Urvi Dhomne

Financial Statement and Analysis For NVIDIA Corporation

Company Overview:

Known for its graphics processing units (GPUs), NVIDIA Corporation is a well-known technology business with its headquarters located in 2701 San Tomas Expressway Santa Clara, California – 95050. NVIDIA's GPUs are used in PC graphics chips, powering smartphones, tablets, and automobile infotainment systems. Professional designers use them to create visual effects in movies and design various products, while supercomputers utilize their massively parallel processing capabilities for applications like virus simulations and global oil exploration.

GPU products include GeForce for consumer desktop and notebook PCs, Quadro for professionals in computer-aided design, video editing, special effects, and other applications, Tesla for supercomputing and big data applications, and GRID to provide the power of NVIDIA graphics through the cloud. Tegra Processor products include Tegra processors for smartphones, tablets, gaming devices, and other computer devices.

Company Strategy:

The company aims to extend its visual computing leadership by enhancing user experience for entertainment and professional visualization applications. They focus on delivering the world's best gaming experiences through open platforms and end-to-end experiences. They use NVIDIA CUDA, a general-purpose parallel computing platform, to solve complex computational problems in a fraction of the time required by a CPU and at a fraction of the power consumption. They leverage their processors and visual computing expertise to create differentiated devices, such as SHIELD, which attracts modern gamers and enhances Tegra's strategic position.

Analysis:

Nature of Business

NVIDIA Corporation is a leading manufacturer of graphics processing units (GPUs) and related hardware and software solutions, renowned for their high performance, energy efficiency, and advanced graphics rendering capabilities. The company also offers a range of software solutions, including graphics drivers, developer tools, gaming platforms, and AI frameworks, to enhance the functionality and performance of its products. NVIDIA has expanded its business beyond hardware sales to include AI-driven technology and cloud gaming, pushing the boundaries of innovation and driving technological progress.

Product Superiority

There are various reasons why NVIDIA's products are chosen above others: Technological superiority: NVIDIA GPUs are the preferred choice for a variety of applications, including

gaming, artificial intelligence, and data centers, due to their well-known performance, efficiency, and capabilities. Market Dominance: With solid brand recognition and a devoted following from customers, NVIDIA has made a name for itself as a leader in the GPU industry. Industry Partnerships: The quality of NVIDIA's products is further validated by collaborations with leading industry players and adoption by significant technological businesses.

Commodity-Based Business and Capital Intensity:

Since NVIDIA places an extreme value on innovation, cutting-edge technology, and high-performance computing solutions, it as a business cannot generally be classified as commodity based. The company distinguishes itself from competitors by its dedication to leading edge technologies like deep learning, ray tracing, and real-time AI processing. NVIDIA's capital investments in manufacturing facilities and R&D costs serve to further set its products apart. Additionally, the company provides services, developer tools, and software solutions to maximize hardware performance, lower the risk of commoditization, and capture value throughout the computing ecosystem.

Footnotes:

Additional information and explanations concerning various financial indicators, accounting procedures, noteworthy transactions, contingent liabilities, and other pertinent disclosures may be found in the footnotes of NVIDIA's financial statements. These include accounting policies, significant accounting estimates, contingents, acquisitions, segment reporting and leases.

These details provide information on NVIDIA's accounting methods, such as inventory calculation, revenue recognition, and depreciation. They also discuss uncertainties or potential liabilities, like pending legal actions or tax disagreements.

The footnotes detail any acquisitions completed during the reporting period, including their purchase price and accounting treatment and provide information on NVIDIA's leases, including the type and accounting method of lease charges. This helps investors and analysts understand NVIDIA's financial performance and the factors affecting it.

Business Outlook:

NVIDIA's annual report contains a section on the company's prospects for the future that is titled "Business Outlook." The view is largely optimistic, emphasizing prospects for sustained expansion in the gaming, data center, artificial intelligence, and automobile industries. The research does, however, also recognize certain possible difficulties, such as macroeconomic variables and market rivalry.

Competitors:

NVIDIA compares its performance to rivals AMD and Intel in the semiconductor market, particularly in gaming. AMD aims to overtake NVIDIA in discrete GPU market share, while Intel continues to grow. Despite fierce competition, NVIDIA maintains its technological advantage through innovation and strategic alliances, benefiting customers with advanced technology and improved performance.

