

NVIDIA Corp Annual Shareholders Meeting

Company Participants

- Jen-Hsun Huang, Co
- Simona Jankowski, VP of IR
- Timothy S. Teter, Executive VP, General Counsel & Secretary

Other Participants

- Unidentified Participant, Analyst, Unknown

Presentation

Simona Jankowski {BIO 7131672 <GO>}

Good morning. Welcome to NVIDIA's 2019 Annual Meeting of Stockholders. I am Simona Jankowski, Vice President of Investor Relations.

We're excited to host a fully virtual annual meeting again this year. Other members of NVIDIA's management who are present with me today are Jensen Huang, President, Chief Executive Officer and Director; Colette Kress, Executive Vice President and Chief Financial Officer; and Tim Teter, Executive Vice President, General Counsel and

Secretary. I would also like to introduce the outside members of our Board of Directors who are in attendance: Tench Coxe, Persis Drell, Jim Gaither, Dawn Hudson, Harvey Jones, Mike McCaffery, Steve Neal, Mark Perry, Brooke Seawell and Mark Stevens. Finally, I would like to introduce Tim Carry from PricewaterhouseCoopers, our independent registered public accounting firm.

After the formal portion of the meeting, Jensen will provide an update on our business. And then we will set aside some time for questions. I would now like to turn the meeting over to Jensen.

Jen-Hsun Huang {BIO 1782546 <GO>}

Thanks, Simona. Good morning. Welcome to our 2019 stockholders meeting. The meeting will now officially come to order. I will serve as chairman. And Tim Teter will serve as a secretary and conduct the procedural portion of the meeting. Tim?

Timothy S. Teter {BIO 3936302 <GO>}

Thanks, Jensen. First, a few housekeeping items. We have opened the online portal for stockholders to ask questions during the meeting. If you have a question, please enter it into the portal. And we will do our best to answer it at the end of Jensen's business update in the time permitted. In fairness to all attendees, we will limit each stockholder to 1 question within our allotted time for Q&A. We welcome the views and comments of all stockholders. But in order to conduct an orderly meeting, we cannot respond to those that are irrelevant to the company's business or operations, related to pending or threatened litigation or personal grievances or are derogatory or in poor taste. We may also provide a single response to multiple questions generally asking the same or similar things. You can also vote your shares online until the polls close.

During the course of this meeting, we may make forward-looking statements based on current expectations. These forward-looking statements are subject to a number of significant risks and uncertainties. And our actual results may differ materially. For a discussion of factors that could affect our future financial results and business, please refer to the reports we may file from time to time with the Securities and Exchange Commission, including our annual report on Form 10-K. All our statements are made as of May 22, 2019, based on information available to us as of today. And except as required by law, we assume no obligation to update any such statements.

We will first address the matters described in the company's proxy statement dated April 12, 2019. We will then complete the balloting process. An announcement will be made regarding the voting results. And then the official portion of the meeting will be adjourned. Jensen will provide a brief business update. And then we will answer questions received through our online stockholder forum as well as questions submitted online during the meeting.

I have a complete list of the stockholders of record of NVIDIA's common stock on the March 25, 2019, record date for this meeting. I also have an affidavit from Broadridge, certifying that they commenced the mailing of the relevant proxy materials on April 12, 2019. I am appointing Chris Woods of American Election Services, LLC to act as the inspector of elections at this meeting. He will tally the final votes when balloting on all matters is completed. Chris has taken the customary oath of office. And we will file this oath with the records of the meeting.

Our bylaws provide that the presence in person or by proxy of a majority of the shares entitled to vote at the meeting will constitute a quorum. There were approximately 608 million shares outstanding on the record date. And Chris has informed me that proxies have been received for approximately 502 million shares or approximately 82% of the shares outstanding, which constitutes a quorum for today's meeting. Each share of common stock is entitled to one vote. If you are eligible to vote and have not submitted your proxy or you want to change your vote, please do so and vote online now. You do not need to vote if you have already sent in your signed proxy or voted online or by telephone. Your votes will be counted automatically.

The time is 10:36 a.m. and the polls are currently open for voting. There are 4 items of business for this meeting: First, the election of Rob Burgess, Tench Coxe, Persis Drell, James Gaither, Jensen Huang, Dawn Hudson, Harvey Jones, Mike McCaffery, Steve Neal, Mark Perry, Brooke Seawell and Mark Stevens to serve as directors until our 2020 annual meeting.

