Insurance / HAS
- Life Insurance
- Unlimited PTO
- Free Snacks & Drinks
- Free Access to Company Gym
- On-Site Clinic
- Maternity & Paternity Leave

Strategic Analysis

Strategic Issue

How can NVIDIA continue to maintain its market position producing semiconductor chips made for processing demanding artificial intelligence platforms in an industry that will end with other chip manufacturer attempting to do the same?

Tools Used

PESTEL Analysis

SWOT Analysis

Porter's 5 Forces

VRIO Analysis

Strategic Alternatives

1. NVIDIA could spin off its gaming segment, now that it accounts for a small portion of its overall revenue, and reallocate funds with a greater emphasis of research and development on AI segment
2. Because data centers will become the primary customers of chips capable of processing AI applications, NVIDIA should entrench itself in the relationships it could form with these data builders and managers.
3. To cement its competitive position ahead of other semiconductor chips manufacturers, NVIDIA could engage in actively acquiring producers that are developing competitive technologies within the space.

Competitors

There are many other semiconductor chip manufacturers that hold a strong foothold in producing chips for laptops and other consumer goods, many of which will eventually have the capabilities to compete directly with NVIDIA if they invest enough capital into researching and developing products geared toward artificial intelligence processing.

Impact of News

NVIDIA's competitors have begun receiving equity funding, and while demand for semiconductor chips capable of handling AI workloads will continue to increase, its applicable uses are limited by the capacity exhibited by data centers across the globe.

Diego Negron Jimenez

Strategic Analysis Tools We Used

Porters 5 forces

- Rivalry of industry competitors
  - Intense competition in the GPU and AI chip market
  - Key rivals: AMD, Intel, Qualcomm, Google, etc.

VIRO analysis

- Semiconductor chips made for AI processing
- Semiconductor chips made for computer production
  - Limited number of suppliers for crucial components
  - High switching costs for suppliers

Discussion Questions

1. Do you own any computers which have had their chips produced by Nvidia?
2. If yes, do you think Nvidia produces chips that are stronger than those made by other manufacturers? If not, would you ever consider buying a laptop with an Nvidia chip?
3. What do you think the future holds for Nvidia?
4. Do you think Nvidia should focus solely on producing chips for AI processing?

