Research Report on Nvidia Corporation (NVDA)

Zacarias Moreira

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Professor José Carlos Tudela Martins

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Abstract

This dissertation presents an in-depth valuation of Nvidia Corporation, analyzing how methodological choices, financial assumptions, and industry dynamics influence intrinsic value estimates. Grounded in academic valuation theory, the analysis applies a multi-method framework combining a discounted cash flow (DCF) model, a sum-of-the-parts (SOTP) valuation, and complementary relative valuation. Forecasts are based on a detailed assessment of Nvidia's business model, competitive positioning, capital allocation strategy, and exposure to secular investment in AI infrastructure.

The DCF model employs a six-year explicit forecast horizon, a bottom-up estimation of the weighted average cost of capital (WACC), and terminal values derived from both the Gordon Growth model and peer-based forward multiples. Scenario analysis highlights the sensitivity of valuation outcomes to long-term assumptions regarding data center capital expenditures, market-share evolution, and terminal multiples. The SOTP framework separately values the Compute & Networking segment and the remainder of the business, reflecting their distinct growth and margin characteristics.

A comparison with a Zacks valuation report shows that divergences in target prices are primarily driven by methodological differences. While Zacks capitalizes near-term earnings using elevated forward P/E multiples, this dissertation discounts multi-year free cash flows at a double-digit WACC and applies more conservative terminal assumptions. Despite forecasting higher revenues and earnings, the resulting target price of $125.6 per share is materially below both the Zacks estimate and the current market price.

The study concludes that Nvidia's prevailing market valuation embeds optimistic assumptions regarding the sustainability of its growth, pricing power, and long-term returns on capital.

Author: Zacarias Moreira

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Resumo

Esta dissertação apresenta uma avaliação aprofundada da Nvidia Corporation, analisando de que forma as escolhas metodológicas, os pressupostos financeiros e a dinâmica da indústria influenciam as estimativas de valor intrínseco. Com base na teoria académica de avaliação, o estudo recorre a um enquadramento multi-método que combina um modelo de fluxos de caixa descontados (DCF), uma avaliação por soma das partes (SOTP) e métodos complementares de avaliação relativa. As projeções resultam de uma análise detalhada do modelo de negócio da Nvidia, da sua posição competitiva, da estratégia de alocação de capital e da exposição a investimentos estruturais em infraestruturas de inteligência artificial.

O modelo DCF utiliza um horizonte explícito de seis anos, uma estimativa bottom-up do custo médio ponderado do capital (WACC) e valores terminais baseados no modelo de crescimento de Gordon e em múltiplos forward de empresas comparáveis. A análise de cenários evidencia a sensibilidade da avaliação a pressupostos de longo prazo relacionados com o investimento em centros de dados, a evolução da quota de mercado e os múltiplos terminais. A avaliação SOTP valoriza separadamente o segmento de Compute & Networking e o restante negócio, refletindo os seus diferentes perfis de crescimento e rentabilidade.

A comparação com um relatório da Zacks mostra que as diferenças nos preços-alvo resultam sobretudo de divergências metodológicas.

O estudo conclui que a avaliação atual de mercado da Nvidia incorpora pressupostos excessivamente otimistas quanto à sustentabilidade do crescimento, ao poder de fixação de preços e aos retornos de longo prazo sobre o capital.

Autora: Zacarias Moreira

Titulo: Relatório de Avaliação da Nvidia Corporation (NVDA)

Palavras-Chave: avaliação de capitais próprios, Nvidia, fluxos de caixa descontados, avaliação por soma das partes, infraestruturas de IA, valor terminal

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Abbreviations and Acronyms

AIB	Add-in Board
AI	Artificial Intelligence
AP	Accounts Payable
APV	Adjusted Present Value
AR	Accounts Receivable
CapEx	Capital Expenditures
CAPM	Capital Asset Pricing Model
CAGR	Compound Annual Growth Rate
CE	Cash Equivalents
COGS	Cost of Goods Sold
C&N	Compute & Networking
CPU	Central Processing Unit
CUDA	Compute Unified Device Architecture
CUDA-X	Nvidia’s Accelerated Computing Software Stack
D&A	Depreciation and Amortization
DCF	Discounted Cash Flow
DDM	Dividend Discount Model
DIO	Days Inventory Outstanding
DPO	Days Payables Outstanding
DPU	Data Processing Unit
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EDA	Electronic Design Automation
EMH	Efficient Market Hypothesis
EPS	Earnings per Share
ERP	Equity Risk Premium
EV	Enterprise Value
EV/EBIT	Enterprise Value to Earnings Before Interest and Taxes
EV/EBITDA	Enterprise Value to Earnings Before Interest, Taxes, Depreciation and Amortization
EV/FCFF	Enterprise Value to Free Cash Flow to the Firm

FCF	Free Cash Flow
FCFE	Free Cash Flow to Equity
FCFF	Free Cash Flow to the Firm
FVPS	Fair Value per Share
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GG	Gordon Growth
GIBD	Gross Interest-Bearing Debt
GPU	Graphics Processing Unit
HPC	High-Performance Computing
HGX/DGX	Nvidia System-Level AI Platforms
IFRS	International Financial Reporting Standards
IFS	Intel Foundry Services
IP	Intellectual Property
IT	Information Technology
LFCF	Levered Free Cash Flow
LLM	Large Language Model
MPT	Modern Portfolio Theory
MTIA	Meta Training and Inference Accelerator
NIBD	Net Interest-Bearing Debt
NOPAT	Net Operating Profit After Tax
NVDA	Nvidia Corporation
NVLink	High-Speed Interconnect Technology
NVentures	Nvidia's Corporate Venture Arm
OI	Operating Income
OEM	Original Equipment Manufacturer
OpEx	Operating Expenses
PP&E	Property, Plant, and Equipment
R&D	Research and Development
RAN	Radio Access Network
RIV	Residual Income Valuation

ROCE	Return on Capital Employed
ROE	Return on Equity
ROIC	Return on Invested Capital
RoU	Right-of-Use (asset)
RPU	Restricted Performance Unit
RR	Reinvestment Rate
RSU	Restricted Stock Unit
SAM	Serviceable Addressable Market
SBC	Stock-Based Compensation
SDK	Software Development Kit
SEC	U.S. Securities and Exchange Commission
SG&A	Selling, General, and Administrative Expenses
SOTP	Sum-of-the-Parts
TSMC	Taiwan Semiconductor Manufacturing Company
TTM	Trailing Twelve Months
TV	Terminal Value
US$	United States Dollar
WACC	Weighted Average Cost of Capital
Y/Y	Year-over-Year

1. Introduction

If one views securities and financial markets from the lens of Eugene Fama's Efficient Market Hypothesis (EMH) or Harry Markowitz's Modern Portfolio Theory (MPT), it follows that sustainably generating risk-adjusted alpha is either extraordinarily difficult or hinged on constructing an optimal risk-return trade-off, rooted in academic theory. By extension, the use of more conventional valuation techniques, such as discounted cash flow (DCF) analysis, liquidation value, relative valuation, or adjusted present value (APV) will not, on average, enable systematic outperformance of the market.

Yet, a handful of exceptional investors have consistently challenged these theoretical claims over several decades, most notably Warren Buffett. As the EMH gained traction among academics and industry professionals, casting doubt on the possibility of persistent outperformance, Buffett delivered a speech in 1984 at Columbia Business School, commemorating the 50th anniversary of Benjamin Graham and David Dodd's *Security Analysis* (1934). The speech was later published under the title *The Superinvestors of Graham-and-Doddsville*, in which Buffett argued that a shared value-investment philosophy, rooted in Graham and Dodd's teachings, rather than mere chance, explained the enduring success of Graham-and-Dodd disciples.

Aswath Damodaran, widely known as the dean of valuation, rejects the strict, dogmatic version of EMH. He argues that markets are *sometimes* inefficient, and that careful valuation can uncover mispricings. Reading Buffett's early partnership letters from the 1950s and 1960s confirms that this is precisely what he did. Although the investing landscape was meaningfully less efficient at the time, and investors could find companies trading at steep discounts to net current asset value (NCAV) or at low-single-digit earnings multiples by sifting through Moody's manuals, Buffett's edge lay in his persistence and rigor. His tenacity in turning over many rocks and applying detailed valuation work when he identified compelling opportunities was a core driver of his investing success.

This dissertation seeks to examine the world of equity valuation in depth, exploring various valuation techniques and simultaneously highlighting how different firms require context-specific valuation approaches. While equity valuation methods are pivotal, this study also emphasizes the importance of pairing them with qualitative assessments. As Damodaran (2017) argues, valuation is fundamentally a bridge between stories and numbers: the story provides the economic logic that guides the assumptions, while the numbers discipline and test the plausibility of that narrative.

2. Literary Review

Valuation is inherently context-dependent, and no single methodology can be deemed universally applicable. The suitable approach is often contingent on industry dynamics and firm-specific characteristics. DCF, while the most widely taught and recognized approach in both academic literature and professional practice, is not without limitations. Its accuracy and usefulness are largely dependent on the quality of the underlying assumptions, making the “garbage in, garbage out” principle particularly salient (Fernández, 2004). Small adjustments to inputs can produce material fluctuations in the estimated fair value, most notably by altering assumptions tied to discount rates and terminal value. Accordingly, a DCF can be manipulated to justify a wide range of outcomes, underscoring the importance of not taking results at face value but rather assessing them in conjunction with alternative valuation methods.

The following section outlines the most widely used valuation methodologies. While not all approaches are directly applicable to Nvidia, the discussion provides a comprehensive overview of the valuation toolkit employed in practice. The objective is to highlight the strengths, limitations, and appropriate contexts of each method, underlining that valuation is inherently multifaceted and cannot be reduced to a single standardized process, as no one-size-fits-all approach exists.

2.1. Present Value Methods

The present value methods estimate intrinsic value by forecasting future expected cash flows and discounting them back to the present by applying a discount rate that correctly reflects the firm’s risk.

2.1.1. Discounted Cash Flow (DCF) Model

The DCF model is one of the most widely used and academically grounded valuation techniques, as it is directly based on the present value principle. Its intellectual roots can be traced to Williams (1938), who first formalized the idea that the value of a stock is equal to the present value of its expected future cash flows. In modern corporate valuation, this has evolved into forecasting free cash flow (FCF) and the terminal value (TV), which represents the continuing value of the firm beyond the explicit forecast horizon, and discounting them at the appropriate cost of capital (Damodaran, 2012; Koller, Goedhart & Wessels, 2020). The sum of these discounted cash flows and terminal value yields the enterprise value (EV).

$$V_0 = \sum_{t=1}^{T} \frac{FCF_t}{(1+WACC)^t} + \frac{TV_T}{(1+WACC)^T} \tag{1}$$

- V_0 = enterprise value at time 0
- FCF_t = free cash flow in year *t*
- $WACC$ = weighted average cost of capital
- T = length of the explicit forecast horizon
- TV_T = terminal value at horizon year *T*

The terminal value is estimated using the Gordon Growth (GG) model, defined as:

$$TV_T = \frac{FCF_{T+1}}{WACC-g}, \quad FCF_{T+1} = FCF_T\ (1+g) \tag{2}$$

- g = perpetual growth rate beyond year *T*

From an equity valuation perspective, further adjustments are required to estimate the equity value. Specifically, net interest-bearing debt (NIBD), defined as all interest-bearing debt less cash and cash equivalents, and minority interests and preferred equity are deducted, while non-consolidated equity investments (Fernández, 2004) and, in some approaches, options proceeds, are added. The resulting equity value is then divided by the total number of fully diluted shares outstanding to estimate the fair value on a per-share basis.