Second, the approval of the compensation of our executive officers, as disclosed in our 2019 proxy statement.

Third, the ratification of PwC as our independent registered public accounting firm for the fiscal year ending January 26, 2020.

Fourth, amending and restating our Certificate of Incorporation to eliminate supermajority voting to remove a director without cause.

As the company has not received notice from any of its stockholders of any other matter to be considered at today's meeting, no other proposals will be addressed. If you have not voted and intend to vote, please do so online now as the polls will close momentarily. Proxies, votes or any changes or revocations submitted after closing of the polls will not be accepted.

The time is now 10:37 a.m. and the polls are now closed. The preliminary report of the inspector of elections covering the proposals presented at this meeting is as follows: first, the proposal to elect the 12 nominees on the ballot as directors of NVIDIA is carried; second, the proposal to approve the compensation of NVIDIA's executive officers as disclosed in NVIDIA's 2019 proxy statement is carried; third, the proposal to ratify PwC as NVIDIA's independent registered public accounting firm for the fiscal year ending January 26, 2020, is carried; and fourth, the proposal to amend and restate NVIDIA's Certificate of Incorporation to eliminate supermajority voting to remove a director without cause has not passed, with 64.2% of the outstanding shares voting in favor.

A full tally of the votes will be published in a Form 8-K, which we expect to file with the SEC within 4 business days. That concludes the formal portion of today's annual meeting. And I declare the business portion of the 2019 Annual Meeting of Stockholders adjourned. Thank you very much.

With that, let me hand this meeting back over to Jensen for a brief business update, following which we will answer stockholder questions.

Please note that given our time constraints, we may not be able to address all questions.

Jen-Hsun Huang {BIO 1782546 <GO>}

Thanks, Tim. This past year, we posted strong growth and made significant advances in computer graphics, high-performance computing, artificial intelligence and

robotics. We did this against the headwinds of cryptocurrency and an array of macroeconomic uncertainties. It was a very challenging year.

But our core belief in our mission to apply the computing model we pioneered to solve problems we can uniquely solve remains as strong as ever. NVIDIA is at the center of modern AI, the greatest technology force of our time. AI, a combination of special software and chips, enables computers to automatically recognize complex patterns and perform tasks learned from a great number of training examples. Simply put, AI is software that learns. If computer programming enabled automation, then AI is the automation of automation. In a way, AI is software that learns and programs itself.

AI starts by learning from a vast quantity of data on joint computers powered by NVIDIA's Tensor Core GPUs. Imagine learning language by studying every document in Wikipedia or the Library of Congress. To do this in a reasonable time, companies use NVIDIA Tensor Core GPUs, a new breed of GPUs we invented. These are the same processors that create and simulate virtual reality video game worlds but enhanced for artificial intelligence. NVIDIA's AI computing platform is used by nearly every Internet company and offered to researchers and developers by all cloud service providers and computer makers. We're an open platform.

Our work in AI is built upon a computing approach we pioneered over a decade ago called CUDA accelerated computing. CUDA achieves performance simply not possible with normal computers. It requires an end-to-end approach from processor to system to system software to algorithms to understanding of applications and continuous optimization between them. CUDA is the architecture of all of our GPUs and all of our systems. It's been downloaded some 13 million times. There are 1.2 million GPU developers in the world today.

Over the past several years, we've extended CUDA with domain-specific acceleration libraries for our growth markets. Collectively, we call this suite of libraries CUDA-X.

Our strategy led to strong financial performance last year. Revenue grows 21% to \$11.72 billion. And gross margins expanded to 61.2%. GAAP earnings per share were \$6.63, up 38%. And we returned \$1.95 billion to shareholders through dividends and share repurchases.

Our gaming business grew 13% to a record \$6.25 billion. Our ProVis business also achieved a record year, growing 21% to \$1.13 billion. And our automotive business grew 15% to a record \$641 million, driven by the adoption of next-generation artificial intelligence capabilities under the hood and inside cockpit. Our data center business, which is up 52% to \$2.93 billion did not meet our expectations as customers slowed their purchases in the Fourth Quarter. This overshadowed what was otherwise a landmark year of expansion of our data center portfolio with new technologies for inference and data science.

As reported in last week's Q1 results, NVIDIA is back on an upward trajectory with growth in gaming laptops and RTX adoption leading the way. Accelerated computing is a kind of supercharged computing. This year, we made great strides to advance it. We introduced Turing, the world's first GPU designed to accelerate ray tracing, a method that simulates the physics of light to create realistic computer graphics. Ray tracing was first described by one of NVIDIA's researchers 35 years ago. NVIDIA RTX finally makes it possible to do in real time.

