Bank of America Merrill Lynch Global Technology Conference

Company Participants

- Colette Kress, CFO

Other Participants

- Vivek Arya, Analyst, BofA Merrill Lynch?

Presentation

Vivek Arya {BIO 6781604 <GO>}

I'm Vivek Arya, semiconductor analyst at BofA Merrill Lynch and it's my real pleasure and honor to have Colette Kress, the CFO of NVIDIA join us this afternoon. We will go through just an overview of how the Company has been transforming itself over the last few years from just focusing on the PC segment to now focusing on many different end markets and I think that sometimes gets missed by a lot of the investment community. So I think it will be good to have Colette walk through that and then we will get into more Q&A. But please feel free to raise your hand if you would like to ask questions in between. Colette, welcome.

Colette Kress {BIO 18297352 <GO>}

Thank you. Let me just start off and give people a good background of NVIDIA and where we are in terms of our transformation. We are the market leaders in visual computing. We did the initial GPU in terms of bringing that to the market many years ago. But our expansion to many different markets has really been our focus. Our GPUs are being leveraged in four key markets right now and are focus areas for growth going forward.

One that you may be the most familiar with is our overall gaming market. GPUs are the center of the platform associated with PC gaming and being leveraged around the world as we see the gaming market in terms of in a very, very healthy position, a position of growth. You've seen in our last quarter it grew more than 25%, our overall gaming business. PC gaming is moving from just not a hobby but what I refer to as a sport. And what you refer to as a sport is now actually watch other people game. The leadership position that we have with our GPU platform there is probably at a very strong position and it's been at probably one of the very heights of the market over the years that we've been there.

But it's not necessarily just about the overall hardware that we are providing. It's really about the ecosystem and supporting the around ecosystem around gaming.

We work tremendously with overall gaming software developers of upcoming games that are going to be launched in the high end to make sure that our GPUs are well featured for them. We also work with the underlying community. They have phone home capabilities with our GeForce experience to get consistent and new drivers for new software that's available to them. So we continue to add software features such that that GPU really becomes the underlying platform within their PC for their overall gaming experience.

When we move forward we want to think about that gaming experience in terms of mobile capabilities as well. Gamers and PC gaming is important but they also want to take that experience with them wherever they go. You've seen a great trend in terms of increases in terms of notebooks for that PC gaming. We came out in the fall timeframe engineering GPUs specifically for the notebook platform to take advantage of that gaming that were EFT. Ability to leverage the highest performance but also not draining in terms of the overall battery use.

What we just came out with today or yesterday at Computex is really talking about G-SYNC as well for the overall notebook experience. G-SYNC is our ability to lessen the amount of latency between the controls and the overall monitors. We've just launched something for the notebook there. So we continue to feed this overall gaming market with new innovation and we'll continue to see that innovation even as we talk about the second half of the year with the upcoming excitement of virtual reality, 4K. And other big developments that we expect from the second half of the year.

So that's our first platform. Our second platform is enterprise. Our enterprise platform is associated with workstations and also with the virtualized GPU. You've seen our workstation also take what we do the best in terms of gaming and put that together for designers, builders. And much of the manufacturing industry where they're necessary to render the overall designs for that business.

A business that's had good growth, we have a solid market leadership position in there and we'll continue to probably hold that overall market leadership. But what we announced probably about 18 months ago was the virtualized GPU. This is an opportunity for us to move from a one to one relationship with the GPU to a virtualized one to many using the cloud computing capabilities and providing the virtual GPU to the overall user experience. So it's also incorporated in our enterprise. We don't have any market participants competing with us on the virtualized so we're pretty excited about that market.

Moving to high performance computing, a lot of talk in terms of accelerated computing, a lot of things going on in the market lately about accelerated computing in the data center for both now and the future. So we are in a leadership position, using accelerated computing not only for parallel computing, high-performance computing. But also what we've seen in deep learning which is a new and expanding role.