As noted, the extensive number of inputs required to construct a DCF also poses the risk of numbers being manipulated to produce the desired value rather than an accurate reflection of a firm's fair value. Consequently, the reliability of the model is critically dependent on the robustness of the underlying assumptions (Damodaran, 2012; Koller et al., 2020). Still, given the substantial growth and profitability expectations already embedded in Nvidia's valuation, a DCF framework remains particularly useful as it allows these forward-looking dynamics to be explicitly modeled and captured in the estimate of intrinsic value.

2.1.1.1. Free Cash Flow to the Firm (FCFF)

Free Cash Flow to the Firm (FCFF) represents the cash flows available to all capital providers, both debt and equity holders, after covering operating expenses (OpEx), taxes, and reinvestment needs, measured through capital expenditures (CapEx) and working capital, and adding back non-cash expenses.

$$FCFF = EBIT \cdot (1 - T) + D\&A - \Delta NWC - CapEx \quad (3)$$

- $EBIT$ = earnings before interest and taxes
- T = corporate tax rate
- $D\&A$ = depreciation and Amortization
- ΔNWC = change in net working capital
- $CapEx$ = capital expenditures

2.1.1.2. Free Cash Flow to Equity (FCFE)

While FCFF is the most commonly applied measure in DCF valuation, the use of Free Cash Flow to Equity (FCFE) is also appropriate in certain contexts. FCFE represents the cash flows available strictly to equity holders, after accounting for debt-related effects such as interest payments, debt issuance, and debt repayments.

$$FCFE = net\ income + D\&A - \Delta NWC - CapEx + net\ borrowing \quad (4)$$

- $Net\ income$ = after-tax earnings available to equity holders
- $Net\ borrowing = debt_{issued} - debt_{repaid}$

It is worth noting that, according to Damodaran (2012), the effects of net borrowings are often assumed to offset each other when a firm maintains a stable leverage policy. This simplification also enhances comparability across firms, as it omits artificially inflated or suppressed financing effects that would otherwise distort the FCFE figure. Importantly, a DCF model based on FCFE discounts future cash flows at the cost of equity and produces the fair value of equity directly, eliminating the need for the EV-to-equity-value reconciliation.

2.1.1.3. Terminal Value (TV)

The Terminal Value (TV) captures the value of a firm beyond the explicit forecast horizon, based on the assumption that the company continues as a going concern. Importantly, the present value (PV) of the TV typically constitutes a material portion of the EV and, hence, careful assumptions are critical. TV comprises two main approaches: (i) GG and (ii) exit multiple.

$$TV = \frac{FCF_{t+1}}{WACC-g}, \quad \text{where } FCF_{t+1} = FCF_t \cdot (1+g) \tag{5}$$

- FCF_{t+1} = free cash flow in the first year after the forecast horizon
- $WACC$ = weighted average cost of capital
- g = perpetual growth rate

Since the TV is computed at the end of the forecast period, it must be discounted back to present value using the WACC over *N* years.

$$PV_{TV}^{GG} = \frac{FCF_{N+1}}{(WACC-g)(1+WACC)^N} \tag{6}$$

- N = number of years in the explicit forecast period

The alternative and simplified approach is assuming an exit multiple at the end of the forecast horizon, typically applying an EV/Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) or EV/FCFF multiple to the final year's projected figure. Importantly, the GG model may also be viewed as an implicit multiple, as a TV calculation with 0% perpetual growth and a WACC of 10% is equivalent to applying a 10x exit multiple.

$$PV_{TV}^{Exit} = \frac{Multiple \times Metric_N}{(1+WACC)^N} \tag{7}$$

- *Multiple* = chosen valuation multiple (e.g., EV/EBITDA, EV/FCFF)
- $Metric_N$ = corresponding financial metric in the final forecast year
- $WACC$ = weighted average cost of capital
- N = number of years in the explicit forecast period

2.1.1.4. Weighted Average Cost of Capital (WACC)

The WACC reflects the opportunity cost of capital for all financing providers, weighted by their proportional contribution to the firm's capital structure:

$$WACC = \left(\frac{E}{D+E}\right) \cdot r_E + \left(\frac{D}{D+E}\right) \cdot r_D^{\{after-tax\}} \quad (8)$$

- $WACC$ = weighted average cost of capital
- E = market value of equity
- D = market value of debt
- r_E = cost of equity
- $r_D^{after-tax}$ = after-tax cost of debt

In the WACC, weights are based on market values rather than book values, since market values reflect the current opportunity cost of capital, while book values are historical accounting entries that may no longer represent the true economic value of financing sources (Damodaran, 2012).

2.1.1.5. Cost of Equity

The cost of equity is commonly estimated using the Capital Asset Pricing Model (CAPM):

$$r_E = R_f + \beta \cdot ERP \quad (9)$$

- r_E = cost of equity
- R_f = risk-free rate
- β = levered equity beta
- ERP = equity risk premium (expected market return - risk-free rate)

The risk-free rate (R_f) represents the return on an investment with no default or reinvestment risk. In practice, long-term government securities are typically used as a proxy, and for U.S. securities, the U.S. 10-year Treasury yield is common, since it is considered default-free and provides a benchmark in the same currency as the firm's cash flows. Currency matching is essential, as the use of a risk-free rate denominated in a different currency would distort the valuation when discounting future cash flows.

A key step in estimating the cost of equity is determining the appropriate firm beta, which measures the sensitivity of a firm's returns to movements in the overall market. In the framework of the CAPM, beta captures the degree of systematic risk, meaning risk that cannot be diversified away.

Formally, beta is defined as:

$$\beta = \frac{Cov\ (R_i, R_m)}{Var\ (R_m)} \tag{10}$$

- R_i = return of security i
- R_m = return of the market portfolio
- $Cov\ (R_i, R_m)$ = covariance between stock i and the market
- $Var\ (R_m)$ = variance of market returns
- β = sensitivity of stock i to market movements

The equity risk premium (ERP) reflects the additional return investors require to hold the risky market portfolio instead of a risk-free asset. It captures the collective risk aversion of investors and is typically estimated either from long-term historical excess returns of the market over risk-free assets or from forward-looking implied approaches.

2.1.2. Adjusted Present Value (APV)

APV separates the unlevered firm value from the effects of financing. Instead of using the WACC to discount cash flows, a firm is valued as if it were fully equity-financed. Financing effects are then added explicitly by including the present value of the interest tax shield (ITS) from debt (Luehrman, 1997). In more advanced applications, the expected present value of financial distress costs may also be subtracted, accounting for the heightened financial distress risk introduced by higher leverage (Damodaran, 2012).

$$V_0 = \sum_{t=1}^{T} \frac{FCF_t}{(1+r_u)^t} + \frac{TV_T}{(1+r_u)^T} + PV\ (ITS) - PV\ (Distress) \quad (11)$$

- V_0 = enterprise value
- FCF_t = free cash flow in year *t*
- r_u= unlevered cost of capital
- T = length of the explicit forecast horizon
- TV_T = terminal value at horizon year T
- $PV\ (ITS)$ = present value of interest tax shield
- $PV\ (Distress)$ = present value of expected distress costs

Given Nvidia's currently strong net cash position, the immediate impact of APV is limited. However, it could become increasingly useful if the company materially alters its capital structure through acquisitions or debt issuance.

2.1.3. Dividend Discount Model (DDM)

The Dividend Discount Model (DDM) values equity as the present value of future dividends, in line with the general present value principle. Under this framework, shareholders are assumed to receive cash flows in the form of dividends, which are discounted back at the cost of equity:

$$P_0 = \sum_{t=1}^{T} \frac{D_t}{(1+r_e)^t} + \frac{TV_T}{(1+r_e)^T} \quad (12)$$

- P_0 = intrinsic value per share
- D_t = dividend per share at time *t*
- r_e = cost of equity
- T = length of the explicit forecast horizon
- TV_T = terminal value of dividends at year T

The terminal value is again computed using the GG model, but the cash flow at T +1 and WACC are replaced by dividends at T+1 and cost of equity, respectively.

$$TV_T = \frac{D_{T+1}}{r_e - g}, \quad D_{T+1} = D_T\ (1+g) \quad (13)$$

- g = perpetual growth rate beyond year T

While conceptually elegant, the DDM is limited in practice. It applies primarily to mature, dividend-paying firms as it relies on dividends to reflect the value creation derived from retained earnings and accretive reinvestment, making it less suitable for growth companies such as Nvidia.

2.2. Relative Valuation

Relative valuation is a valuation approach based on the premise that the value of an asset can be inferred from how comparable assets are priced in the market. Unlike present value approaches such as DCF, which derive value from a firm's fundamentals, relative valuation relies on multiples that standardize value relative to a key financial metric. Common multiples include Enterprise Value-to-EBITDA (EV/EBITDA) and Price-to-Earnings (P/E):

$$EV/EBITDA = \frac{EV}{EBITDA} \tag{14}$$

- EV = market capitalization + NIBD + minority interests + preferred equity – non-consolidated equity investments
- $EBITDA$ = earnings before interest and taxes (EBIT) + depreciation and amortization (D&A)

$$P/E = \frac{Share\ Price}{Earnings\ per\ Share} \tag{15}$$

- Share price = market capitalization / number of shares outstanding
- Earnings per share (EPS) = net income / number of shares outstanding

The approach is widely used in practice because it is straightforward, market-driven, and accounts for how investors currently price comparable companies. However, its reliability is critically dependent on the selection of an appropriate peer group and on ensuring consistency in accounting measures (Damodaran, 2012).

A common mistake is constructing a peer group comprising optically expensive companies, which can make the target company appear undervalued by comparison. Such a firm may only be the least overvalued relative to its peers rather than undervalued on an absolute basis. Research shows that peer selection is one of the most critical and error-prone steps in relative valuation. Bhojraj and Lee (2002) argue that peers should be chosen based on the drivers of valuation multiples, such as profitability, growth, and cost of capital, rather than relying solely on industry or size classifications, since naively chosen peer groups often introduce systematic errors.

Moreover, when constructing a global peer group, additional adjustments are often required to ensure comparability. Differences in accounting standards, such as the treatment of operating leases under IFRS 16, can distort multiples like EV/EBITDA, requiring adjustments before comparison with GAAP-adhering firms. Under IFRS-16, operating leases are capitalized: the lessee recognizes a right-of-use (RoU) asset and lease liability, and lease expenses are replaced by depreciation and interest expense. Since these costs fall below EBITDA, reported EBITDA is inflated relative to pre-IFRS 16 figures. To ensure consistency, one must either: (i) adjust the EBITDA of peers by subtracting lease-related depreciation and interest, or (ii) "un-capitalize" leases for all firms, thereby aligning lease treatment across the peer group to provide an apples-to-apples comparison.

2.3. Alternative Valuation Methods

While present value methods and relative valuation constitute the most frequently applied approaches, investors have access to a broader set of techniques. These alternative methods are often used in specific contexts where present value or relative approaches are deemed less reliable, or as supplementary cross-checks to enhance robustness.