The support from game, film and digital content industry has been overwhelming. Microsoft announced a new Windows DXR API that NVIDIA RTX accelerates. Epic and Unity, the game engines that power the gaming industry, both announced new engines for RTX. Major game studios are developing games with RTX. Pixar announced adopting RTX for future film production. Every major renderer supports RTX, including Adobe and Autodesk. It's now clear that ray tracing is the next generation of computer graphics.

Soon every gamer and creator will enjoy the dazzling effects -- results as the entire graphics industry moves to the new standard of ray tracing. NVIDIA is the engine of modern AI. Our computing platform addresses the end-to-end development of AI from data processing to AI model training to model deployment. We start the AI journey in training. As AI models of all kinds are entering large-scale deployment, our focus is expanding to inference. In inference, the use of NVIDIA GPUs is rapidly growing for applications where latency is critical like real-time video analytics, real-time object detection for self-driving cars, speech recognition and conversational AI. AI will continue to drive hyperscale and cloud Internet companies with new services like conversational AI, which is on the cusp of broad adoption. At the same time, AI is spilling out of the cloud and into enterprises and their products and services at the edge.

The world's largest industries, transportation, healthcare, logistics, manufacturing, robotics, smart cities, retail are deploying AI to build autonomous machines and intelligent devices. We've partnered with the world's leading systems makers to build NVIDIA edge AI servers for the enterprise and the edge. We've developed domain-specific platforms spanning cloud to edge technologies to bring AI to vertical markets. These platforms will be connected to public or private enterprise clouds but will be doing AI near the action, perceiving and recognizing the context and automating tasks.

For transportation, NVIDIA DRIVE is an open end-to-end platform for autonomous vehicles, from AI computing infrastructure to simulation to in-car computing.

For healthcare, NVIDIA CLARA supercharges medical imaging instruments with AI, boosting an essential tool of early-disease detection.

For robotics, NVIDIA Isaac offers a virtual reality simulator where robots learn skills and Compaq Computer for all kinds of robotics, from warehouse bots to delivery bots to service bots.

And for smart cities, NVIDIA's Metropolis delivers tools and technologies to apply AI to create services that will make our cities safer and more efficient.

Cloud to edge AI will further fuel the exponential growth of data and put more demands on computing at every point along the way. Its biggest impact will be on the biggest computers of all, data centers. As Moore's Law comes to an end, the traditional approach to data center design no longer applies. Data centers will need to be architected as giant compute engines with tens of thousands of compute nodes, designed holistically to -- with their interconnects for optimal performance.

Mellanox solved this early. Their high performance InfiniBand interconnect technology and high-speed Ethernet products are used in over half of the world's fastest supercomputers and in many hyperscale data centers. For our part, we're the best in the world at developing high-performance computing platforms. Together, NVIDIA and Mellanox can optimize data center scale workloads across the entire computing, networking, security and storage stack. We look forward to closing the acquisition by the end of this calendar year. The world's demand for computing shows no signs of slowing down. The computer model we pioneered is the best path forward to serve the world's insatiable computing needs. The markets it serves are important, large and growing. We have excellent strategic positions in all of them. And we're inspired to continue to advance the most powerful tool of our time.

Unidentified Participant

Thanks, Jensen. We'll now move to Q&A. First, we'll address questions and comments that have come through our stockholder forum. And then we'll respond to those that come through the virtual meeting portal. We created the forum so that our stockholders would have the opportunity to ask us questions prior to the meeting, allowing for more effective communication.

Questions And Answers

A - Simona Jankowski {BIO 7131672 <GO>}

I will read out loud each question or comment, except removing personal details. In some cases, we received multiple questions asking about the same or similar topics. So we have grouped those questions together to avoid repetition. As Tim mentioned earlier, in order to conduct an orderly meeting, we will not address questions or comments of a personal or derogatory nature, those related to pending or threatened litigation or those that do not pertain to NVIDIA's business or operations.

First question. After a disappointing Q3 and Q4 of 2018, how do you, as directors, plan to restore value to your shares and the company as a whole? Do you plan to distance manufacturing farther from the crypto market due to a surplus of merchandising left in the wake of the unexpected drop-off in crypto markets? What are the 3 main factors that are likely to increase the stock price in the upcoming quarter? Can you get the stock price back to \$250?

