NVIDIA Corp Annual Shareholders Meeting

Company Participants

- Colette M. Kress, CFO and EVP
- Jensen Hsun Huang, Co
- Timothy S. Teter, SVP, General Counsel and Secretary

Presentation

Colette M. Kress {BIO 18297352 <GO>}

Good morning. Welcome to NVIDIA's 2017 Annual Meeting of Stockholders. I'm Colette Kress, Executive Vice President and Chief Financial Officer. We are excited, once again, to host a fully virtual annual meeting this year.

I would like to take this opportunity to introduce other members of management who are present today. Jensen Huang, President, Chief Executive Officer and Director; and Tim Teter, Senior Vice President, General Counsel and Secretary.

I would also like to take this opportunity to introduce the outside members of the Board of Directors that are in attendance today: Rob Burgess, Tench Coxe, Persis Drell, Jim Gaither, Dawn Hudson, Harvey Jones, Mike McCaffery, Bill Miller, Mark Perry, Brooke Seawell and Mark Stevens.

Finally, I would also like to introduce Wayne Hedden 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 have time for questions.

I will now turn the meeting over to Jensen.

Jensen Hsun Huang {BIO 1782546 <GO>}

Thank, Colette. Good morning. Welcome to our 2017 Stockholders' Meeting. The meeting will now officially come to order. I will serve as the Chairman. And Tim Teter will serve as the Secretary and conduct the procedural portion of the meeting.

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. 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 Form 10-K and 10-Q. All our statements are made as of May 23, 2017, 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 7, 2017. 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 March 24, 2017, the record date for this meeting. I also have an affidavit from Broadridge certifying that they commenced a mailing of the relevant proxy materials on April 7, 2017. I'm appointing Chris Woods of American Election Services LLC to act as the Inspector of Elections at this meeting. He will decide on the qualifications of voters, accept their votes and tally the final votes when the 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 594 million shares outstanding on the record date. And Chris has informed me that proxies have been received for approximately 474 million shares or approximately 80% of the shares outstanding, which constitutes a quorum for today's meeting. Voting is by proxy or online. 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 10:35 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, William Miller, Mark Perry, Brooke Seawell and Mark Stevens to serve as directors until our 2018 annual meeting.

Second, the approval of the compensation of our executive officers, as disclosed in our 2017 proxy statement.

Third, the approval of the frequency of holding a vote on the compensation of our executive officers.

And fourth, the ratification of the selection of PwC as our independent registered public accounting firm for the fiscal year ending January 28, 2018.

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. The Inspector of Elections will not accept ballots, proxies or votes or any changes or revocations submitted after the closing of the polls.

The time is 10:36 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 2017 proxy statement is carried. Third, the proposal to approve one year as the frequency of holding a vote on the compensation of NVIDIA's executive officers is carried. And fourth, the proposal to ratify the selection of PwC as NVIDIA's independent registered public accounting firm for the fiscal year ending January 28, 2018 is carried. 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 2017 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.

Jensen Hsun Huang {BIO 1782546 <GO>}

Thanks, Tim. A decade ago, we set out to transform the GPU into a powerful computing platform. It has since opened a floodgate of innovation. From gaming and VR to AI and self-driving cars, we're at the center of the most promising trends in our lifetimes.

Gaming is a $100 billion industry. And PC gaming is driving its growth. The mass majority of e-sports, the evolution of gaming into a social medium. And the advance of new technologies like 4K and HDR will fuel its further growth.

We're in the early days of the next computing era, AI. Sparked and fueled by GPU computing, AI has revolutionized every industry. Health care, transportation, manufacturing and robotics, AI will automate intelligence and spur a wave of social progress unmatched since the Industrial Revolution. We work with the major systems

companies and every major cloud service provider to make NVIDIA GPUs available in data centers and in the cloud. We advance fundamental research, foster universities and start-ups and bring our full capabilities to industries where we can have the greatest impact. The automotive industry is one of the biggest. Self-driving cars will transform not just our transportation system but the design of our cities. Our DRIVE PX AI car platform spans the range of autonomous vehicles from auto-piloted cars to driverless shuttles. NVIDIA is one of the very few companies on the planet that can innovate across the entire computing stack, from the most advanced GPUs to innovative systems, from graphics to AI, from device to cloud, to serve the most exciting growth opportunities of our time.

We're firing on all cylinders. In FY '17, revenue was up 38% to reach a record $6.9 billion. Operating margins expanded over 1,300 basis points to a record 28%. GAAP earnings per diluted share were $2.57, up 138%. And we returned $1 billion to shareholders through dividends and stock repurchases.