2.3.1. Sum-of-the-Parts (SOTP)

The Sum-of-the-Parts (SOTP) approach values a company by assessing each business segment separately and then aggregating their individual values to reach a consolidated firm value. The logic is that the intrinsic value of a diversified firm is equivalent to the combined values of its different businesses:

$$\text{Firm Value} = \sum_{i=1}^{n} V_i \qquad (16)$$

- V_i = value of business segment i
- n = number of segments in the firm

In practice, SOTP is not a standalone method but rather an application of traditional valuation techniques, most commonly multiples or discounted cash flow, at the segment level (Chlomou & Demirakos, 2020). While conceptually attractive for conglomerates or firms with multiple divisions in distinct industries, empirical evidence suggests that consolidated (holistic) valuation approaches often lead to more accurate analyst target prices, raising questions about the incremental usefulness of SOTP (Erkilet, Janke & Kasperzak, 2021).

Moreover, the approach is heavily dependent on segmental disclosures. Under IFRS 8 and ASC 280, firms must report figures consistent with internal management reporting. While this "management approach" is intended to enhance transparency by aligning segment disclosures with the metrics used internally by management, in practice it grants management discretion over how segment performance is measured and reported. As shown by Durney (2024), this reliance on internally defined performance measures can reduce the usefulness and accuracy of segment data for forecasting and valuation.

In the context of Nvidia, a SOTP analysis could, in principle, value its Graphics segment separately from its Compute & Networking business. Yet, the strong integration between these divisions, such as the overlap in GPU architecture across gaming, data center, and AI applications, reduces the practical usefulness of a strict SOTP framework. As such, while SOTP is conceptually applicable, it is unlikely to provide superior insights compared to consolidated valuation approaches.

2.3.2. Real Options (Contingent Claims Valuation)

Real options, also called contingent claims valuation, extend traditional valuation by recognizing that managers can adapt investment decisions as uncertainty unfolds. Unlike the DCF model, which assumes a passive strategy, real options valuation (ROV) incorporates the flexibility to defer, expand, or abandon projects depending on market conditions.

Originating from option pricing theory (Black & Scholes, 1973; Myers, 1977), this approach treats investment opportunities as call options, where the firm can decide whether to "exercise" an investment when conditions are favorable. The conceptual foundation parallels financial options:

$$C = S_0 N(d_1) - K e^{-rT} N(d_2) \tag{17}$$

$$d_1 = \frac{\ln\left(\frac{S_0}{K}\right) + \left(r + \frac{1}{2}\sigma^2\right)T}{\sigma\sqrt{T}}, \quad d_2 = d_1 - \sigma\sqrt{T} \tag{18}$$

- S_0 = present value of expected cash flows from the project
- K = investment cost
- r = risk-free rate (continuous compounding)
- T = time until option expiration (time window to invest, expand, etc.)
- σ = volatility of the project's value (uncertainty in expected cash flows)
- $N(d)$ = cumulative distribution function of the standard normal distribution

In industries characterized by high uncertainty and innovation cycles (Trigeorgis, 1996), such as semiconductors and artificial intelligence, ROV is particularly relevant. Nvidia's business environment exemplifies this, as decisions to expand GPU capacity, enter new AI verticals, or delay exposure to restricted markets like China can be interpreted as real options on future growth.

However, despite its strong conceptual appeal, the practical implementation of ROV is challenging, as key inputs such as project volatility, option maturity, and exercise values are difficult to estimate and results are often highly sensitive to modeling assumptions. While complementing a DCF framework with ROV could better capture embedded strategic value, the practical challenges associated with its implementation have led to its exclusion from the valuation of Nvidia.

2.3.3. Goodwill-Based Valuation

The goodwill-based approach to valuation attempts to quantify the portion of a firm's value that exceeds the fair value of its identifiable net assets, often interpreted as the value of intangible assets, such as brand reputation, customer relationships, patents, or human capital. In accounting terms, goodwill arises when a company is acquired for a price above the book value of its net tangible and identifiable intangible assets (Fernández, 2019). In a valuation context, however, the goodwill concept can be extended to capture the economic franchise value that allows a firm to earn returns above its cost of capital.

$$G = V_E - V_{NA} \tag{19}$$

- G = Economic goodwill: the excess of the market value of equity over the fair value of identifiable net assets, reflecting value beyond recognized balance-sheet assets
- V_E= Market value of equity: the total market capitalization of the company
- V_{NA} = Fair value of net assets: the book or appraised value of identifiable tangible and intangible assets minus total liabilities

For Nvidia, this premium arises from its technological leadership, proprietary AI software ecosystem, and sustained pricing power, all sources of intangible economic advantage. Although not a primary valuation method, the goodwill approach highlights how much of Nvidia's value stems from intangible and innovation-based assets beyond its identifiable net assets.

2.3.4. Residual Income Valuation (RIV)

The Residual Income Valuation (RIV) approach, also known as the Abnormal Earnings Model, values equity as the sum of the current book value of equity and the present value of expected future residual income. Residual income represents the portion of net income that exceeds the cost of equity, or, in other words, the economic profit created for shareholders (Ohlson, 1995).

$$V_0 = BV_0 + \sum_{t=1}^{n} \frac{(ROE_t - r_e)\, BV_{t-1}}{(1+r_e)^t} \tag{20}$$

- V_0 = intrinsic value of equity
- BV_0 = current book value of equity
- $\sum_{t=1}^{n}$ = summation of discounted residual income for period $t = 1$ to $t = n$
- BV_{t-1} = book value at the end of period t - 1
- ROE_t = return on equity in period t
- r_e = cost of equity (required rate of return)

RIV emphasizes value creation beyond accounting book value, linking profitability, reinvestment, and the ROE-cost-of-equity-spread. It is particularly useful when cash flow forecasts are unreliable or when firms have low or infrequent dividend payouts.

For Nvidia, the RIV approach helps capture its ability to generate returns significantly above its cost of equity, reflecting the economic value of its innovation, intellectual property (IP), and market dominance in AI computing.

2.4. Valuation Approaches Applied to Nvidia

Nvidia is valued using two complementary approaches: (i) a DCF model and (ii) a SOTP framework, allowing the analysis to reflect the distinct financial characteristics of its two operating segments. In both cases, the terminal value is informed by the GG model, its corresponding implied multiple, and forward multiples of peers.

3. Company Analysis

Nvidia operates in a highly complex and fast-changing environment. To better understand the company and its intricate layers, this chapter examines its business model, main value drivers, market dynamics, and growth prospects. It also reviews Nvidia's overall strategy and position within the semiconductor and artificial intelligence (AI) industries.

3.1. Company Overview

Nvidia Corporation (NVDA), founded in 1993 and headquartered in Santa Clara, California, is a fabless semiconductor and accelerated-computing solutions provider. The company is widely credited with commercializing the modern GPU and has since expanded its scope to offer integrated hardware-software platforms that underpin AI, high-performance computing (HPC), scientific workloads, and advanced graphics applications.

Nvidia's technology stack spans GPUs, CPUs, and DPUs, complemented by high-performance networking systems and a comprehensive software layer built around the CUDA-X platform. This combination enables Nvidia to deliver system-level and cloud-scale solutions rather than standalone chips, positioning it as an essential player in several layers of the AI technology stack.

Layer	Description
Applications / Front-End	User-facing AI products and interfaces built on foundation models
AI Models / Foundation Models	Large-scale trained models that performing reasoning, generation, and comprehension tasks.
Frameworks / Middleware	Software frameworks and runtimes that optimize AI model training and inference on specialized hardware.
Cloud Infrastructure / Data Centers	Global compute, networking, and storage environments that host and scale AI workloads.
Chip Design / Compute Hardware	Design and production of GPUs, TPUs, and AI accelerators that deliver computational power for training and inference
Semiconductor Manufacturing / Design	Fabrication of advanced semiconductor wafers and packaging. This is the physical foundation of all AI hardware.

Table 1 - The AI technology stack

3.1.1. Graphics

The Graphics segment comprises Nvidia's hardware and software solutions dedicated to visual computing. It includes GeForce and RTX GPUs for gaming and consumer PCs, as well as RTX products used in professional visualization for design, engineering and media creation. The segment also covers related drivers, graphics software, and services that support rendering, simulation and real-time visual workloads. In other words, Graphics represents Nvidia's activities in GPU-based visual processing across both consumer and professional markets.

3.1.2. Compute & Networking

Compute & Networking covers Nvidia's data center accelerators, high-performance computing platforms, networking technologies, automotive solutions, and embedded computing products. It includes Hopper and Blackwell GPUs used for large-scale AI and HPC workloads, Grace CPUs, BlueField DPUs, and the associated interconnect technologies that enable them, such as InfiniBand and high-speed Ethernet. Overall, the segment encapsulates Nvidia's activities in accelerated computing and data-center infrastructure, forming the core of its AI computing platform.

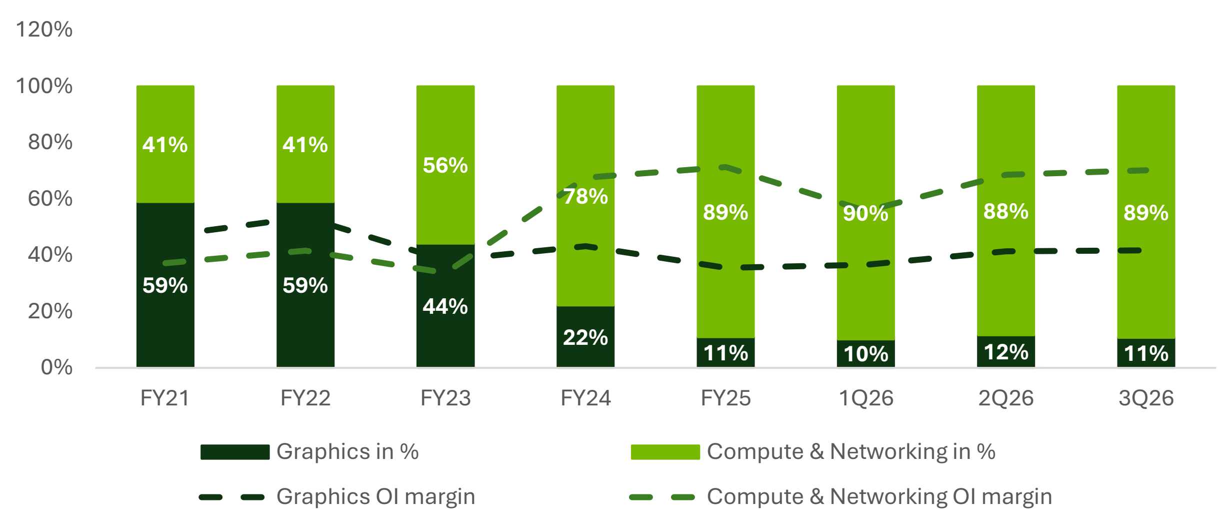

Figure 1 - Nvidia's revenue mix and OI margin by segment

Through the integration of silicon, systems, networking, and software, Nvidia has transformed itself from a GPU designer into a provider of full-stack accelerated computing platforms servicing gaming, enterprise AI, cloud computing, and autonomous systems.