A - Jen-Hsun Huang {BIO 1782546 <GO>}

The fundamentals of NVIDIA's long-term opportunity are strong. The accelerated computing model NVIDIA pioneered is leading the computer industry forward. And artificial intelligence, of which NVIDIA is at the center, is the most powerful technology force of our time. NVIDIA is working to create long-term value for shareholders through our platforms that address large market opportunities in front of us. While we faced turbulence at the end of last year due to higher inventory in the channel than desired, we're confident in our strategies and growth drivers looking forward. We believe NVIDIA is back on an upward trajectory. We're focused on driving 3 growth strategies: RTX ray tracing, acceleration in AI computing and robotic systems like autonomous vehicles. We're also excited about our pending acquisition of Mellanox, which will help us drive data center architecture for high-performance computing and AI from the cloud to the edge.

A - Simona Jankowski {BIO 7131672 <GO>}

Next question. What political contributions are you planning to make?

A - Jen-Hsun Huang {BIO 1782546 <GO>}

NVIDIA does not have a political action committee or other formal plan or process for making donations to politicians or political parties. Of course, our employees are free to make individual choices and donate to tenants as they see fit.

A - Simona Jankowski {BIO 7131672 <GO>}

How is NVIDIA planning to diversify its portfolio? Is it planning to enter new segments?

A - Jen-Hsun Huang {BIO 1782546 <GO>}

NVIDIA is focused on some of the highest growth and most important industries of tomorrow. We are a leader in consumer market with our gaming business. We're the engine of digital designers and creators all over the world. Our AI computing platform is in every major cloud service providers and offered by leading computer makers. And we serve important industries from transportation, healthcare, scientific computing retail to financial services. We discussed our long-term strategies and business opportunities in detail at our Investor Day in late March. You could view the presentation and webcast in our Investor Relations website.

A - Simona Jankowski {BIO 7131672 <GO>}

How did you use Trump's tax cut? How much went to you and how much to the shareholders?

A - Jen-Hsun Huang {BIO 1782546 <GO>}

The financial impact of U.S. tax reform has benefited NVIDIA. But our tax rate is based on a number of factors, including our geographical mix of profits. We operate and are taxed in many different countries. So the 14% U.S. corporate tax -- U.S. corporate rate reduction does not directly translate into a corresponding tax savings.

We outlined our strategy for use of our cash at our Investor Day in March. Our presentation and webcast for Investor Day can be found on our Investor Relations website. After we complete our Mellanox transition, our priority for our cash is investment in our business so that we can realize the large and expanding market opportunities we have in front of us with gaming, data center and autonomous vehicles. We will invest in hiring and related needs as well as key capital investments and facility and computing infrastructure. Our next use is to fund our capital return program, which continues to return value to our shareholders through quarterly dividends and stock repurchases.

A - Simona Jankowski {BIO 7131672 <GO>}

What is the executive compensation? How much does the average employee make? And what is the percentage of the executive compensation? And how do you justify that difference?

A - Jen-Hsun Huang {BIO 1782546 <GO>}

The compensation of our executive officers is detailed in our 2019 proxy statement, which is posted to our Investor Relations website. The proxy statement includes a section called pay ratio, which compares my compensation to our median employees' compensation for fiscal 2019. Last year, our median employees' compensation was \$155,035. And the ratio of my compensation to our median employees was 88:1 for the second year in a row. By comparison, the average CEO pay ratio for public companies was somewhere around 270:1. Taking care of our employees and their families is incredibly important to me. So we offer competitive compensation as well as comprehensive benefits. Building a company where the greatest minds come to do their life's work is the best way we can serve our shareholders. We aim to provide total target compensation for all levels of employees globally at the 50th to 65th percentile of market. Plus, all employees receive equity and are eligible to participate in our employee stock purchase plan so they can share in the growth of our company. Each year, we ask our stockholders to vote on our executive officers' pay, as we are doing today. Our compensation committee considers the result of the say-on-pay vote as well as pure company data when it determines the structure of the following year's executive compensation program. The program is designed to align our executives' interests with those of our stockholders by emphasizing performance-based cash and long-term equity that is only earned if the company achieves rigorous financial metrics. We've been pleased to receive positive feedback from our large stockholders regarding our compensation program during our annual engagement efforts.

A - Simona Jankowski {BIO 7131672 <GO>}

How many total women are on the Board of Directors? Why are there so few women on the board? And why are so many directors necessary? When do you plan to bring more diversity to the Board of Directors?