NVIDIA has a market cap of $108 billion, surpassing Intel's $32 billion. Despite having a lower market capitalization than Intel, NVIDIA's P/E multiple is 33x, higher than Intel's 12x but lower than AMD's 47x. AMD's high P/E is due to anticipated strong growth in the data center market, indicating significant upside potential with its EPYC processors. NVIDIA's higher P/E is attributed to its strong balance sheet and net cash of $6.5 billion, which is higher than Intel or the S&P 500 index.

Financial Statement Ratios

Profitability Ratios:

1.Net Profit Margin:

Net profit margin measures the company's profitability by assessing how much of each dollar earned translates into profit after expenses. NVIDIA's net profit margin has been consistently high, owing to its innovative product offerings and strong market position.

Nvidia's net income margin is significantly higher than AMD's and Intel's, growing from 32.1% in 2017 to 37.6% in 2019. This figure is 4x higher than AMD's 9.8% and 6x higher than Intel's 6.5% in 2018. Intel's net income margin is lower due to its higher effective tax rate.

Net Profit Margin = (Net Income / Revenue) * 100

For 2024: (29,760 / 60,922) * 100 ≈ 48.85%

Table 1 and Figure 1 provide a comprehensive overview of NVIDIA Corporation's Net Profit Margin over the past 10 years.

2.Return on Investment (ROI):

ROI evaluates the efficiency of the company in generating profits from its investments. Over the span of the last ten years, NVIDIA's ROI has increased, rising from 6.07% in 2014 to 10.59% in 2023. This major boost highlights how well the business uses money and assets to turn a profit.

ROI = (Net Income / Total Assets) * 100

For 2024: (29,760 / 65,728) * 100 ≈ 45.28%

Table 2 and Figure 2 provide a comprehensive overview of NVIDIA Corporation's ROI over the past 10 years.

Activity Ratios:

1.Days Sales Outstanding (DSO):

DSO calculates the typical days it takes to get paid after a transaction. NVIDIA's DSO is generally shorter in the technology sector than it is in other businesses with more extended sales cycles. Effective accounts receivable management is essential for maintaining a healthy cash flow and is indicated by a low DSO.

DSO = (Accounts Receivable / (Revenue / 365))

For 2023: (3,827 / (26,974 / 365)) ≈ 51.79 days

Table 3 and Figure 3 provide a comprehensive overview of NVIDIA Corporation's DSO over the past 10 years.

2.Inventory Turnover:

A company's inventory turnover ratio shows how rapidly its inventory is sold. Because the technology market moves quickly and NVIDIA places a strong emphasis on product innovation, the company's inventory turnover is typically high. A high ratio of inventory turnover indicates both a robust demand for the company's products and efficient inventory management.

Inventory Turnover = Cost of Revenue / Average Inventory

For 2023: 11,618 / ((5,159 + 2,605) / 2) ≈ 2.25

Table 4 and Figure 4 provide a comprehensive overview of NVIDIA Corporation's Inventory Turnover over the past 10 years.

Liquidity Ratios:

1.Current Ratio:

The current ratio assesses how well the business can use its current assets to pay down short-term debt. In general, NVIDIA's current ratio has been strong, demonstrating its capacity to comfortably meet short-term obligations. In 2014 the Current Ratio was equal to 5.94895 and in order to guarantee the company's liquidity and financial stability, a current ratio of 1.5 or greater is typically regarded as satisfactory.

Current Ratio = Current Assets / Current Liabilities

For 2023: 23,073 / 6,563 ≈ 3.52

Table 5 and Figure 5 provide a comprehensive overview of NVIDIA Corporation's Current Ratio over the past 10 years.

2.Acid Test Ratio:

The quick ratio, also referred to as the acid test ratio, separates inventories from current assets to enable a stronger assessment of liquidity. Because it depends on inventory to generate revenue, NVIDIA's acid test ratio might be marginally lower than its present ratio. Typically, a ratio of one or greater is preferred since it shows that the business can pay immediate debts without depending on inventory sales.

Apart from the direct calculation, given from the references - NVIDIA's quick ratio averaged 4.5x from January 2020 to 2024, with a median of 3.6x. January 2020 had the highest ratio at 7.0x, while January 2023 had a 5-year low of 2.6x. In 2021 and 2023, it dropped, but in 2020, 2022, and 2024, it increased.

