

12 Nov 2024 08:00:00 ET | 13 pages

NVIDIA Corp (NVDA.O)

Preview: Expect Smaller “Beat & Raise” on Blackwell Transition

CITI'S TAKE

NVDA reports Oct-Q after market close on 11/20. We model in-line Oct-Q with total/data center sales of \$33B/\$29B vs \$34B/\$30B expectations given Blackwell transition. For the Jan-Q, we lift our data center sales to include ~ \$3-4B of Blackwell sales as Nvidia has resolved the Blackwell mask issues but remains supply constrained. We model total/data center sales \$36.5B/\$32B vs \$37.5B/\$33B expectations. We model Jan-Q GM% of 73% ~30bps below Street on elevated H200 mix. We model bigger “beat and raise” starting in Apr-Q as GM% improves on higher Blackwell mix. We revise FY25/26/27 EPS by +10c/+55c/+8c on higher data center sales and lift our TP to \$170 from \$150 based on consistent 35x P/E on revised CY25 EPS. Maintain Buy.

Buy

Price (11 Nov 24 16:00)	US\$145.26
Target price	US\$170.00↑ from US\$150.00
Expected share price return	17.0%
Expected dividend yield	0.0%
Expected total return	17.1%
Market Cap	US\$3,563,228M

Price Performance (RIC: NVDA.O, BB: NVDA US)



Atif Malik^{AC}

EPS (US\$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2024A	0.11A	0.29A	0.40A	0.54A	1.31A	1.30A	1.30A
2025E	0.65A	0.73A	0.74E	0.80E	2.78E	2.85E	2.84E
Previous	0.64A	0.72A	0.73E	0.70E	2.68E	na	na
2026E	1.00E	1.13E	1.30E	1.45E	4.86E	4.12E	4.16E
Previous	0.89E	1.00E	1.16E	1.29E	4.31E	na	na
2027E	1.42E	1.41E	1.39E	1.31E	5.59E	4.86E	4.98E
Previous	1.32E	1.37E	1.40E	1.38E	5.51E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