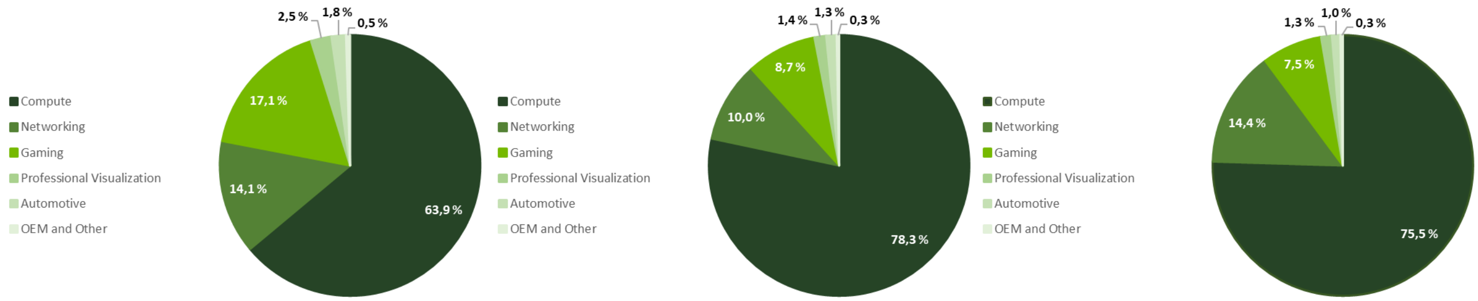

Figure 2 - Revenue by end market in FY2024, FY2025, and Q3 FY2026

3.1.3. Business Model and Value Creation Logic

Nvidia's business model is structured around three mutually reinforcing pillars: its proprietary software ecosystem, full-stack integration, and operating leverage.

3.1.3.1. Proprietary Software Ecosystem (CUDA-X)

The CUDA platform is the core of Nvidia's economic moat. By providing optimized libraries, compilers, and software development kits (SDKs) for AI and HPC applications, CUDA creates high switching costs and drives widespread developer adoption. This software layer ensures that hardware upgrades translate into immediate performance gains for customers, reinforcing ecosystem lock-in.

3.1.3.2. Full-Stack Integration

Nvidia's strategy spans from silicon to systems and software. This allows it to design end-to-end solutions optimized for AI workloads, resulting in superior performance scaling, reduced total cost of ownership for customers, and a unified platform that competitors struggle to replicate.

3.1.3.3. Operating Leverage

As AI adoption accelerates, Nvidia benefits from substantial operating leverage. Higher volumes of high-margin accelerators and recurring revenue from enterprise software support expanding EBITDA margins. This "flywheel" effect: innovation → adoption → ecosystem lock-in → scale → reinvestment, drives durable profitability but also increases sensitivity to revenue deceleration.

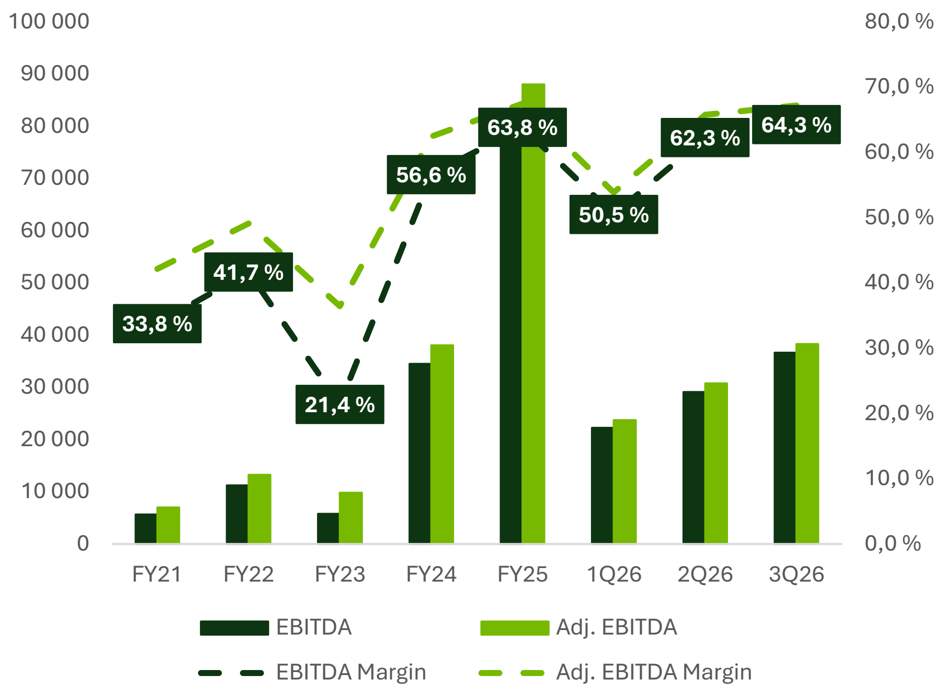

Figure 3 - EBITDA and adjusted EBITDA, in US$ million

3.1.4. Competitive Position

According to SQ Magazine (2025), Nvidia currently holds an estimated 86% share of the AI training GPU market, driven not only by silicon performance but by ecosystem maturity, developer familiarity, and broad industry standardization. Competing architectures from AMD and Intel, while improving, still lack the software offering and ecosystem compatibility that Nvidia's platforms provide.

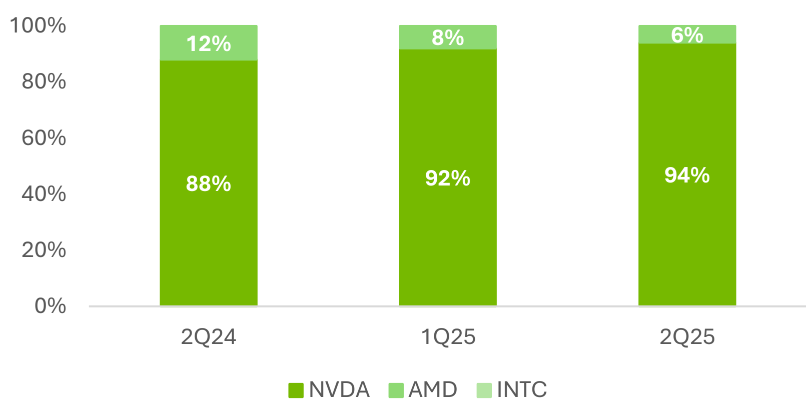

Figure 4 - AIB GPU market share

Internally designed accelerators from hyperscalers, such as Google's tensor processing units (TPUs), Amazon's Trainium and Inferentia, Microsoft's Maia, and Meta's Meta Training & Inference Accelerator (MTIA), represent a potential long-term threat. While these chips are currently viewed as complementary, this trend could pressure Nvidia's long-term pricing power and market position as large customers pivot to in-house production and competitive alternatives emerge.

3.1.5. Geographic Exposure

Nvidia's geographic revenue has shifted materially in recent years, reflecting the surge in U.S. hyperscale demand and tightened export restrictions on advanced AI chips to China.

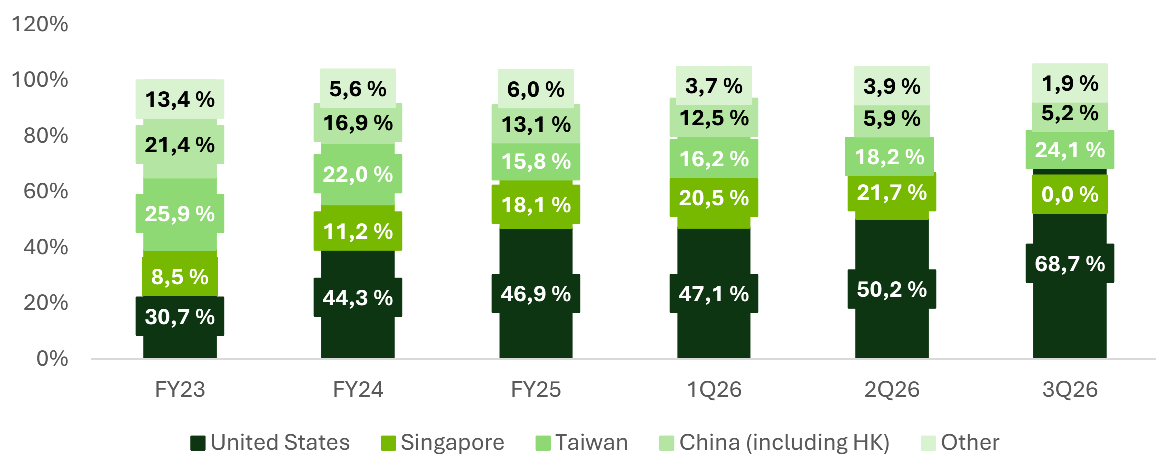

Figure 5 - Revenue by region

Importantly, Nvidia's prior revenue disclosure, based on customer billing location, did not accurately reflect its true end-market exposure. As a corrective measure, Nvidia redefined customer revenue to be based on the headquarter location of its customers in Q3 FY2026, explaining the sudden drop in Singapore revenue to 0%.

CEO Jensen Huang recently stated that Nvidia's market share in China has fallen to zero (Reuters, 2025) and confirmed that the company now assumes zero contribution from China in its forecasts (Tom's Hardware, 2025). The sharp decline in China's share, representing more than 20% in FY2023, reflects tightening U.S. export restrictions on advanced AI accelerators and Nvidia's strategic retrenchment from the region. China-specific regulatory risks and geopolitical dynamics are addressed in greater depth in the Market Analysis chapter.

3.2. Key Revenue Categories

This section provides an overview of Nvidia's revenue categories and their relevance for long-term value creation. Prior to FY2023, Compute and Networking were reported together under the Data Center category, meaning that standalone historical data for each category before FY2023 are not available.

3.2.1. Compute

Nvidia's Compute category comprises its AI accelerators (Hopper, Blackwell), DGX/HGX systems, and Grace CPUs. The category accounts for approximately 76% of Nvidia's revenue, driven primarily by hyperscaler demand for training and inference infrastructure. Nvidia's full-stack approach, combining hardware with the CUDA-X software platform, creates substantial customer lock-in and positions its systems as the default choice for large-scale model development. Although competition is intensifying, Nvidia's performance lead and software ecosystem continue to support strong pricing power and sufficient differentiation.

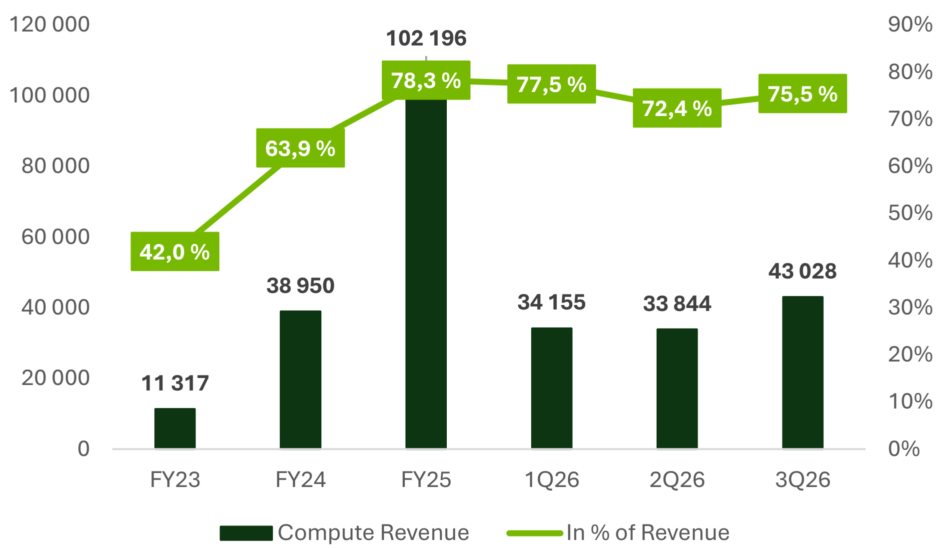

Figure 6 - Compute revenue (in US$ million) and revenue share

3.2.2. Networking

Networking has become increasingly central to AI data centers as model sizes grow and cluster scaling intensifies. Nvidia's InfiniBand and Spectrum Ethernet platforms, together with NVLink and BlueField DPUs, enable high-bandwidth, low-latency communication between thousands of GPUs operating as a single compute unit. This category grows in tandem with Compute and enhances system-level lock-in, as customers frequently purchase networking components alongside DGX/HGX systems. Networking therefore amplifies Nvidia's value capture and broadens its competitive moat beyond the GPU itself.