Quick Ratio = (Current Assets - Inventories) / Current Liabilities

For 2023: (23,073 - 5,159) / 6,563 ≈ 2.98

Table 6 and Figure 6 provide a comprehensive overview of NVIDIA Corporation's Quick Ratio over the past 10 years.

Leverage Ratios:

1.Debt Ratio:

Analyzing the amount of the assets of a company that are financed by debt is done with the debt ratio. With a comparatively low debt ratio, NVIDIA has continued to adhere to a cautious approach to debt management. Reduced debt to equity represents a reduced risk to the company's finances and more financial agility.

Debt Ratio = Total Debt / Total Assets

For 2023: (9,703 + 902 + 1,913) / 41,182 ≈ 30.40%

Table 7 and Figure 7 provide a comprehensive overview of NVIDIA Corporation's Debt Ratio over the past 10 years.

2.Debt to Equity Ratio:

The debt-to-equity ratio calculates the percentage of funding that comes from shareholders as compared to creditors. A lower degree of financial risk and an appropriate mix between debt and equity financing are indicated by NVIDIA's low debt to equity ratio. This ratio's comparison to peers in the industry might reveal information about the capital structure and risk profile of the business.

Debt to Equity Ratio = Total Debt / Shareholder’s Equity

For 2023: (9,703 + 902 + 1,913) / 22,101 ≈ 56.54%

Table 8 and Figure 8 provide a comprehensive overview of NVIDIA Corporation's Debt to Equity Ratio over the past 10 years.

Financial Statement Analysis:

Profitability:

NVIDIA's financial statements clarifies how profitable the company is. The company has demonstrated its capacity to successfully control costs and create considerable profits from its operations by maintaining a high net profit margin on a consistent basis. This is consistent with the focus on assessing a business's capacity to convert sales into profits, and NVIDIA has proven to be efficient at this. The business's outstanding ROI, which emphasizes how well it uses invested capital to produce profits, also highlights its profitability.

Solvency:

The financial statements of NVIDIA also demonstrate good liquidity and solvency, with a focus on evaluating a company's capacity to meet its short-term obligations. The company's strong financial condition has been shown by its current and acid test ratios, which guarantee its ability to pay short

term obligations with its current assets. In addition, NVIDIA's low debt ratios demonstrate its responsible approach to debt management, which minimizes financial risk and improves overall solvency.

References:

EDGAR- NVIDIA CORP 10-K (annual reports)
https://www.sec.gov/edgar/browse/?CIK=1045810&owner=exclude

How Does Nvidia's Valuation Compare To Its Peers? – Forbes.com
https://www.forbes.com/sites/greatspeculations/2019/10/10/how-does-nvidias-valuation-compare-to-its-peers/?sh=7e81cfd335c0

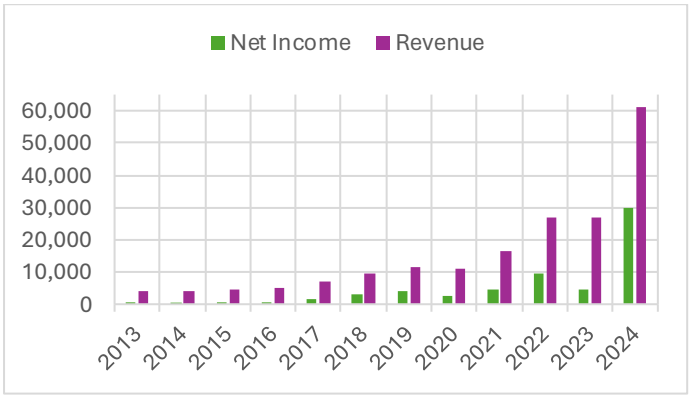
Performance Summary – Finbox.com
https://finbox.com/NASDAQGS:NVDA/explorer/quick_ratio/

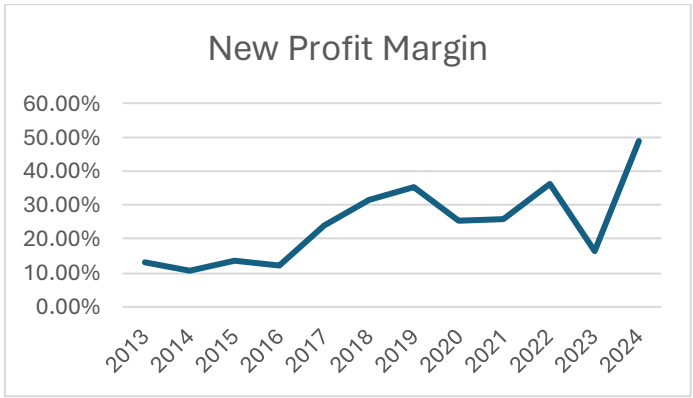
Appendix:

New Profit Margin
Table 1:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net Income	562	440	631	614	1,666	3,047	4,141	2,796	4,332	9,752	4,368	29,760
Revenue	4,280	4,130	4,682	5,010	6,910	9,714	11,716	10,918	16,675	26,914	26,974	60,922
New Profit Margin	13.13%	10.65%	13.48%	12.26%	24.11%	31.37%	35.34%	25.61%	25.98%	36.23%	16.19%	48.85%

Figure1:

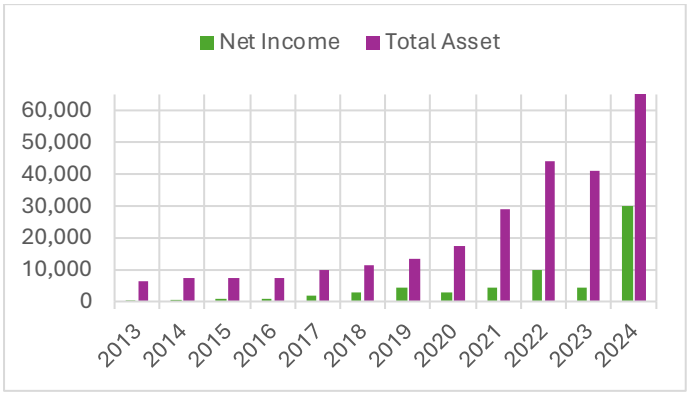


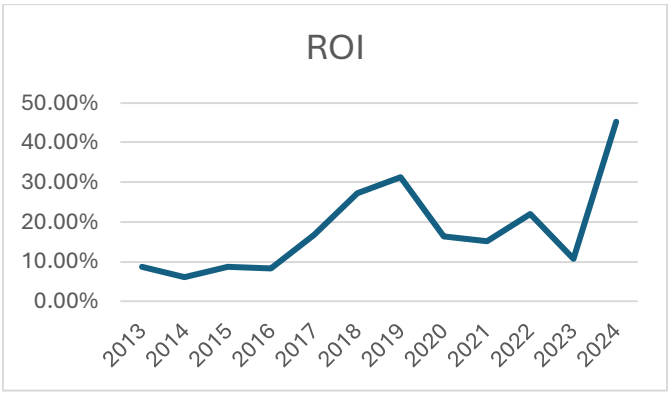


Return On Investment
Table 2:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net Income	562	440	631	614	1,666	3,047	4,141	2,796	4,332	9,752	4,368	29,760
Total Asset	6,412	7,250	7,201	7,370	9,841	11,241	13,292	17,315	28,791	44,187	41,182	65,728
ROI	8.76%	6.07%	8.76%	8.33%	16.93%	27.11%	31.15%	16.15%	15.05%	22.07%	10.61%	45.28%

Figure 2:

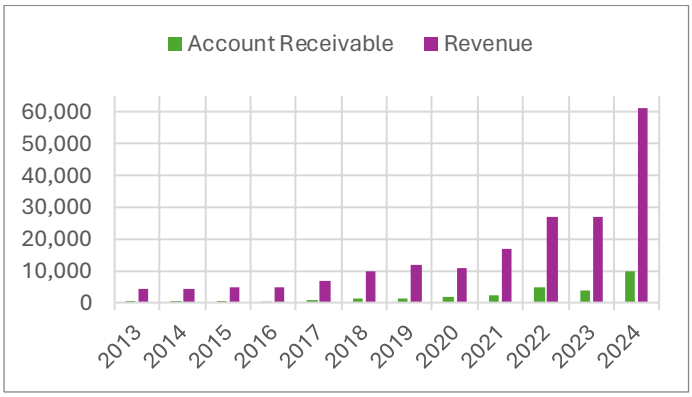


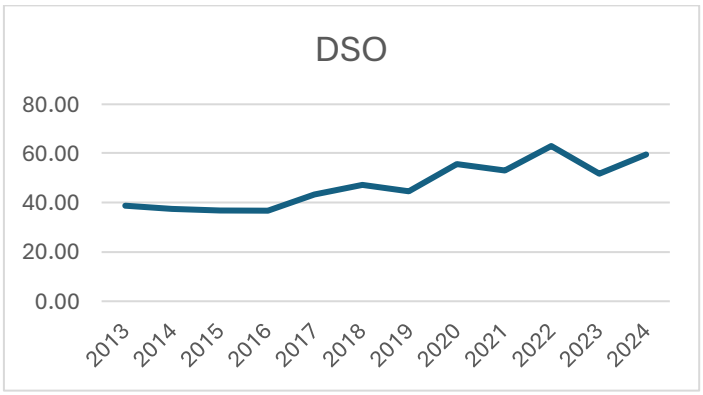


Days Sales Outstanding
Table 3:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Account Receivable	454	426	474	505	826	1,265	1,424	1,657	2,429	4,650	3,827	9,999
Revenue	4,280	4,130	4,682	5,010	6,910	9,714	11,716	10,918	16,675	26,914	26,974	60,922
DSO	38.72	37.65	36.95	36.79	43.63	47.53	44.36	55.40	53.17	63.06	51.79	59.91

Figure 3:

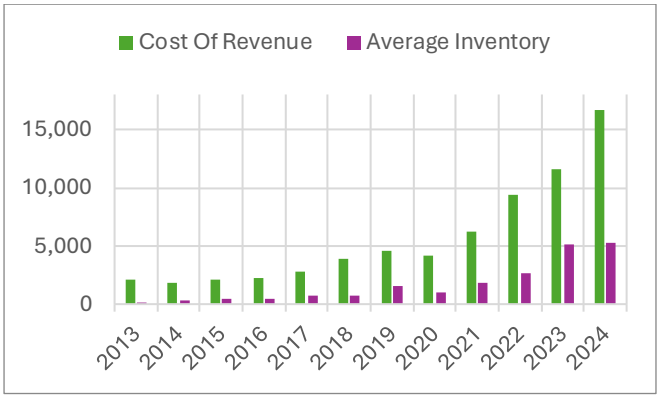


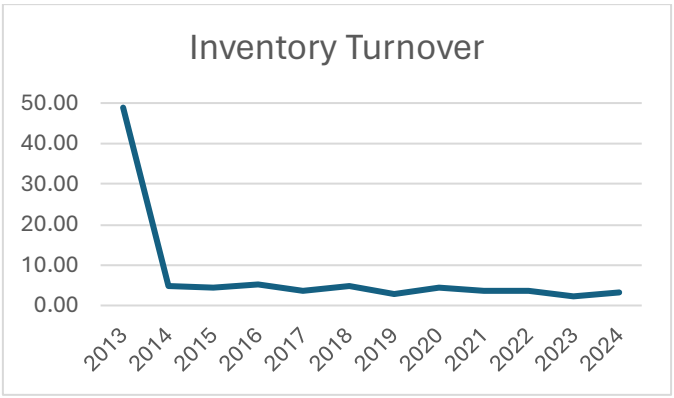


Inventory Turnover
Table 4:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cost Of Revenue	2,053	1,862	2,083	2,199	2,847	3,892	4,545	4,150	6,279	9,439	11,618	16,621
Average Inventory	42	387	483	418	794	796	1,575	979	1,826	2,605	5,159	5,282
Inventory Turnover	48.88	4.81	4.31	5.26	3.59	4.89	2.89	4.24	3.44	3.62	2.25	3.15

Figure 4:



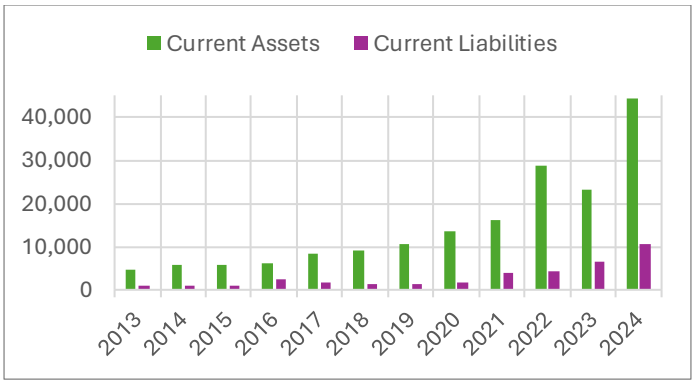


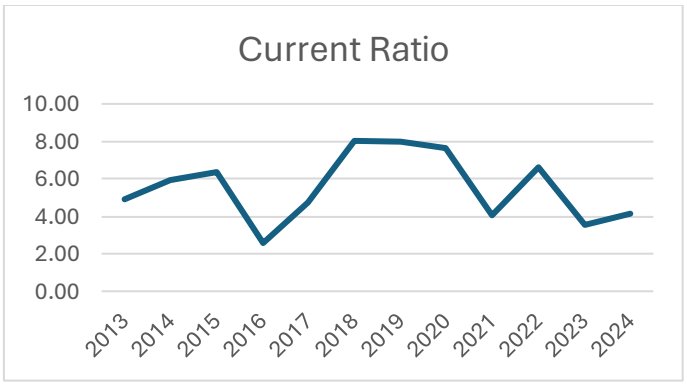
Current Ratio

Table 5:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current Assets	4,775	5,624	5,713	6,053	8,538	9,255	10,557	13,690	16,055	28,829	23,073	44,345
Current Liabilities	976	945	896	2,351	1,788	1,153	1,329	1,784	3,925	4,335	6,563	10,631
Current Ratio	4.89	5.95	6.38	2.57	4.78	8.03	7.94	7.67	4.09	6.65	3.52	4.17

Figure 5:



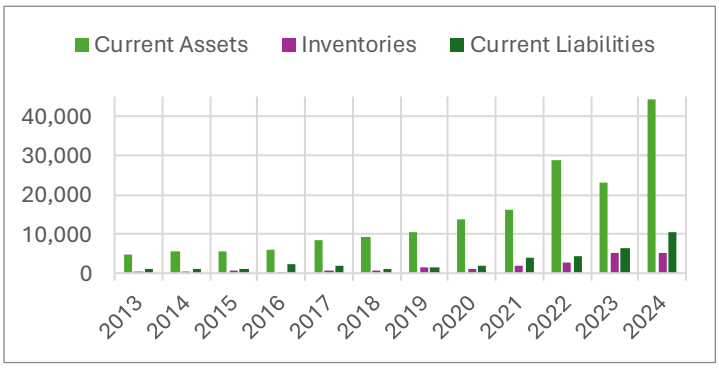


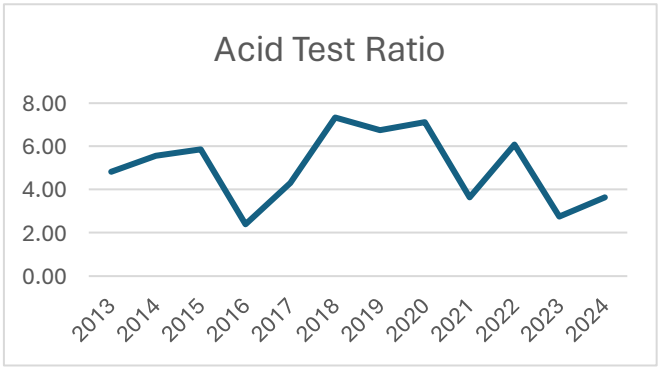
Acid Test Ratio

Table 6:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Current Assets	4,775	5,624	5,713	6,053	8,538	9,255	10,557	13,690	16,055	28,829	23,073	44,345
Inventories	42	387	483	418	794	796	1,575	979	1,826	2,605	5,159	5,282
Current Liabilities	976	945	896	2,351	1,788	1,153	1,329	1,784	3,925	4,335	6,563	10,631
Acid Test Ratio	4.85	5.54	5.84	2.40	4.33	7.34	6.76	7.13	3.63	6.05	2.73	3.67

Figure 6:





Debt Ratio
Table 7:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Debt	607	1,848	1,887	463	2,260	2,617	2,621	3,327	7,973	13,240	12,518	12,119
Total Asset	6,412	7,250	7,201	7,370	9,841	11,241	13,292	17,315	28,791	44,187	41,182	65,728
Debt Ratio	9.47%	25.49%	26.20%	6.28%	22.97%	23.28%	19.72%	19.21%	27.69%	29.96%	30.40%	18.44%