Our last key platform is automotive, also something exciting to see, talked about every single week in terms of the new self-driving cars that are hopefully going to be on the road tomorrow. Maybe a little bit longer. But a very great opportunity to demonstrate both our technology about what we do in high-performance computing, deep neural networks. And adding that to the overall car.

So we're in a good position in terms of our transformation going forward. These are great growth markets for us and we're excited to see what's around the corner.

Questions And Answers

Q - Vivek Arya {BIO 6781604 <GO>}

Excellent. So we will go through the fundamentals. But maybe, Colette, let me start with all the consolidated trends that we are seeing in semis. How does NVIDIA think about consolidation? Are you going to be the hunter or the hunted? Let me ask the question that way.

A - Colette Kress {BIO 18297352 <GO>}

I think we as a Company have laid out a tremendous vision for what we see as the future of GPUs. Really, taking our leadership position in GPUs, understanding different capabilities and uses of that, not just from a visual computing but also the overall performance that it can provide in a data center environment or other types of workloads.

So I think we've positioned ourselves for growth, really addressing markets and seeing a vision of the future, whether that be mobile, whether that be cloud. And knowing that that's going to be important platforms for the future and setting ourselves up there. We will continue to look for expertise in the market, look for talent in the market, look for additional technology to seed those different platforms and those growth and that's what I think you should think of NVIDIA continuing to do.

Q - Vivek Arya {BIO 6781604 <GO>}

One other quick question. This morning we had Diane Bryant give the presentation and she spoke about the opportunity with Altera and the accelerator capability. Just technically, are there things that they can do together where NVIDIA is not able to do because you've had a very strong GPU business, right? $250 million last year. Does that combination of Intel and Altera just cause a bigger competitive threat than it has been traditionally?

A - Colette Kress {BIO 18297352 <GO>}

You are correct that our high performance computing and cloud with our overall Tesla platform is extremely strong. We finished last year growing more than 50%, approaching nearly a $300 million business. Associated with not just high performance computing in parallel but really that expansion into new workloads and

ISPs, internet service providers using this for deep learning, training on anything from image detection, voice recognition, or voice translation. So we've seen just a continued growth of that TAM. I don't think we're anywhere near the end of that.

FPGAs are another form of acceleration that's possible. I could see the interest in the market of approaching the desire, the TAM that's out there for acceleration. But there's different ways to get it done and a GPU in terms of its overall performance, its ease of programming. You're talking about a programming language based on C++ which is generally very familiar and very taught in many different forms across the world.

So it's a great market. We do have a very strong leadership position and continuing you will see big names come forth and talk about how much they're using these GPUs in those type of workloads.

Q - Vivek Arya {BIO 6781604 <GO>}

Got it. I believe Jen said perhaps at Computex then that over many number of years he sees this growing to somewhere close to $1 billion. At least that's where he sees the market opportunity.

A - Colette Kress {BIO 18297352 <GO>}

I think the discussion at Computex was if your growth rate was 50% and you're near 300, anybody can do math. So and the math just says will it continue? I think want Jen-Hsun thinks about is, yes, it's a growing TAM. The opportunity is there. How fast we reach there, we'll see. I don't think it was perceived to be a forecast. I think it was more of --

Q - Vivek Arya {BIO 6781604 <GO>}

I wanted to get the CFO version of the answer.

A - Colette Kress {BIO 18297352 <GO>}

I support the definite TAM growth on there. I don't think he was planning on forecasting.

Q - Vivek Arya {BIO 6781604 <GO>}

Okay. I just wanted to clarify that. So going to the last earnings call, everyone tied to the PC market got impacted early this year. Your trends were sort of in line in the April quarter but then the guidance that you gave, you know a lot of weakness happened. Can you just walk us through, how much of that slowdown is macro? How much of it is just structural? How much of it is temporary? That's what I think investors are trying to figure out.