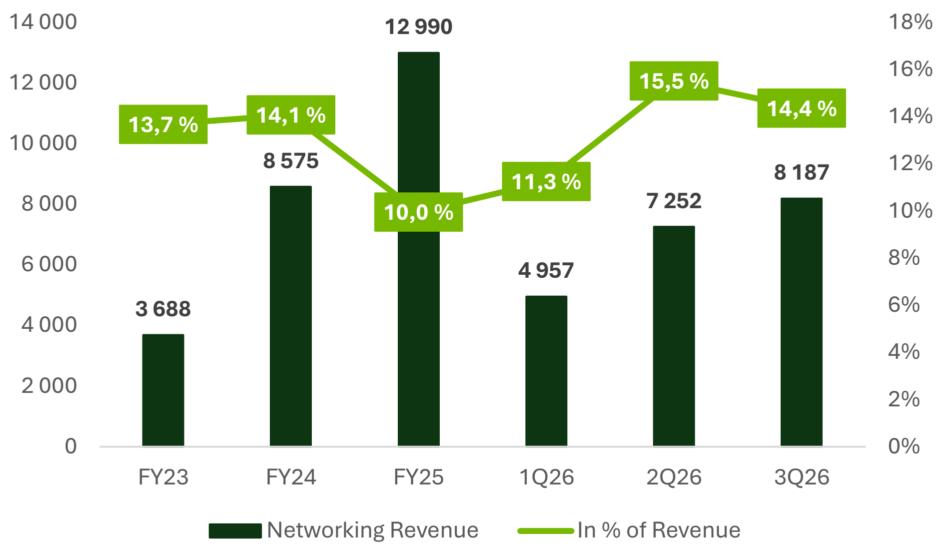

Figure 7 - Networking revenue (in US$ million) and revenue share

3.2.3. Gaming

Gaming remains a profitable and strategically relevant category despite representing a smaller share of total revenue. Growth in FY2025 was supported by the RTX platform, DLSS technologies, and AI-enhanced rendering tools.

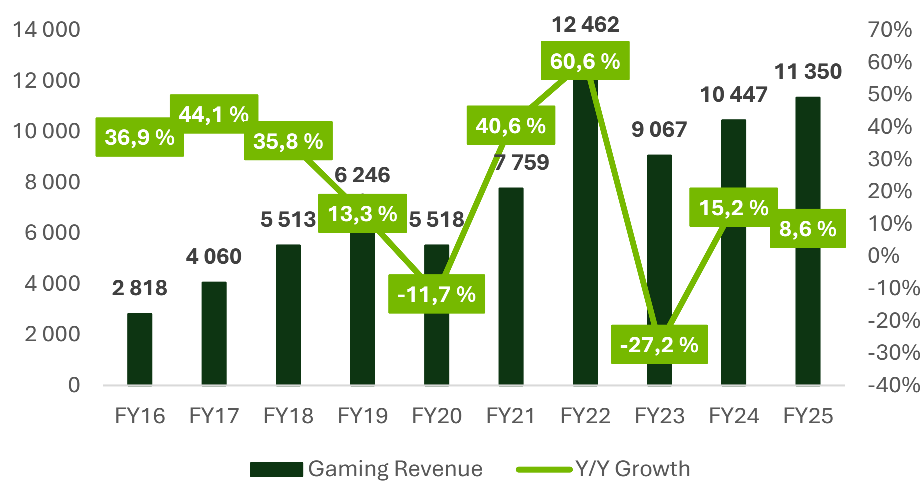

Figure 8 - Gaming revenue (in US$ million) and Y/Y growth

3.2.4. Professional Visualization

The Professional Visualization category, which generated roughly $1.9 billion of revenue in FY2025, remains small but strategically important to Nvidia's omniverse initiative. Omniverse enables digital twin creation, which is the virtual replication of real-world objects or systems, AI-driven simulation, and real-time collaboration across industries such as manufacturing, logistics, architecture, and media.

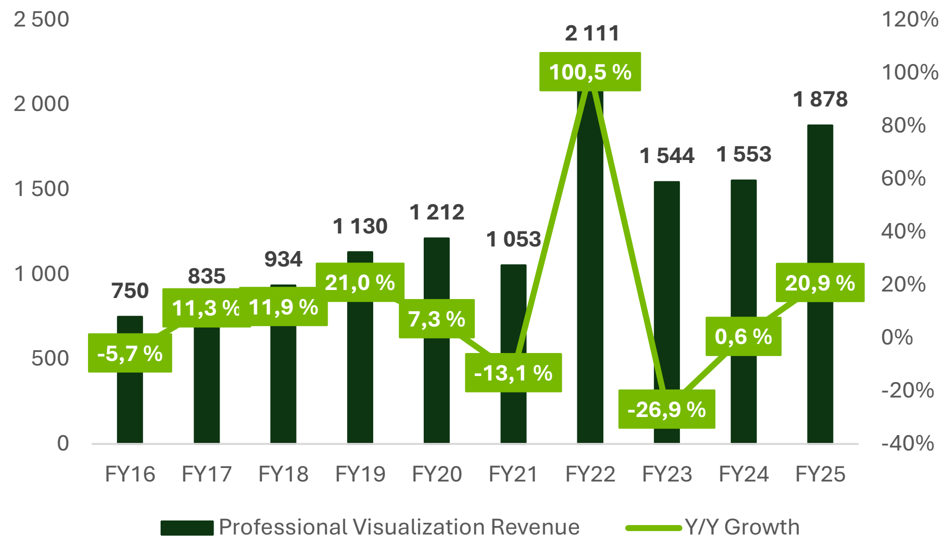

Figure 9 - Professional visualization revenue (in US$ million) and Y/Y growth

3.2.5. Automotive

The Automotive category is centered on Nvidia's DRIVE platform, which integrates high-performance compute with autonomous driving, perception, and simulation software. Although currently a small contributor to total revenue, Automotive reflects an important long-term vertical as increasingly software-defined vehicles require advanced compute and AI capabilities. The category benefits from partnerships with automakers and Tier-1 suppliers and provides Nvidia with recurring development and licensing revenue streams as adoption scales.

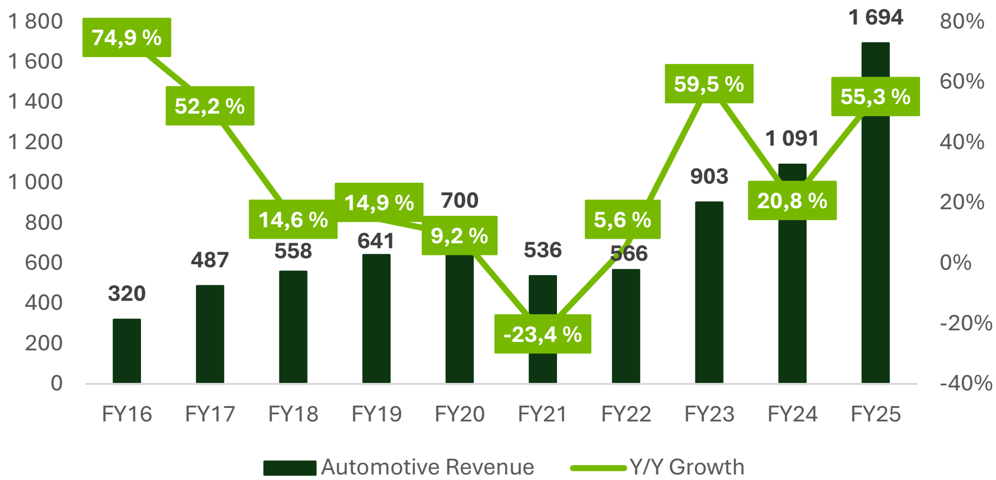

Figure 10 - Automotive revenue (in US$ million) and Y/Y growth

3.2.6. OEM and Other

OEM and Other functions primarily as a residual category, capturing legacy products, low-volume component sales, and non-core revenues that do not fit within Nvidia's principal categories. The category contributes minimally to overall performance and has limited strategic relevance but serves as a "catch-all" for legacy technologies and transitional products within Nvidia's portfolio.

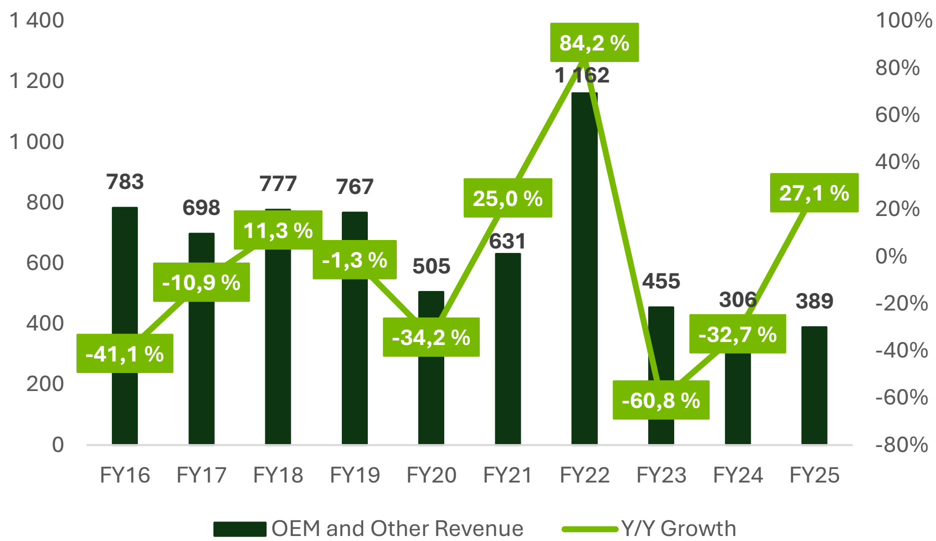

Figure 11 - OEM and other revenue (in US$ million) and Y/Y growth

3.3. Capital Allocation

Nvidia maintains a strong balance sheet, with more than $50 billion in net cash and minimal leverage as of Q3 FY2026. This liquidity provides significant dry powder for strategic initiatives, including new partnerships, bolt-on acquisitions, and increased shareholder distributions. In addition, Nvidia's substantial unused debt capacity serves as an alternative financing lever should the company require additional capital.