Wrap-Up

Team 7

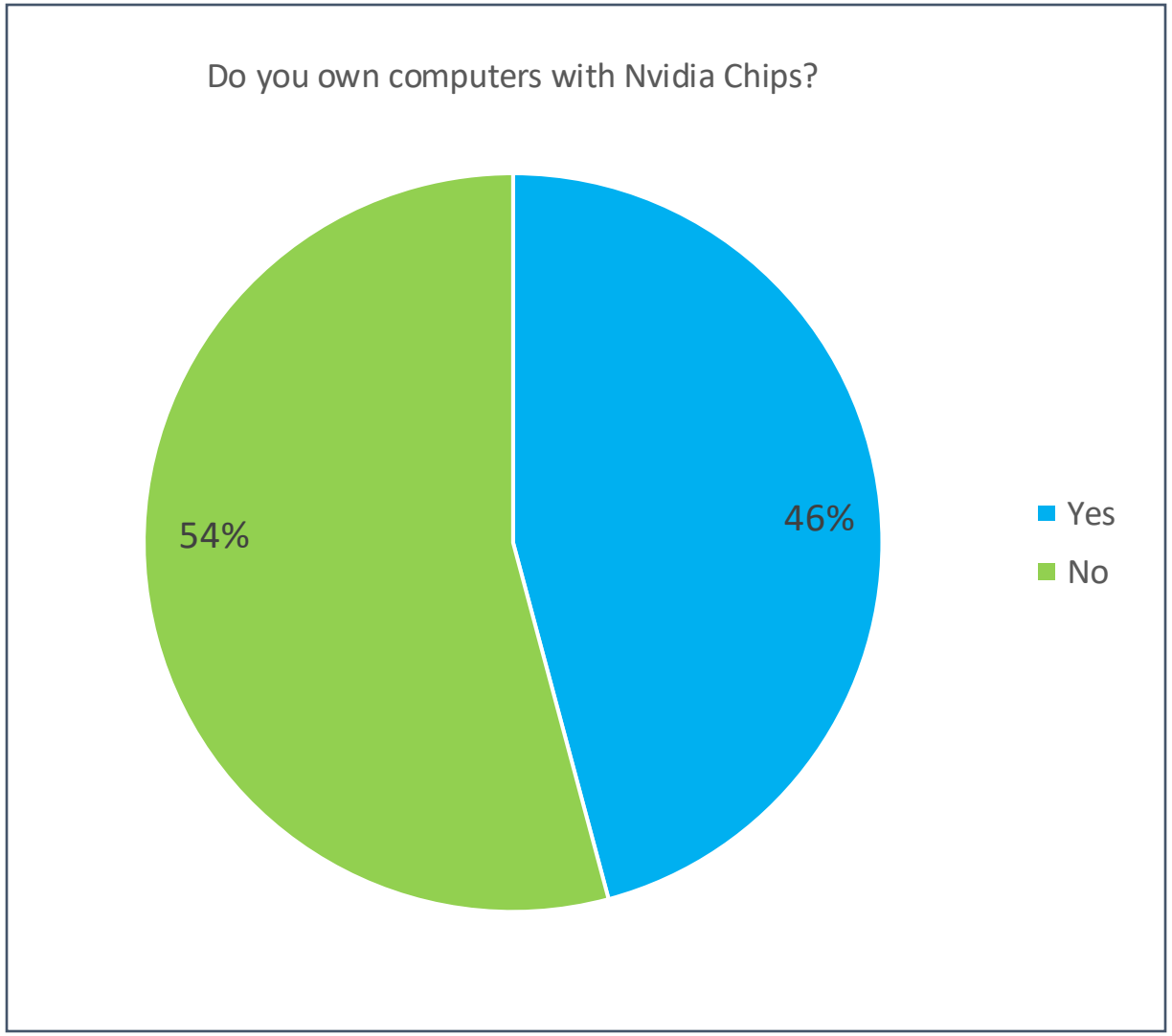
Danielle Sciuto, Diego Negron Jimenez,
Tre Totten, Samiksha Sarda

Team leader: Samiksha Sarda

17968 Tuesday and Thursday

8.00 am – 9.15 am

Do you own any computers which have had their chips produced by Nvidia?



Do you think Nvidia produces chips that are stronger than those made by other manufacturers?
If not, would you ever consider buying a laptop with an Nvidia chip?

- While there is recognition of Nvidia's reputation for producing strong chips, many people prioritize other factors, such as usability, design, and overall satisfaction with their current devices, when considering a laptop purchase.
- This suggests that while Nvidia's chip performance may be a factor for some consumers, it may not be the primary driver of purchasing decisions for all.

Key Observations

- Many people highlighted how NVIDIA's stock price is poised for a downturn based on the technical analysis presented
- That being said, most people also mentioned how the Company will experience greater profitability in the future because of AI tailwinds
- Brand awareness was a typical vector which those surveyed believed could be improved to improve how normal consumers interact with the Company's products

What does the future hold for NVIDIA?

Do you think Nvidia should focus solely on producing chips for AI processing?

- Common Answer: No
  - Diversification
  - Not entirely focus on AI
  - Have a solid product line
- Interesting Points
  - Those who said Yes:
    - Growing Demand Outlook
    - They have the resources to do so

Analysis

1. Do you own any computers which have had their chips produced by Nvidia?
    - While Nvidia chips are not present in all laptops, they are highly regarded for their performance, particularly in graphics intensive tasks like gaming.
2. If yes, do you think Nvidia produces chips that are stronger than those made by other manufacturers? If not, would you ever consider buying a laptop with an Nvidia chip
    - Opinions on Nvidia's chip strength vary, but many users consider them competitive in the market. The decision to purchase a laptop with an Nvidia chip often depends on individual preferences and needs.
3. What do you think the future holds for Nvidia?
    - Nvidia's future appears promising, especially with their focus on AI, gaming, and data center technologies. Continued innovation and strategic partnerships may further enhance their market position.
4. Do you think Nvidia should focus solely on producing chips for AI processing?
    - While AI processing is significant for Nvidia, diversifying into other areas like gaming and data centers has been successful. Balancing efforts across multiple sectors allows for growth and resilience in the tech industry.