A - Colette Kress {BIO 18297352 <GO>}

So what we -- we're very pleased with our performance with Q1 given a lot of the macro conditions. We were still able to execute to what we had planned to do for

the quarter. The macro conditions were quite unique. You saw a tremendous movement in the euro currencies over that period of time, that they moved more than 20 to 25 points within those four months.

At the same time, coupled with the FX rates, we also saw quite a different change of environment in terms of the demand for the overall PCs. You've see a lot of providers out of Asia talk about tremendous declines in the overall PC market. So those two things coupled together have really changed how the buying behavior is occurring and each one of them being addressed differently.

Our gaming market, as we ended Q1, as we talked about, was very strong. And we still expect it to be strong. I'm not sure gamers really look at the FX rates. Sometimes they just want to game. But when we think about the PC platform, not necessarily PCs, whether that be workstations or PCs, it's going to be effected. Q2 is not the strongest quarter for us on -- overall from a seasonality and then I just believe some of these macro conditions are effecting our Q2. We're excited about our overall market position, our leadership, our technology couldn't be stronger on all of these fronts and there's some exciting things coming up in the second half, whether that be the holiday season, virtual reality, 4K, just continued growth in accelerated computing. So Q2 we're just going to have to wait and see on how this plays out.

Q - Vivek Arya {BIO 6781604 <GO>}

Got it. We'll come back to the PC gaming side. I just wanted to run through the three most important questions that we get. We spoke about Q2. Second was on the Intel royalty agreement which is an important part of the ongoing EPS. When that initial agreement was done with Intel, I think the perception is that there was a settlement component and there was a cross-licensing right component to it. So as that agreement gets to a close, what is the probability it gets renewed? How should investors thing about it? Because it's a very important part of valuing NVIDIA longer-term.

A - Colette Kress {BIO 18297352 <GO>}

Yes. I think if I was an investor and if I was sitting from an analyst standpoint, helping guide investors, I think the number one focus is to step back and look at our entire IP strategy versus a single, let's call a deal in terms of in the pipeline. Our IP strategy is focused on royalty related from the significant amount of a patent portfolio that we have. Later this month we will play that out in the ITC.

In the latter half of June we have ITC hearing against Qualcomm and Samsung which we've been working on now for close to six months. We're pleased in terms of the progress we've already seen because as you with most trials, work gets started in pretrial. We had the close of our Markman decision where we won six out of the seven construction arguments that we put forth. I don't think anybody's going to deny that's great progress and we're excited to see this play out in the courts later in this month.

I think a lot of different parts of the industry are carefully watching that overall hearing because I think it is an important space. We're talking about mobile units.

We're talking about GPUs that are pretty found in every single mobile unit but there's no, right now, monetization for the underlying IP that is recognized in those mobile units. So I would put the concentration on watching that trial and the outcome. We expect to hear from the hearing in the first part of October and then I think we'll take steps then.

Q - Vivek Arya {BIO 6781604 <GO>}

Got it. Just one, to press you a little bit on the Intel royalty thing because that is revenue that you are getting right now. They don't play as much on the mobile side, right? But they do use a lot of graphics and a lot of other products. So how should we conceptually think about just that as -- in terms of the potential for renewal after whenever the agreement ends?

A - Colette Kress {BIO 18297352 <GO>}

They have to look at a Company such as NVIDIA that continues to innovate, innovate on the graphic technology and essentially the leader in graphic technology. It's not about the amount of patents. As we know, in the case against Samsung-Qualcomm, it's not against the entire 7,000 plus patents that we have. We chose seven to make that discussion.

So one patent is probably very important in terms of the entire portfolio if it is a true architectural type of patent. They know that we have some of the best engineers right now in the world focused on GPUs because it is their life work and working at NVIDIA. So I think waiting and helping them see the importance of this technology and the value of it through our current hearing is probably their key focus. We have one more payment right now known from Intel, which is well known. And we will also have recognition of revenue for a full year even after that.

Q - Vivek Arya {BIO 6781604 <GO>}

And the final question on the litigation, you had outlined a $70 million to $90 million expense. Do you think that's just a one year expense? Or should we continue with that?