Our financial success continued in Q1. Overall, quarterly revenue reached $1.94 billion, up 48% from a year earlier as we grew across our markets. Gaming revenue increased 49% to more than $1 billion, fueled by Pascal-based GPUs and gaming notebooks. Pro Vis revenue grew to over $200 million due to ongoing demand for high-end real-time rendering.

Our Datacenter business nearly tripled to a record revenue of over 8 -- of over $400 million.

Last, our automotive business grew to a record $140 million, up 24% year-over-year. Since our DRIVE PX 2 AI car platform began shipping just one year ago, more than 225 car makers, truck makers, suppliers, research organizations and start-ups have begun developing with it. And earlier this month, at GTC, our annual developer conference, we revealed the latest developments in GPU computing. We launched Volta, the world's most powerful GPU computing architecture. We launched a new lineup of DGX AI supercomputers. Our GPUs have the support of every single cloud computing partner in the world. Amazon and Microsoft joined us on-stage at GTC to share their plans for Volta.

Toyota announced that they're working with us for their next-generation and future autonomous vehicles. And we introduced Isaac, a physics-based VR simulator, to train AI robots. It was a watershed event -- moment for NVIDIA, more than 7,100 attendees, 260 press and analysts, 570 technical sections. The world's top 15 tech companies and top 10 automakers were in attendance, along with more than 100 start-ups focused on AI and VR. At GTC 2017, it was clearer than ever that GPU computing has arrived. Thank you.

Colette M. Kress {BIO 18297352 <GO>}

Thanks, Jensen. We will now move to Q&A. First, we'll address all question and comments that have come through our stockholder forum. And then we will answer any questions 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 a more effective communication.

Jensen, I will turn it over to you to answer the initial questions.

Questions And Answers

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

A stockholder commented that I suspect stockholder recommendation is ignored. The current situation perpetuates or increases pay almost every time.

We have a history of listening to our stockholders regarding executive compensation or other matters. We engage our large shareholders annually to get their feedback on our corporate governance and executive compensation. And our Compensation Committee considers the result of the say-on-pay vote when it determines future executive compensation.

The next question is, the people listed for board, are they on board now or are they new?

Yes, each of the 12 nominees of the board is a current director of NVIDIA previously elected by our stockholders.

Next question. When I vote for executive compensation, does that affect the outcome of my investment?

The outcome of your investment is tied to your stock price and when you purchase and hold. We have structured our executive compensation to motivate our executives to provide returns to our stockholders. And we think our recent stock performance is strong. Therefore, your vote on executive compensation indicates whether you agree we are properly compensating our executive team for the results they have delivered.

The next question is, what is the range of compensation for directors? What does CEO and CFO collect annually in salary? I see a need for more women on your board.

Our nonemployee directors receive a mix of cash and equity awards with an approximate annual value of $300,000. This value is set approximately to the average of total annual compensation paid by our peer companies. We do not pay additional fees for serving as a chairman or member of board committees or for meeting attendance. In fiscal year 2017, my salary was $1 million. And our CFO's salary was $775,000. Ensuring that our Board of Directors is composed of leaders who exhibit a variety of skills, professional experience and backgrounds, as well as bringing diverse viewpoints and perspectives, is a priority of our board and for me. Two of our 4 recent added board members, Dawn Hudson and Persis Drell, are

women. We are committed to ensuring that women are included in our pool of board candidates in the future.

The next question is, if Toyota were to bring mass-producing AD cars this fall, how much money, gross and/or net, would NVIDIA get per vehicle? Since NVIDIA is now open source -- is now an open-source software company, how will NVIDIA earn profits in the future. And how will those profits be sized?

NVIDIA is proud and honored to have been selected to work with Toyota. The terms of Toyota's plans and road map are not public. Regarding the second part of your question, we announced at GTC that Xavier's hardware accelerator, we call it the DLA -- the -- will be open source hardware design. By the way, DLA stands for deep learning accelerator. It's a hardware design that is intended to handle inferencing locally on SOCs, bringing AI to IoT devices. Open-sourcing the DLA hardware design will accelerate the adoption of deep learning inferencing in IoT devices through both industry and academia, which will help promote the demand for NVIDIA's platforms and solutions. While we're excited to be making the DLA hardware accelerator available royalty-free as open source hardware, Xavier includes a lot more tech. And the entire software stack of our DRIVE PX platform will not be open sourced.

We'll turn now to any questions received during the meeting. So if you have a question, please enter it into the online portal now.

What is your assessment of upcoming competing AI products from Intel and Google?