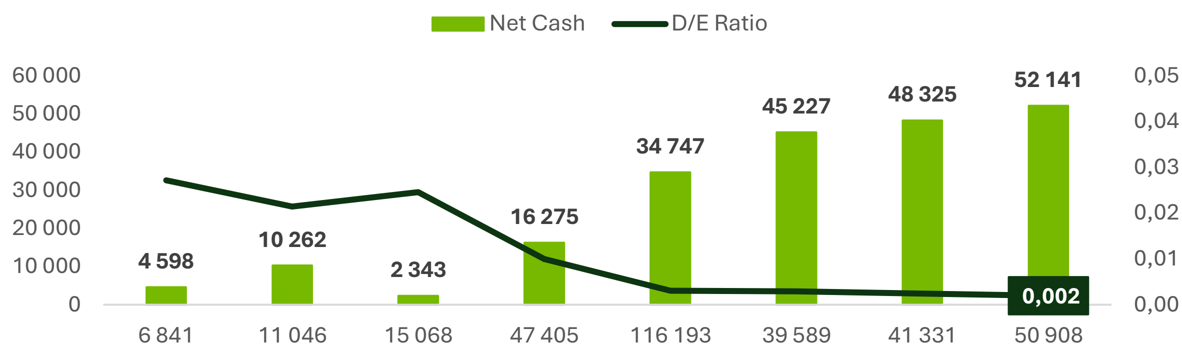

Figure 12 - Net cash (in US$ million) and D/E ratio

This ample net cash position enables three primary capital allocation priorities: strategic investments, capital distributions, and reinvestment in the business. The following subsections examine each in turn.

3.3.1. Strategic Investments

Nvidia has deployed portions of its capital into a broad array of strategic public equity investments that reinforce its competitive position across multiple layers of the AI stack. The portfolio holdings span key areas such as semiconductor design, data center infrastructure, and telecommunications, areas that directly support Nvidia's product pipeline and long-term supply chain stability.

The most recent example is its $2 billion investment in Synopsys at $414.8 per share, completed as part of a multi-year strategic partnership aimed at integrating NVIDIA's AI-accelerated computing platforms into Synopsys' electronic design automation (EDA) tools and semiconductor engineering workflows (Nvidia, 2025).

Furthermore, Nvidia has committed to invest $5 billion in Intel common stock at $23.28 per share as part of a collaboration under which Intel will design and manufacture custom data center and PC CPUs that integrate with Nvidia's NVLink-based AI platforms (Nvidia, 2025).

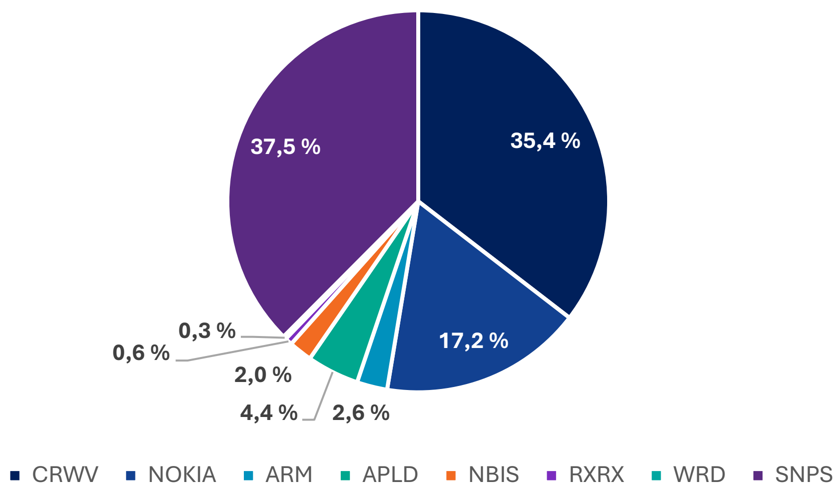

Figure 13 - Nvidia's public equity portfolio

In addition to its public-equity holdings, Nvidia operates a dedicated corporate venture arm, NVentures. While aggregate commitments remain undisclosed, NVentures invests across a broad set of frontier domains, from biotechnology and robotics to generative AI infrastructure and cloud computing platforms. The program provides Nvidia with option-like exposure to emerging technologies that have the potential to reinforce or extend its AI-centric computing ecosystem over time, with capital currently allocated across more than 100 companies (CB Insights, 2025).

Figure 14 - Select NVentures portfolio companies

3.3.2. Capital Distributions

Nvidia has increased shareholder distributions in line with its surging cash flow generation. As of FY2025, 56% of levered FCF was distributed via dividends and share repurchases, leaving approximately $27 billion of levered FCF to fund reinvestment needs and strategic investments.

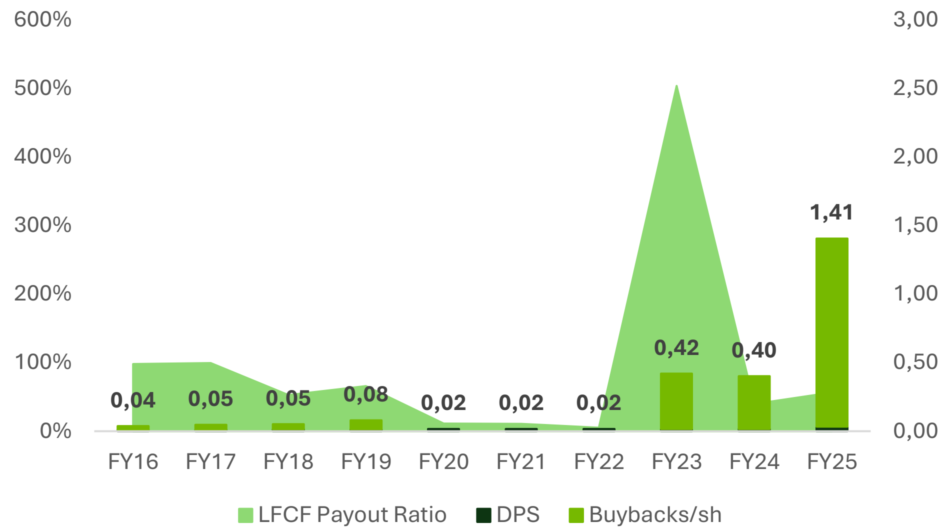

Figure 15 - LFCF payout ratio and shareholder distributions (in US$)

3.3.3. Reinvestment and Value Creation

Nvidia's exceptionally high returns on capital, measured by return on invested capital (ROIC), return on capital employed (ROCE), and return on equity (ROE), all suggest that retaining and reinvesting capital is highly value-accretive for shareholders.

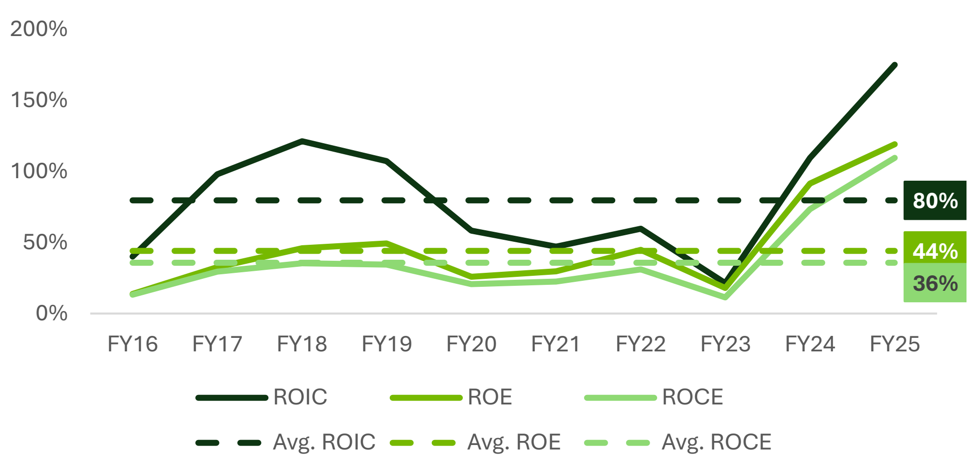

Figure 16 - ROIC, ROCE, and ROE

Its high returns on capital, assessed in conjunction with its reinvestment rate (RR), indicate that a long-term sustainable growth rate (SGR) of more than 30% in NOPAT is attainable under the operating conditions of the most recent fiscal year.

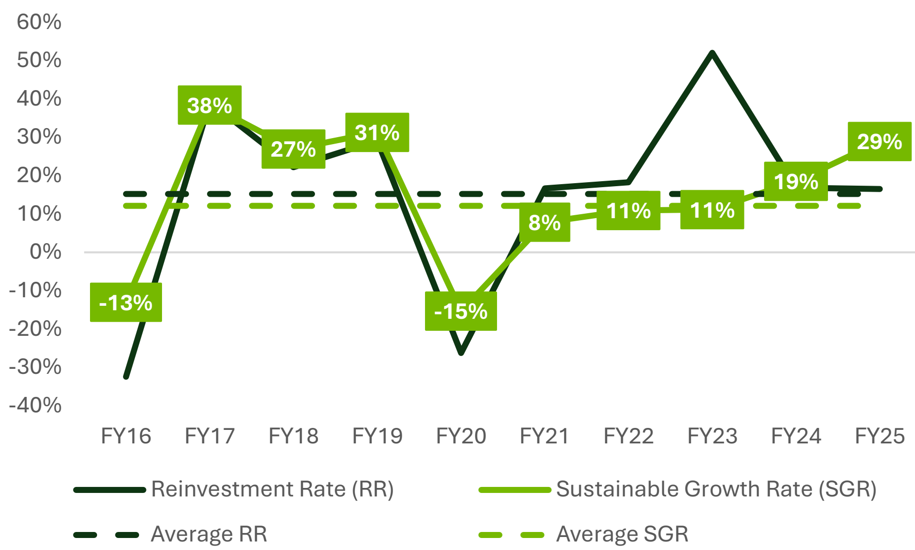

Figure 17 - Reinvestment rate and sustainable growth rate

Still, Nvidia's growing cash balance suggests that the company is unable to identify enough high-return reinvestment opportunities to deploy capital efficiently, a dynamic that could limit future value creation if sustained.

4. Market Analysis

This chapter examines the external environment shaping Nvidia's operating landscape. While the Company Analysis chapter focuses on Nvidia-specific capabilities, the Market Analysis evaluates the industry structure, competitive forces, demand drivers, and geopolitical and supply-chain conditions that materially affect Nvidia's outlook and valuation.

4.1. The AI Infrastructure Boom

Generative AI, foundation models, and large language models (LLMs) have fundamentally transformed data center design. Training and inference workloads dominate infrastructure priorities, prompting hyperscalers and specialized cloud providers to massively expand compute capacity.

The GPU cluster has effectively become the "new compute unit" of AI data centers, and repurposing of initially unrelated infrastructure, such as former crypto-mining facilities owned by firms like CoreWeave and IREN, underscores the scale of demand. While Nvidia is not the sole supplier in this market, CUDA compatibility and ecosystem maturity have made its platforms the default choice for large-scale model development.

4.1.1. AI-Driven Data-Center Demand and CapEx Outlook

Nvidia's growth outlook remains closely anchored to the accelerating adoption of AI and the consequential need for HPC and GPUs across industries. MarketsandMarkets (2025) projects that the global AI data center market will grow from approximately US$ 236 billion in 2025, to $934 billion by 2030, equivalent to a CAGR of 32%.