A - Colette Kress {BIO 18297352 <GO>}

The $70 million to $90 million I think we look at as an extraordinary amount. We wanted to make sure investors clearly understood the cost of litigation, the cost of putting our best foot forward in both an offense as well as the defense side that has occurred. It is extraordinary meaning I don't believe it is a long-term underlying part of our run rate of overall OpEx that we expect going forward. At what quarter will it die down and die down to nearly nothing? I do believe as we enter into fiscal year '17 we'll start to see that.

Q - Vivek Arya {BIO 6781604 <GO>}

And the third of those most frequent questions was on the Icera wind down, you did outline I think $100 million, $125 million in restructuring type expenses. But how

should we think about the savings in OpEx if you assume you're not able to sell that division?

A - Colette Kress {BIO 18297352 <GO>}

So we're currently working through the process of either a wind down of Icera and/or finding a sale for the Icera business and we're going to work through that through the current quarter in Q2.

When we outlined the restructuring events that's associated with both severance, many of the assets, both physical assets as well as some of the tax assets that we have associated with that business and that will likely play out in the next several quarters. The exact quarter in terms of when that restructuring will occur is still unknown at this time. So when we think forward in terms of the OpEx, we're already probably about halfway through the year or nearing halfway through the year on Icera. So the benefit in terms of the underlying cost of the Icera will slowly come off the books.

We have some key important growth opportunities that are extremely strategic to us and are also very competitive to us. The automotive business couldn't be more competitive. We've talked about accelerated computing is also very competitive. We want to make sure we're set up for success for those and so we will have some reinvestment into those businesses as we either wind down or sell the overall Icera. We hope to do better in terms of returning some of that to the bottom line but in the next couple quarters we're still going to be in the process of doing both of those before we see that through.

Q - Vivek Arya {BIO 6781604 <GO>}

And I believe what you said was that OpEx is sort of flattish, it's just the incremental litigation expense, right?

A - Colette Kress {BIO 18297352 <GO>}

That is correct.

Q - Vivek Arya {BIO 6781604 <GO>}

That's how we should look at OpEx going forward?

A - Colette Kress {BIO 18297352 <GO>}

That is correct.

Q - Vivek Arya {BIO 6781604 <GO>}

Then in PC gaming, if we go back to the end markets, there is more talk of AMD coming out with a new product. I think every year there is talk of new products from them. Is there anything different this year that we should worry about from a competitive landscape?

A - Colette Kress {BIO 18297352 <GO>}

We've also announced at Computex this week again a new offering in our Maxwell architecture for gaming as well. We announced the 980 Ti feeding into the market today. AMD, we do recognize that we're in a duopoly and we do understand that they'll be coming through with a new line of products. We haven't seen it yet on that. Our products for the overall gaming market are just very well engineered and innovative for that market and we have a great leadership position. We'll keep a watch on what AMD puts forward but again we're just very pleased in terms of the reviews, the acceptance as well as also the revenue growth that we've seen in terms of our products to date.

Q - Vivek Arya {BIO 6781604 <GO>}

Part of that gaming is also you're investing in a lot of the SHIELD product which is somewhat unique. NVIDIA is a semiconductor Company but you're actually coming out with products like SHIELD game console or whether it's the media center or what have you. What does that part of the strategy -- why are you making these boxes?

A - Colette Kress {BIO 18297352 <GO>}

That's a good question. So the way we think about it is gaming today, as we've seen PC gaming being an important part of the market for the last 20 years, we are now seeing it move to mobile in terms of notebooks and it's going to need to also move to the cloud as we move forward. Having that rich of an experience on your PC and having that capable in a cloud environment is just as important.

We understand that market very well. We understand the customer. We understand what they need. We're in the best position to provide a cloud platform for that, whether it be games, whether it be recognizing on a TV platform as well based on the Android which is one of the most fastest used operating systems and growth that we see worldwide. So we are taking to market what we know from the PC platform, what is included in PC to an overall use forum for gamers in that manner as well.