We haven't seen -- first, I guess, we haven't seen products from Intel. And recently, at the Google I/O several days after our GTC announcement, Google announced their second-generation TPU. NVIDIA announced several days earlier that we -- that Volta is in volume production. Volta is our -- is the world's most advanced GPU. It's a giant leap forward in deep learning and produces 120 teraflops, a trillion operations per second. What Google announced was their second-generation TPU. And it delivers 45 trillion teraflops and is dedicated to just the application of deep learning. As you know, NVIDIA's GPU does general-purpose parallel computing in addition to deep learning. So I think it's fair to say that Volta is now not only the world's most advanced GPU, it's also the world's most advanced TPU. But I think that the story is larger than that. I think, first of all, AI computing is going to be the most powerful technology force that we've ever seen. And it's going to revolutionize every industry. The fact that the 2 leading innovators, us and Google, are racing to advance AI computing is fantastic for the whole industry. Our strategy is to continue just to partner very closely with Google as we improve TensorFlow together and make it as fast as possible and as productive as possible on our GPUs. We work very closely with Google to put the NVIDIA CUDA GPU into the Google Cloud so that we can make it available to more developers and users. But our AI strategy is really to accelerate every framework, from TensorFlow to Caffe to Hi Forge and MXNet and CNTK. It's so that we can partner with every single cloud provider and make our GPUs available on every single cloud. And I think it's clear now that with the

adoption by Google and Amazon, Microsoft and Facebook and Baidu, Alibaba and Tencent, NVIDIA's GPU is the only deep learning platform and standard -- de facto standard that's available literally everywhere in the world. And so our strategy is really about democratizing AI, making it available for every company, every industry, every country.

How does the NVIDIA GPU Cloud complement with other cloud offerings by Amazon, Microsoft and others?

That's a good question. We're actually not offering a cloud infrastructure. What we've done is this, the software stack for deep learning is really complex. And there are so many different frameworks. The layer of software is unseen anywhere in computing before. You have an accelerating computing processor called GPU with an architecture on top we call CUDA. It has systems software operating system, the virtualization stack, CUDA, cuDNN, TensorRT. And that all integrates into all the frameworks in the world. As I mentioned some of them earlier, TensorFlow and Caffe (High Torch) and MXN and CNTK and Chainer and even Watson. And these frameworks are really, really complicated. And so what we've done is that we've taken -- we've created a technology called NVIDIA docker as a way of containerizing or packaging all of this complex software that we've tested and tuned and that we're going to continue to maintain. We've containerized it so that it could be run on everybody's cloud. And it would run on everybody's cloud with exactly the same software stack without having to -- the developer having to figure out how to integrate all this complicated stack. The other thing that's really, really great about -- and so our cloud is a cloud platform that's a storage, what is called a registry, of prepackaged, containerized software that could be run on anybody's cloud. Okay. So our cloud service is really about running software on all of our partners' clouds. The thing that's really great, in addition to that, is that many developers and researchers start developing their neural networks on their PCs with NVIDIA GPUs, or they could be running on a brand-new DGX station that we just announced, a workstation for deep learning, or they could be using their own data center, running our DGX servers. And so when they need to access to a lot more GPUs that are in the cloud, they can burst into the cloud. And using the NVIDIA GPU cloud registry, the software that they run on their PC, on their server, on their DGX station and in anybody's cloud is identical. And so the ease of being able to move and migrate their workload from different computing platforms and all the way into the cloud as they burst into the cloud for more capacity is made a ton more simply. And so, I think, it's a very, very different thing what Amazon and Microsoft and all of our cloud partners provide. And it complements the work that they do. And they're all super excited about it because it brings customers to them and it brings demand to them.

The next question is, my brain wants to make analogies between AI and the alternating current and between NVIDIA and Nikola Tesla. How is NVIDIA's management getting advice to ensure NVIDIA's shareholders will not die paupers?

And so I'm not exactly sure how to answer that question, except for this, AI and the work that we're doing in GPU computing is one of the most important works that we've ever done. And there's little question now that AI has the ability by virtue of

the fact that it essentially automates automation just as in the previous Industrial Revolution, we automated power and before that, we automated the growth of food through farming. Now we have the ability to automate automation. And we can automate things that are dangerous to do, things that are repetitive to do. And that automation capability can augment us in many tasks that we do today in making it -- essentially making us superhuman. And so I'm super excited about the impact of AI. And in all of the industries that we serve, whether it's in transportation so that we can create cars that simply don't cause accidents to AI systems that help doctors do a better job predicting and diagnosing a disease, to manufacturing so that we can build things that are not just more cost-effective and increasing the productivity of society, we could manufacture things that weren't possible before at scales that weren't possible before. And so AI has the real potential to make a contribution to society like we've never seen before. And NVIDIA is right in the middle of that. And as shareholders, I'm -- as I am one also. And a very large one at that, there's no question in my mind that this is going to have tremendous benefits to society as well as our shareholders.

Okay. I see no further questions. Our annual -- our 2017 Annual Meeting is now closed. Thank you for attending and for your continued support of NVIDIA.