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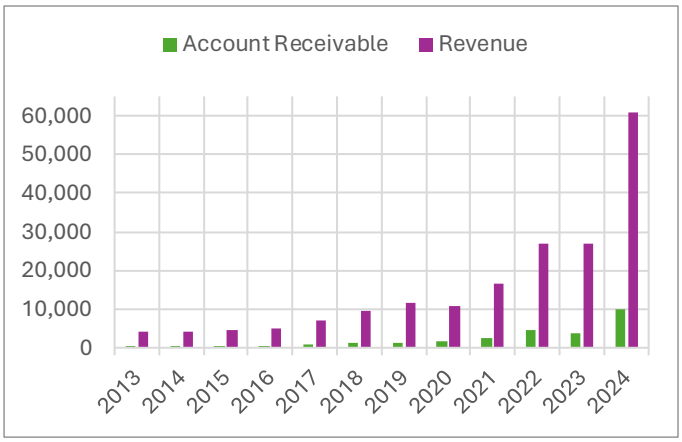

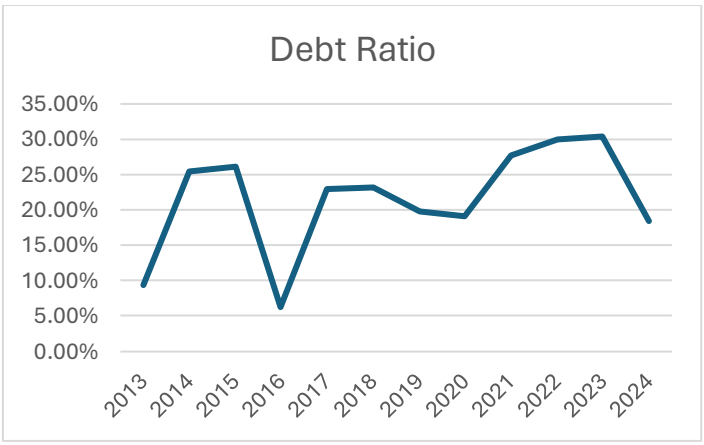

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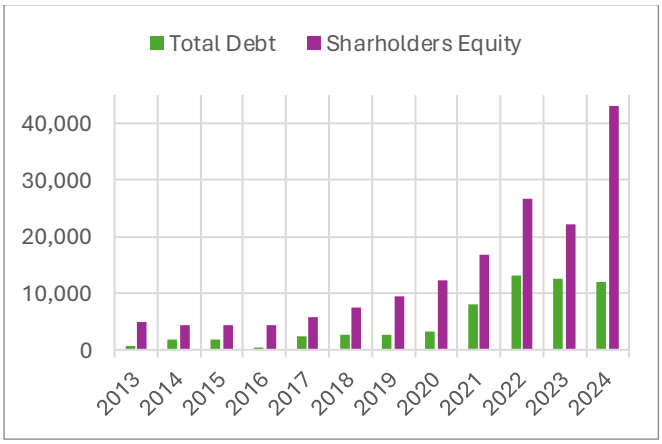
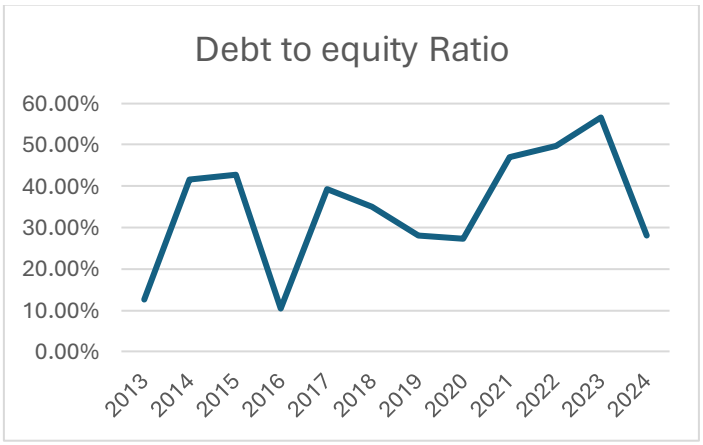
Total Debt	607	1,848	1,887	463	2,260	2,617	2,621	3,327	7,973	13,240	12,518	12,119
Shareholder's Equity	4,827	4,456	4,418	4,469	5,762	7,471	9,342	12,204	16,893	26,612	22,101	42,978
Debt to equity Ratio	12.58%	41.47%	42.71%	10.36%	39.22%	35.03%	28.06%	27.26%	47.20%	49.75%	56.64%	28.20%

Figure 8:





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