Q - Vivek Arya {BIO 6781604 <GO>}

Colette, is this a niche thing you're doing to have, I don't know, an ASUS or somebody else or Amazon or somebody else take a look at that and say, yes, that's a real market. Now I should scale it up. Does NVIDIA really want to scale this up or is this just sort of showing proof of concept?

A - Colette Kress {BIO 18297352 <GO>}

We're in the early stages of bringing these things to market to see. There's a lot of interest and excitement over some pretty powerful platform from both a performance and a user interface. So I think we're hitting the market well on that and I think it's too early to indicate what would be the involvement of our current partners that we have and where this may evolve. There's still great things to appreciate with what we're bringing to market today.

Q - Vivek Arya {BIO 6781604 <GO>}

Then lastly on the gaming side, what you're selling is very expensive cards. What I've noticed is --

A - Colette Kress {BIO 18297352 <GO>}

Great value cards. Yes.

Q - Vivek Arya {BIO 6781604 <GO>}

Yes. High value cards

Thanks for the correction. What I'm seeing though is where we have seen FX be a more important factor is where the ASP of the product has been very high as opposed to -- so, you see that with Intel CPUs for example. And you see that with GPUs. Very high dollar value cards. You don't see it as much with $0.40 analog parts for example. Now, FX volatility is still ongoing. So do you think all that is sort of baked into your current thinking? Or is that still a risk factor.

A - Colette Kress {BIO 18297352 <GO>}

Well I think --

Q - Vivek Arya {BIO 6781604 <GO>}

Especially in Russia, right? And places where you enjoy nice rates.

A - Colette Kress {BIO 18297352 <GO>}

So Russia had some astronomical changes to the economic environment and bar none I don't think anything was unaffected in that market. That's a pretty hard thing to overcome and just continue normal day given a lot of the things that happened. But over the course, we've found gaming to continue to be strong. Even in markets where you may have some volatility on pricing. How they make that decision, maybe they set out to the store to buy the higher priced one and they left with maybe something slightly less.

They're still gaming and I think that's what's important. They're still seeing the value, the importance of that platform for their entertainment. It is still a very affordable entertainment when you think about some of the other types or form of gaming that they could do and what comes all inclusive with a GPU platform and the games that you want to do there. So it doesn't surprise us that it definitely withstands some of the volatility in the market and just also based on our leadership and technology that we've put forth.

Q - Vivek Arya {BIO 6781604 <GO>}

You guys are doing a lot of work in terms of taking GPU into the cloud. How do you make sure it doesn't cannibalize your existing business?

A - Colette Kress {BIO 18297352 <GO>}

So what we're referring to is the overall grid and the virtualized grid. There's now an opportunity to do -- I have a workstation to have a one to one and powerful experience there but the overall assessment of thinking about using that same application from the cloud, what do I need from an overall workstation? The answer is it's both. I think you are seeing an overall need to share the work in a collaborative form which hasn't been able to be done before. Anything that you have on your workstations or your screens, you've got to have somebody lined up behind you or you've got to figure out how to print it to get it to them.

The overall worldwide global collaboration that is capable now in a grid environment to see exactly what you are seeing from a design and a rendering couldn't be more powerful. I think right now we're seeing more expansion of our TAM associated with the virtualization going forward. The business model and going forward for grid can also be very powerful as well. We're talking about continuous software updates that will be necessary to that software layer that enables the overall virtualization. So I think we're in the early stages, not necessarily a cannibalization by any means but more of an expansion of allowing more people access to it.

Q - Vivek Arya {BIO 6781604 <GO>}

Do you -- is there a way to track those milestones? Is it number of trials? Is it number of trials converted into revenue? What's on your dashboard to make sure this is a good investment?