Click [here](#) for Visible Alpha consensus data

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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NVDA.O: Fiscal year end 31-Jan						Price: US\$145.26; TP: US\$170.00; Market Cap: US\$3,563,228m; Recomm: Buy					
Profit & Loss (US\$m)	2023	2024	2025E	2026E	2027E	Valuation ratios	2023	2024	2025E	2026E	2027E
Sales revenue	26,974	60,922	125,443	219,793	262,668	PE (x)	na	na	52.2	29.9	26.0
Cost of sales	-11,618	-16,621	-31,525	-56,751	-67,551	PB (x)	na	83.3	52.0	24.2	14.8
Gross profit	15,356	44,301	93,919	163,042	195,117	EV/EBITDA (x)	na	92.6	42.1	23.0	18.5
Gross Margin (%)	56.9	72.7	74.9	74.2	74.3	FCF yield (%)	0.1	0.8	1.6	2.6	3.5
EBITDA (Adj)	13,339	38,407	84,028	152,136	183,912	Dividend yield (%)	0.1	0.1	0.1	0.1	0.1
EBITDA Margin (Adj) (%)	49.5	63.0	67.0	69.2	70.0	Payout ratio (%)	48	12	6	3	3
Depreciation	-1,490	-1,454	-1,655	-1,768	-1,863	ROE (%)	17.9	92.5	118.9	106.9	68.7
Amortisation	-54	-54	-54	-54	-54	Cashflow (US\$m)	2023	2024	2025E	2026E	2027E
EBIT (Adj)	9,040	37,134	82,963	150,254	181,935	EBITDA	7,122	34,480	79,335	144,886	176,006
EBIT Margin (Adj) (%)	33.5	61.0	66.1	68.4	69.3	Working capital	-2,197	-3,723	-6,068	-16,073	-132
Net interest	4	608	1,444	1,532	1,532	Other	726	-2,335	-13,165	-22,354	-28,364
Associates	0	0	0	0	1	Operating cashflow	5,651	28,422	60,102	106,459	147,510
Non-Op/Except/Other Adj	-4,862	-3,924	-4,695	-7,270	-7,926	Capex	-1,833	-1,068	-3,427	-6,594	-7,880
Pre-tax profit	4,182	33,818	79,712	144,516	175,542	Net acq/disposals	9,285	-8,563	-9,346	-3,846	-4,407
Tax	186	-3,727	-12,135	-22,300	-28,967	Other	-78	-971	-627	-467	-576
Extraord./Min.Int./Pref.div.	0	0	0	0	0	Investing cashflow	7,374	-10,602	-13,400	-10,907	-12,863
Reported net profit	4,368	30,091	67,577	122,216	146,575	Dividends paid	0	0	0	0	0
Net Margin (%)	16.2	49.4	53.9	55.6	55.8	Financing cashflow	-11,617	-13,634	-33,152	-30,170	-30,808
Core NPAT	8,366	32,644	70,096	127,495	152,547	Net change in cash	1,408	4,186	13,551	65,382	103,839
Per share data	2023	2024	2025E	2026E	2027E	Free cashflow to s/holders	3,818	27,354	56,675	99,865	139,630
Reported EPS (\$)	0.17	1.21	2.68	4.66	5.37						
Core EPS (\$)	0.33	1.31	2.78	4.86	5.59						
DPS (\$)	0.16	0.16	0.16	0.16	0.16						
CFPS (\$)	0.23	1.14	2.39	4.06	5.40						
FCFPS (\$)	0.15	1.10	2.25	3.81	5.11						
BVPS (\$)	0.90	1.74	2.79	5.99	9.80						
Wtd avg ord shares (m)	24,870	24,693	24,897	25,960	27,014						
Wtd avg diluted shares (m)	25,073	24,933	25,170	26,245	27,310						
Growth rates	2023	2024	2025E	2026E	2027E						
Sales revenue (%)	0.2	125.9	105.9	75.2	19.5						
EBIT (Adj) (%)	-28.8	310.8	123.4	81.1	21.1						
Core NPAT (%)	-25.7	290.2	114.7	81.9	19.6						
Core EPS (%)	-24.9	292.4	112.7	74.4	15.0						
Balance Sheet (US\$m)	2023	2024	2025E	2026E	2027E						
Cash & cash equiv.	13,296	25,984	47,060	112,441	216,279						
Accounts receivables	3,827	9,999	17,213	30,768	30,892						
Inventory	5,159	5,282	9,031	15,217	15,260						
Net fixed & other tangibles	12,061	15,841	14,409	20,379	27,228						
Goodwill & intangibles	6,048	5,542	6,212	6,052	5,934						
Financial & other assets	791	3,080	3,571	3,590	3,579						
Total assets	41,182	65,728	97,495	188,448	299,171						
Accounts payable	1,193	2,699	4,979	8,389	8,413						
Short-term debt	1,250	1,250	0	0	0						
Long-term debt	10,605	9,578	9,765	9,765	9,765						
Provisions & other liab	6,033	9,223	12,067	12,343	12,344						
Total liabilities	19,081	22,750	26,810	30,498	30,522						
Shareholders' equity	22,101	42,978	70,685	157,950	268,650						
Minority interests	0	0	0	0	0						
Total equity	22,101	42,978	70,685	157,950	268,650						
Net debt (Adj)	-1,441	-15,156	-37,295	-102,676	-206,514						
Net debt to equity (Adj) (%)	-6.5	-35.3	-52.8	-65.0	-76.9						
For definitions of the items in this table, please click here .											

NVDA Oct-Q Preview

Figure 1. NVDA Oct-Q Preview

F3Q25E- Oct	Guidance	Citi	Street
Revenue (\$M)	\$32,500 +/- 2%	\$32,771	\$32,948
Sequential growth	8%	9%	10%
EPS (non-GAAP)		\$0.72	\$0.74
Gross Margin (non-GAAP)	75% +/- 50bps	75%	74.9%
OpEx (non-GAAP, \$M)	\$3,000	\$3,057	
Operating Margin (non-GAAP)		65.6%	65.4%
Tax rate	17% +/- 1%	17%	

F4Q25E- Jan	Guidance	Citi	Street
Revenue (\$M)		\$36,588	\$36,605
Sequential growth		12%	11%
EPS (non-GAAP)		\$0.77	\$0.81
Gross Margin (non-GAAP)		73.0%	73.3%
OpEx (non-GAAP, \$M)		\$3,234	
Operating Margin (non-GAAP)		64.1%	64.4%
Tax rate		17%	

Consensus as of: 11/11/24

*non-GAAP is as the company reports and excludes stock based comp

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Source: Citi Research, FactSet, Visible Alpha

Bull/Bear: NVIDIA Corp (NVDA.O)

US\$ 200.00
▲ 38% Upside

US\$ 170.00
▲ 17% Upside

US\$ 100.00
▼ 31% Downside



Spread 69pp
Current Price and expected returns as of 11 Nov 2024

BULL Assumptions



40x P/E

AI compute TAM of \$300B by 2028

BASE Assumptions



35x P/E

AI compute TAM of \$260B by 2028

BEAR Assumptions



25x P/E

AI compute TAM of \$150B by 2028 on higher competition/pricing pressure.