A - Jen-Hsun Huang {BIO 1782546 <GO>}

We have 2 women on our board, Dr. Persis Drell and Dawn Hudson. We strive to maintain our appropriate balance of diversity, tenure and skills on the board. We

select directors based on their unique skills, professional experience, perspectives and backgrounds and -- which enables them to effectively support and oversee NVIDIA's complex business. I would add that our executive team consists of 40% woman in key leadership roles in our company. I'm proud of the excellence and diversity of our management team.

A - Simona Jankowski {BIO 7131672 <GO>}

How is the lack of substantial progress in the trade negotiations with China affecting the current and 2020 business performance of NVIDIA in the country? Has the trade situation in China affected profits?

A - Jen-Hsun Huang {BIO 1782546 <GO>}

There is relatively little direct impact on us from the tariffs on China imports. Most of our partners have moved or are moving their impacted assembly work to other regions such as Taiwan and Mexico, which aren't affected by the tariffs. But the tariff war is obviously not good for anybody. And we hope the U.S. and Chinese governments look for a solution that is wise and leads to fair trades, which is important to all of us.

A - Simona Jankowski {BIO 7131672 <GO>}

Have you considered selling yourself or merging with another larger company, including Apple?

A - Jen-Hsun Huang {BIO 1782546 <GO>}

We are building one of the world's great companies, meaning technologies that will drive the most important industries and lead to long-term growth. We believe technologies and markets that we're focused on like artificial intelligence, are significant growth opportunities for our company and stockholders.

A - Simona Jankowski {BIO 7131672 <GO>}

How about getting into eSports training sponsorship teams using NVIDIA or Simulia or Douyu or Apple, Microsoft?

A - Jen-Hsun Huang {BIO 1782546 <GO>}

We are pretty excited about the global growth of eSports. We have many marketing activities in this arena, including streamers, team and tournament sponsorships, for example, NVIDIA was the official graphics platform of The International in 2018. GeForce also holds boot camps from its eSports studio in Santa Clara, Munich and Shanghai, where it sponsors teams to come train for tournaments on RTX-powered systems.

A - Simona Jankowski {BIO 7131672 <GO>}

Why is there not a live component to this meeting? There is no substitute for a face-to-face meeting. Is the management unwilling to spend an hour once a year to meet shareholders? It's a terrible way to conduct an important function.

A - Jen-Hsun Huang {BIO 1782546 <GO>}

Stockholder questions and feedbacks are important to the management and board. We decided to hold our annual meeting virtually because it invites participation by a broader group of stockholders. To provide a similar level of engagement to the in-person meeting format, we have invited stockholders to submit questions through our pre-meeting forum and now during our meeting. Given the number of questions we've received and answered, I think the format has worked well. Simona, back to you.

A - Simona Jankowski {BIO 7131672 <GO>}

One more question, as it came in over the portal. Would you please give us an idea of how much revenue is generated for NVIDIA on a per trust basis on the TuSimple Chinese autonomous projects, which is powered by NVIDIA tech that includes NVIDIA GPUs, DRIVE PX 2 autonomous computer, Jetson TX2 and more? Thank you.

A - Jen-Hsun Huang {BIO 1782546 <GO>}

Thanks for the questions. TuSimple is one of the most innovative autonomous trucking companies in the world. And they're doing really spectacular work. Rich sensors surround the trucks and they look quite far down the road. And the amount of processing necessary to support all the sensors and the redundant and diverse algorithms that are running in the DRIVE PX computers is really quite significant. There are many GPUs that are inside a TuSimple autonomous driving truck. And one of the things that's -- that this highlights is really the open platform of our autonomous vehicle system. NVIDIA's DRIVE is adopted by startups and self-driving cars, robot taxis, trucks, shuttles, grocery delivery bots of all kinds, buses of all kinds, it is an open platform and it's end-to-end from data processing to deep learning training for artificial intelligence models, to simulation of regression of a large body of data all the way to the autonomous driving computer inside a car. And so as a result, companies all over the world could take advantage of this open platform to enable the world to move towards a safer and more efficient world of transportation. And so this is a really exciting growth opportunity for us. Thanks for your question.

A - Simona Jankowski {BIO 7131672 <GO>}

Thank you, Jensen. We have now reached the time limit for the 2019 annual meeting. The meeting is now closed. Thank you for attending. And for your continued support of NVIDIA.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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