A - Colette Kress {BIO 18297352 <GO>}

Yes. Those are in the dashboard. Those are definitely key KPIs that we look at. Our volume of trials continues to go up, particularly after the launch of vSphere by VMware and the general availability versus a beta version of that technology, meaning in order to enable the VGPU, we're talking about the virtualization software leader incorporating that in their latest version. They are with us in terms of generating market demand, generating market leads and we work together in terms of implementing a lot of these.

So the excitement couldn't be stronger in terms of what we're seeing in this market. It is great. But it is the enterprise. It takes time to roll out these platforms. Everyone always believes in an enterprise. There's just a couple different applications that they have. The list is high in many but this was one of the key features that VMware with vSphere saw for their latest launch and they couldn't be happier about that technology and enabling virtualization.

Q - Vivek Arya {BIO 6781604 <GO>}

Then maybe one question on the automotive business, again something that used to be small and people didn't believe it and now it's turning out to be real numbers. How do we think about NVIDIA versus say Texas Instruments or Freescale? There are many companies who can provide processors that can go into the automotive market. What makes NVIDIA unique? And is it fair to think that you will always be at

the very high end of the market? So you would not go off to the mass market? How do you think about the overall strategy in autos?

A - Colette Kress {BIO 18297352 <GO>}

Good discussion. We've been in the automotive business for eight to ten years. In working with them we have design wins across many different OEM manufacturers and millions of cars, 7 million or so on the road. The automotive business is at a different pace and a different form than what you see in terms of a lot of the technology. Those designs that we may win because of safety, because of regulation, it takes some time to actually get into the manufacturers and the cars. We began with doing what we did best in terms of the cars which was the visual computing.

So we run many of the infotainment systems, the central dashboards in many of the cars that you see on the road. Starting in the high end couldn't be a better place to start. Why? If we have solved the problem with some of the most expensive cars on the planet, our ability to work down has been a lot easier as they have standardized that and moved into many form factors. We're in many versions of the Audi, the BMW, the Teslas, the Honda in Europe, the Gulf, the Volkswagen. And then the Bentleys, the Lamborghinis. And all the other cars that my son wants me to own. So it's a very powerful platform and what we've made in terms of the infotainment.

Your discussion in terms of the other competitors, it's a very exciting part of the market. Everybody wants to see the car to have as much technology that we literally wear on us right now and use every single day but addressing that market, not all can really serve the market as best as we can. There's probably already 50 microprocessors within a car. You see some types looking at adding one or two of those microprocessors together and removing the other one and call that innovation. I guess that is but that's not where we're starting from.

Our overall drive platform that we launched earlier this year is really focusing on the central compute platform for the car in more of a plug and play, add to it what you may need for today, what you may need in five years, what you may need in the future. Being able to take our learnings from high performance computing, deep neural networks that we do in the medical imaging, it is the exact same type of problem as you focus on a car.

What is going on around the car? Not what can you identify. That's a street sign, that's a dog, that's a squirrel. But what do you want to do with that information? And so we have great learning on very complex data problems. We have the processer, the depth of what it can do. And now pulling that together with our relationships already very strong in the car, we couldn't be in a better position.

Q - Vivek Arya {BIO 6781604 <GO>}

What is NVIDIA's average content in a car? Just ballpark.

A - Colette Kress {BIO 18297352 <GO>}

It depends on the car. We have some of the midline cars that are going out that, yes, we may have one processor right now in the car. In many of the higher end cars that we have, not only do we have one, two, we have up to potentially four different processors running into the car which is a front dashboard, a center console. And two entertainment in the back when you talk about the Audi A7 in terms of there. So the potential for multiple different processers in the car, depending on how the manufacturer wants to implement, as well as the value of the software that we will build in accordance with the OEMs and what they want to do, increases the overall price points and the value they'd be able to realize through that.