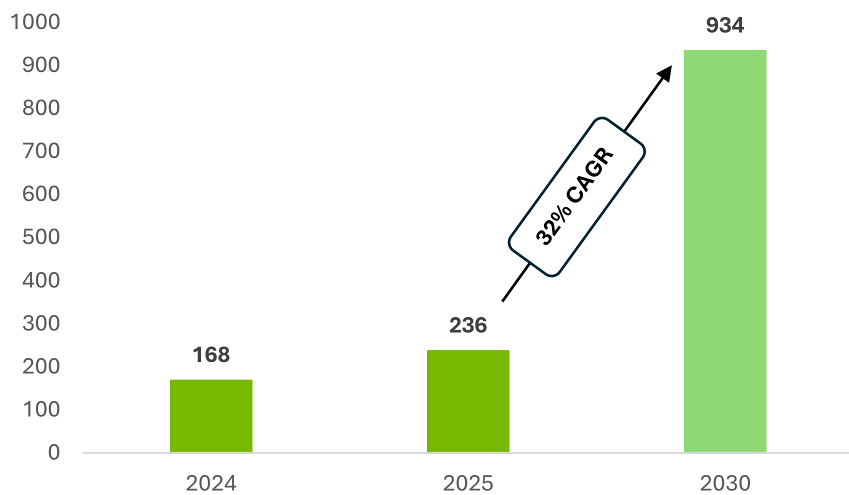

Figure 18 - Global AI data center revenue, in US$ billion

McKinsey (2025) estimates that capital investments associated with AI-related data center capacity demand could range from approximately $4 trillion to $8 trillion cumulatively by 2030.

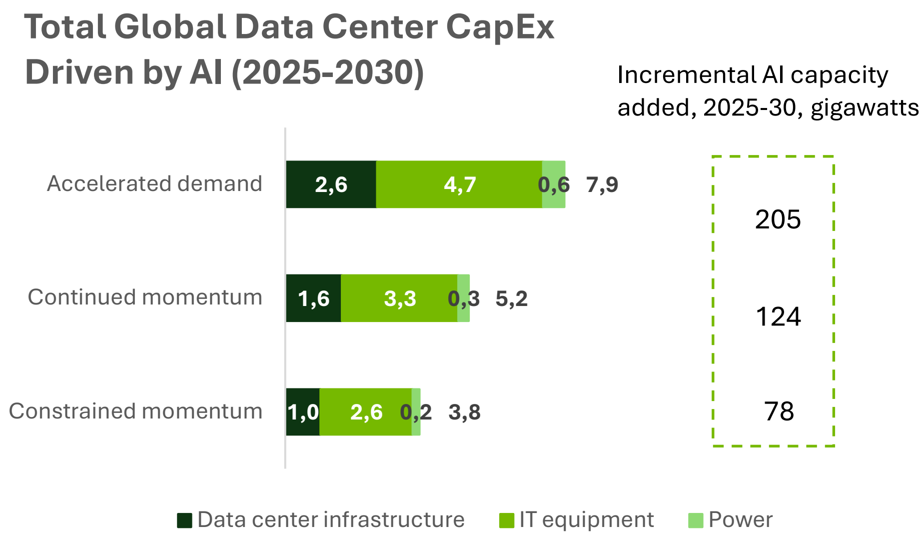

Figure 19 - Data center investment scenarios by 2030, in US$ trillion

Of the total data center CapEx, McKinsey expects 40-60% to be allocated to IT equipment, the category that aligns most closely with Nvidia's core business.

4.2. Competitive Landscape and Industry Structure

The competitive environment is evolving rapidly, and there are three dimensions that are most relevant to Nvidia.

4.2.1. AMD and Intel

AMD and Intel are iterating aggressively to close the performance gap with Nvidia, with AMD's MI300 series and Intel's Gaudi accelerators gaining traction in inference and lower-cost training workloads. Although neither competitor yet matches Nvidia's software ecosystem or developer adoption, these significantly cheaper alternatives are increasingly influencing buyer behavior and introducing downward pricing pressure across the accelerator market.

GPU Pricing	
Vendor/GPU	Price per Unit (in US$)
NVIDIA H100 (80GB)	25,000-40,000
AMD Instinct MI300X	10,000-15,000
Intel Gaudi 3	15,600-16,000

Table 2 - GPU pricing

4.2.2. Hyperscaler Vertical Integration

Google (TPU v5), Amazon (Trainium2), Meta (MTIA), and Microsoft (Maia) are increasingly developing custom accelerators to improve cost efficiency and reduce dependence on Nvidia. Although these in-house chips currently supplement rather than replace Nvidia GPUs, they signal a broader structural shift among Nvidia's largest customers. While the exact share of Nvidia's revenue attributable to hyperscalers is not publicly disclosed, their importance is undeniable; any meaningful reduction in their GPU procurement would lead to a material decline in Nvidia's revenue.

4.2.3. Performance Gap Narrowing

Recent benchmarks, such as Google's Gemini 3 Pro, indicate that alternative accelerator architectures are narrowing the performance gap with Nvidia, particularly in inference workloads. If these quality improvements persist, lower-cost competitors could increasingly challenge Nvidia's performance leadership and, over time, erode the pricing premium currently embedded in its data center GPU portfolio.

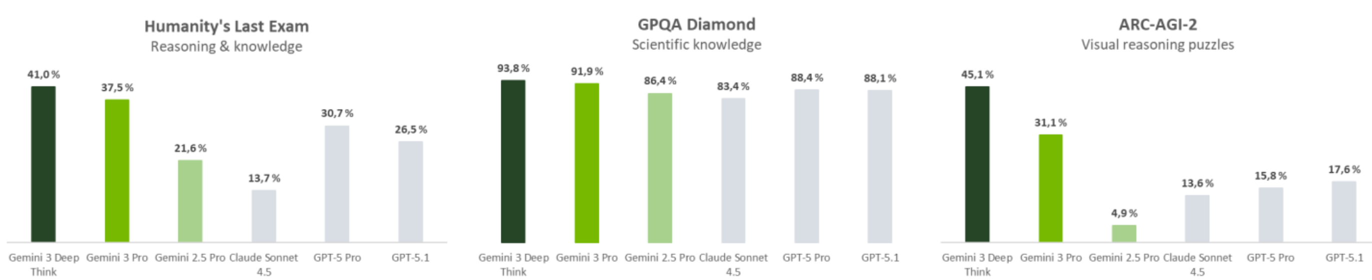

Figure 20 - Benchmark performance of AI foundation models

4.3. Strategic Circular AI Partnerships

A notable trend in the current AI cycle is the emergence of multilateral "circular" partnership structures involving AI developers, cloud providers, and hardware vendors. Nvidia plays a dual role as both supplier and strategic investor.

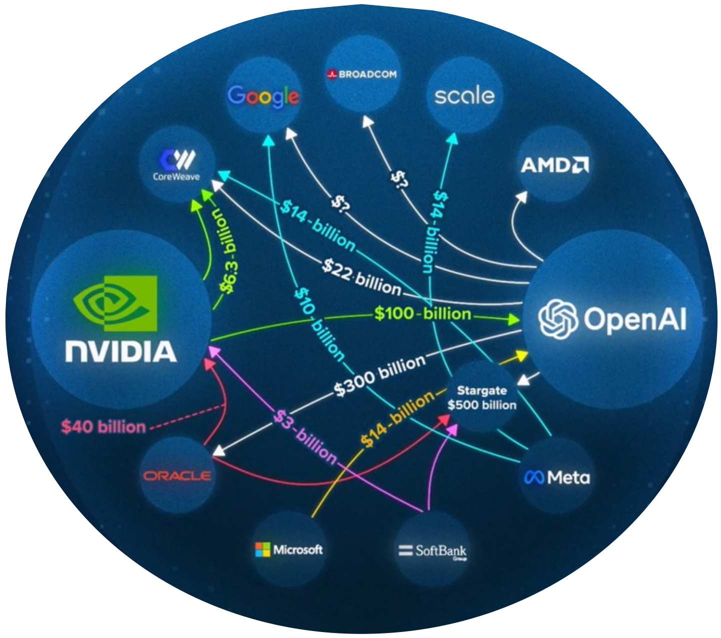

Figure 21 - Visualization of recent AI deals (Source: CNBC, 2025)

A prominent example is the Nvidia-OpenAI partnership announced in late September 2025 to deploy up to 10 gigawatts (GWs) of AI infrastructure, backed by Nvidia's incremental investments of up to $100 billion. The deal, built on Nvidia's Vera Rubin platform, includes a phased investment, reportedly starting with $10 billion for the first GW, as the infrastructure is scaled. These incremental investments into OpenAI will give Nvidia equity in return while indirectly funding OpenAI's purchases of Nvidia GPUs and systems.

A further dimension of these circular financing structures appears in the rapid rise of Nvidia's long-term cloud commitments; multi-year obligations by cloud providers to purchase or lease Nvidia compute capacity. Though not labeled as financing, economically, these arrangements function as vendor financing: Nvidia provides long-dated supply terms that allow customers to deploy GPUs immediately while paying only a fraction upfront.

After Nvidia stopped separately disclosing cloud-commitment balances in Q2 FY2026, the reporting resumed in the Q3 filing, revealing that multi-year cloud service commitments had surged from $10.6 billion in Q1 to $26 billion by Q3. The repayment schedule is also heavily back-loaded, with half of the $26 billion outstanding payable in FY2029 or later, further reinforcing Nvidia's ability to backstop demand for its systems while locking customers into future purchases.

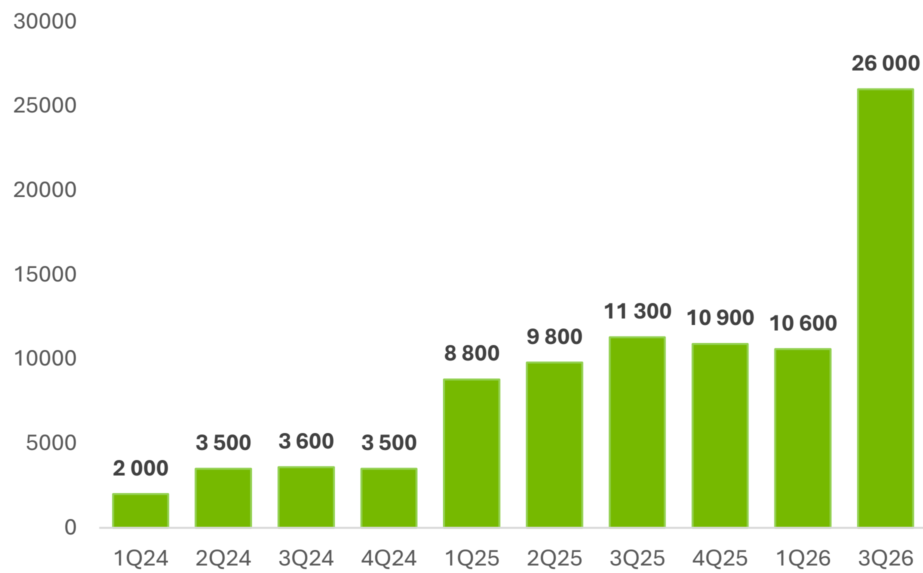

Figure 22 - Cloud commitments by quarter (in US$ million)

The scale and acceleration of these obligations highlight how deeply circular financing has become embedded in the AI infrastructure cycle. Nvidia extends long-dated supply terms that allow customers to deploy GPUs immediately while paying only a portion upfront, and those customers, in turn, use this capacity to acquire additional Nvidia systems, reinforcing both perceived and reported demand.

4.4. Geopolitical and Supply Chain Dynamics

Nvidia's operations are closely shaped by geopolitical tensions and the structure of the global semiconductor supply chain. As a fabless designer reliant on advanced manufacturing and exposed to shifting U.S.-China technology relations, the company faces external risks that can materially affect both its production capabilities and its access to key end markets. The subsections below outline the most relevant geopolitical and supply-chain factors influencing Nvidia's outlook.