NVIDIA Corp

Company description

Nvidia is a leader in graphics processing units or GPUs. It is engaged in creating graphics and networking chips, which are used in gaming, data centers, and automotive end markets. Nvidia was founded by Jen-Hsun Huang (current CEO) and partners in January 1993 and is headquartered in Santa Clara, CA.

Investment strategy

We like Buy-rated NVDA on secular AI growth opportunities.

Valuation

Our price target for NVDA is \$170 based on ~35x P/E on C25E EPS. Our 35x P/E multiple is roughly in-line with the one-year average but below 3-year and 5 year averages.

Risks

Downside risks to the attainment of our target price include: 1) competition on gaming could drive the stock lower if Nvidia loses market share; 2) slower-than-expected adoption of new platforms can drive lower data center and gaming sales; 3) lumpiness in auto and data center markets can add volatility to the stock/multiple; and 4) cryptomining impact on gaming sales.

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NVIDIA Corp (NVDA)

Ratings and Target Price History
Fundamental Research

Analyst: Atif Malik



	Date	Rating	Target Price	Closing Price
1	14-Nov-21 21:33:02	1	*\$35.00	30.39
2	26-May-22 02:00:53	1	*\$31.50	17.85
3	11-Jul-22 19:37:43	1	*\$28.50	15.15
4	25-Aug-22 02:27:54	1	*\$24.80	17.91
5	11-Oct-22 05:17:28	1	*\$21.00	11.59
6	23-Feb-23 02:35:10	1	*\$24.50	23.66

*Indicates Change

	Date	Rating	Target Price	Closing Price
7	17-Mar-23 06:01:34	1	*\$30.50	25.73
8	23-May-23 08:08:33	1	*\$36.30	30.69
9	25-May-23 02:22:12	1	*\$42.00	37.98
10	17-Jul-23 01:50:06	1	*\$52.00	46.46
11	24-Aug-23 02:36:33	1	*\$63.00	47.16
12	18-Oct-23 00:32:40	1	*\$57.50	42.20

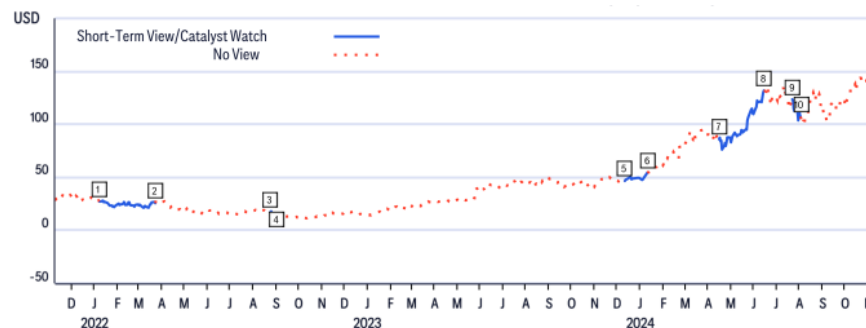
	Date	Rating	Target Price	Closing Price
13	22-Feb-24 02:01:24	1	*\$82.00	78.54
14	20-Mar-24 06:26:15	1	*\$103.00	90.37
15	23-May-24 02:55:03	1	*\$126.00	103.80
16	26-Jun-24 05:00:00	1	*\$150.00	126.40

Rating/target price changes above reflect Eastern Time

NVIDIA Corp (NVDA)

Short-Term View/Catalyst Watch Research

Analyst: Atif Malik



	Date	Action	Expected Direction	Duration	Closing Price
1	07-Jan-22 00:00:00	Add CW	Upside	90 Days	27.25
2	23-Mar-22 01:00:00	Remove CW	Upside	90 Days	25.63
3	24-Aug-22 22:27:54	Add CW	Upside	30 Days	17.22
4	01-Sep-22 02:57:28	Remove CW	Upside	30 Days	13.94

CW - Catalyst Watch, STV - Short-Term View

	Date	Action	Expected Direction	Duration	Closing Price
5	11-Dec-23 08:11:55	Add CW	Upside	30 Days	46.63
6	10-Jan-24 11:06:14	Remove CW	Upside	30 Days	54.35
7	15-Apr-24 01:00:00	Add CW	Upside	90 Days	86.00
8	16-Jun-24 21:00:00	Remove CW	Upside	90 Days	131.88

	Date	Action	Expected Direction	Duration	Closing Price
9	22-Jul-24 01:00:00	Add CW	Upside	30 Days	123.54
10	04-Aug-24 14:08:32	Remove CW	Upside	30 Days	107.27

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