Q - Vivek Arya {BIO 6781604 <GO>}

Let me pause there and see if there are any questions in the audience. If not, let me keep on going. If you look at over the last few years I guess, especially since you joined, NVIDIA's done a very good job of gross margins and of course controlling costs. So the question is tied to gross margins. On one hand, NVIDIA benefited from just a mix up in products, right? I would say also 28 nanometer use getting better across foundry partners perhaps also helped in that process. So as you look out over the next one or two years, right, everyone talks about increasing content and Moore's Law, right? There are fewer foundries who can build these very advanced products and you guys need a lot of transistors. How do you think about the cost structure evolving? Do you see challenges from a cost and manufacturing perspective?

A - Colette Kress {BIO 18297352 <GO>}

So we have a very longstanding relationship with our current foundry partner and even the advancement to new foundry partners that we've done. The foundry supply is probably at its peak in terms of choice that anybody has to go to and that only benefits us all.

One, it keeps us all on our toes in terms of different processes, different cost structures and different relationships that can be formed in there. Nothing that changes every day because those are all long decisions that we have been working on for many years as we think about our new products coming to market and how we think about new nodes and new processes that we need to do. Cost is just one component of our overall gross margins.

We will continue to balance the right cost, the right process. Having multiple foundries, we have to think that through and we will make great decisions as we've made already with our overall foundry partners. The value that we see even stems past the hardware. Our gross margins have been influenced by our ability to serve a platform to our customers, a platform that surrounds it with the ecosystem, software, overall programmability, a programming language.

These are the things that have added to the overall value our products are delivering. The customers have recognized that because we are solving extremely challenging problems for them. As we talked in terms of our investor day, when we think about our growth opportunities, whether it be gaming, whether or not accelerated computing, enterprise or virtualization, all of these have gross margins at

equal if not higher than the overall Company average right now. That's rare for a Company to have both strategic alignment to expanding and growing TAMs as well as areas that have expanding gross margins. So we're excited. We're excited for those things going forward.

Q - Vivek Arya {BIO 6781604 <GO>}

And just a last question in the few minutes we have available. So at the last call, you also decided to raise the dividend and increase the amount of buyback. Given the weakness you are seeing in some of the end markets, temporary, that came as somewhat of a positive surprise. If you could just go a little bit into what drove that decision?

A - Colette Kress {BIO 18297352 <GO>}

Yes. Our capital return program is an underlying tenet in our shareholder value that we provide to shareholders. We are in continuous review in terms of the right size that we need to have there and what to keep up with given our overall cash balance and the need for the overall cash. So we're able to separate the growth on the overall P&L with the underlying cash balance and what we need for that. So our increase was -- yes, it was time to increase the dividend, to make a competitive dividend yield that we did there as well as thinking about the other needs and uses for cash and we're pleased to actually raise that to $800 million for fiscal year '16.

Q - Vivek Arya {BIO 6781604 <GO>}

Terrific. I think we still have one more minute left. So let me run through the last question which is -- this is an important question I wanted to get to before -- operating margin. At the analyst day, you didn't set specific targets, right, from a business model perspective. Why is that? And why is -- why can't we assume NVIDIA at some point, excluding royalties, gets to high teens, 20% type operating margins? What's to prevent you from getting there?

A - Colette Kress {BIO 18297352 <GO>}

There's nothing to prevent in terms of error. There's both the positives and negatives of setting an actual number to hit by a certain period of time. It's -- our focus is really on driving our growth strategy which we do know have tremendous monetization capabilities and great business models that go with them. The timing on each one of those is really just tough to play out. If I had a crystal ball as every CFO would want, we'd be able to pin that easily.

So it's our focus. It's our focus on profitability, our focus on margins, both gross and operating margins. And as we move to some of the new business models that we are, moving to operating margin on some of these versus the focus on gross margin which is more of a semiconductor look at it is really where we want to transform that. It is our focus. We just haven't pinpointed it to an exact number and an exact date to actually get to it.

Q - Vivek Arya {BIO 6781604 <GO>}

Great. Thank you. So much, Colette. We appreciate your time.

A - Colette Kress {BIO 18297352 <GO>}

Thank you.