4.4.1. TSMC Dependence

Nvidia relies almost exclusively on Taiwan Semiconductor Manufacturing Company (TSMC) to produce its most advanced GPUs. As approximately 60% of global semiconductor output and more than 90% of advanced chips are manufactured in Taiwan (CFR, 2025), this reliance underscores the geographic concentration and associated supply-chain risk faced by both Nvidia and the broader AI industry.

4.4.2. U.S.-China Export Controls

U.S. restrictions on advanced AI chips have sharply reduced Nvidia's ability to serve Chinese hyperscalers. Products such as the H100, H200, and Blackwell series are now prohibited for sale in China, and export-compliant alternatives such as the H20 have achieved limited traction. The result is a sharp decline in Chinese-sourced revenue, from over 20% in FY2023 to low-single digits in FY2026.

4.4.3. China's Domestic Efforts in the AI Race

Significant government subsidies, industrial mobilization, and expanding manufacturing capacity are accelerating China's efforts to build a domestic AI-hardware ecosystem, creating a long-term competitive challenge for global GPU suppliers. The release of DeepSeek-R1 in early 2025 further demonstrated China's ability to achieve competitive AI performance while relying on far fewer Nvidia GPUs than Western models, underscoring how efficiency gains may lead to reduced GPU demand at the margin.

5. Financial Analysis and Forecast

This chapter establishes the financial foundation for the valuation by integrating Nvidia's recent operating performance, industry dynamics, and peer benchmarks into a coherent forward-looking framework. The objective is to produce theoretically consistent forecasts in which each assumption is economically justified and directly traceable to identifiable drivers. By embedding both quantitative evidence and qualitative reasoning, this section links historical results to the valuation model in a transparent and analytically sound manner.

5.1. Income Statement

The income statement forecast combines industry projections, segment-based modelling, market-share assumptions, and common-size analysis of key cost items.

5.1.1. Revenue

Nvidia's revenue has grown at a CAGR of 44% since 2016, historically led by gaming GPUs but increasingly driven by the Data Center segment from FY2023 onward. This shift reflects the structural rise and inflection in global demand for AI computing and large-scale infrastructure buildout, making Data Center performance the main determinant of future revenue growth.

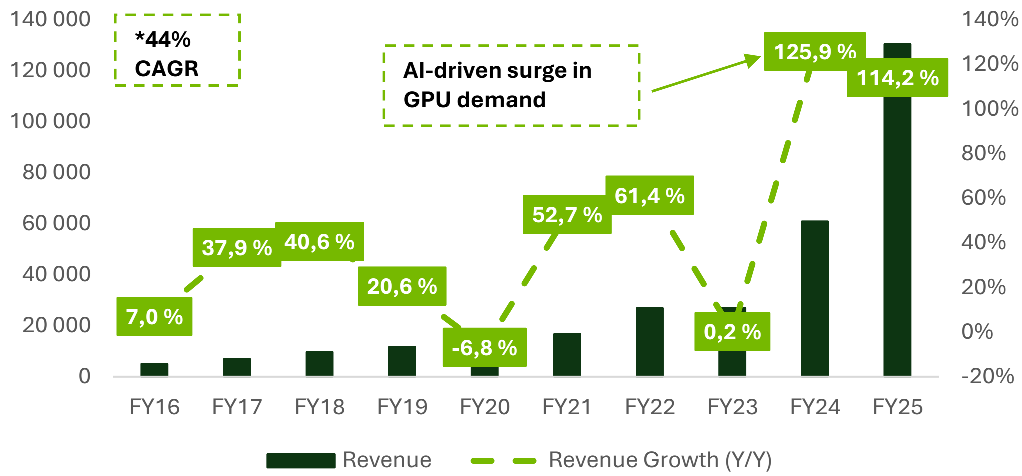

Figure 23 - Revenue (in US$ million) and year-over-year revenue growth

Total revenue is forecast by separating Data Center from a residual category comprising Gaming, Professional Visualization, Automotive, and OEM & Other. FY2026 revenue is constructed by combining the reported nine-month figure with 98% of Q4 FY2026 guidance, acknowledging management's comment that revenue will likely come within a 2% range above or below the $65 billion figure (Nvidia, 2025).

The Data Center forecast draws on McKinsey's base case projection that cumulative global IT equipment spending will reach $3.3 trillion by 2030. Annual allocations are structured to rise as a share of cumulative spend, consistent with accelerating AI infrastructure investment. Nvidia's serviceable addressable market (SAM) is held at 70%, while market share gradually declines from 82% in FY2027 to 70% in FY2031 as competitors narrow the performance gap and pricing pressure intensifies. Although Nvidia's market share is assumed to contract, the growing market supports a 24% CAGR in both Data Center and total revenue over the forecast period.

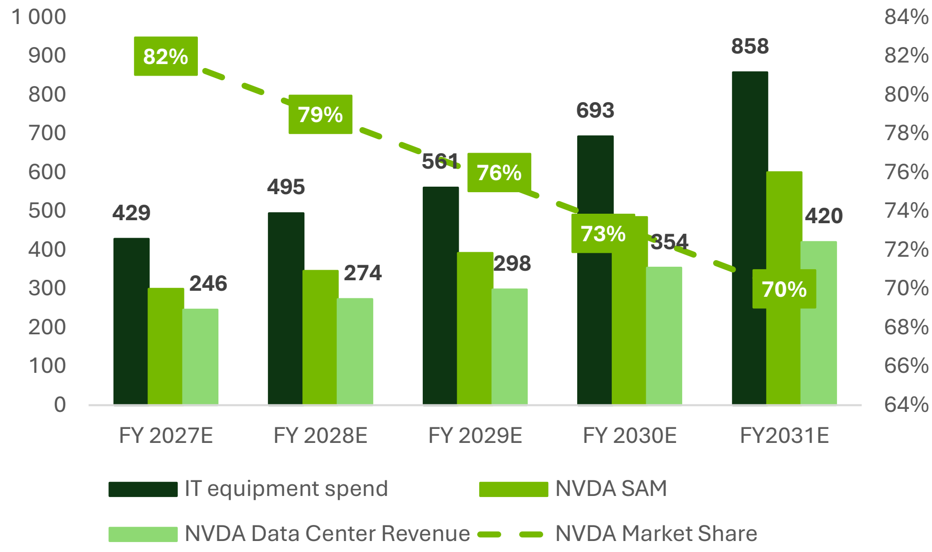

Figure 24 - IT equipment spend (in US$ billion), and Nvidia SAM and market share

The residual segment decreases modestly as a share of total revenue, from 11.7% in FY2025 to 10.2% by FY2031, reflecting the assumption that Nvidia's Data Center solutions become increasingly central to its business model. Overall, the revenue trajectory captures both the scale of the AI investment cycle and the expected transition toward a more competitive market structure.

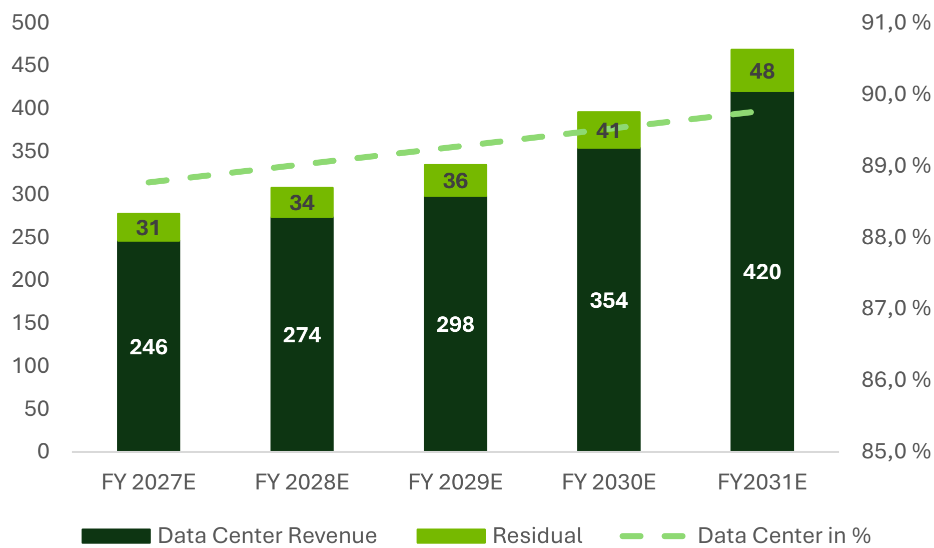

Figure 25 - Revenue by segment (in US$ billion)

5.1.2. Cost of Revenue

Nvidia's gross margin is expected to normalize as competition intensifies and product architectures become more complex. Sustaining technological leadership requires increasingly advanced designs and system-level integration, contributing to structurally higher manufacturing and logistics costs. At the same time, the pricing premium Nvidia has historically commanded is likely to erode as AMD, Intel, and custom hyperscaler chips improve.

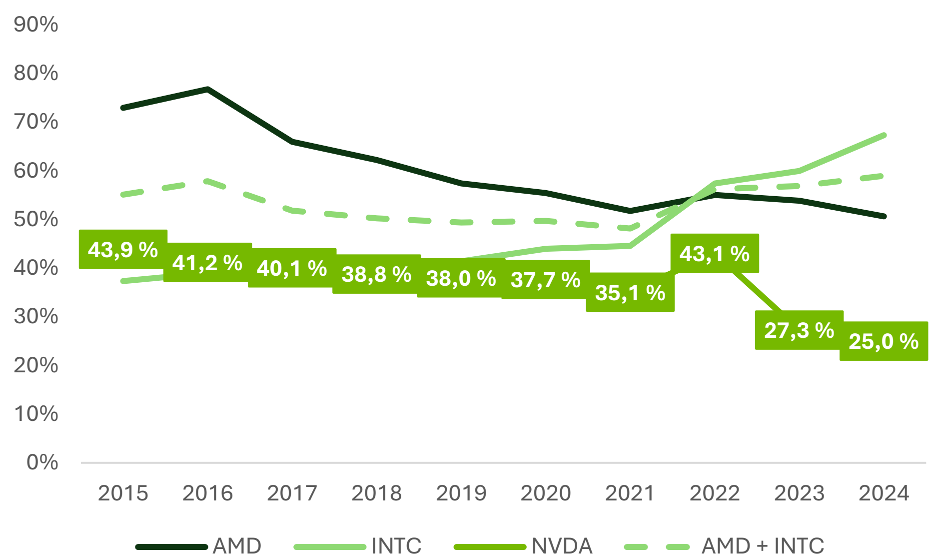

Figure 26 - CoR (common-size) comparison: Nvidia vs peers

In Q1 FY2026, cost of revenue (CoR) reached 39.5% of revenue, but adjusting for the largely non-recurring $2.3 billion inventory provision lowers the figure to 34.3%. The model therefore assumes CoR gradually rises from the FY2024-FY2025 average of 26.1% to 34.3% by FY2031, reflecting competitive convergence.

5.1.3. Research and Development

Relative R&D intensity has fallen as revenue has surged, stabilizing around the 8-9% range in recent years, as shown in Figure 27. For Nvidia, R&D encompasses personnel-related expenses, including stock-based compensation (SBC), and costs related to the development of new GPU architectures, system designs, and the broader software ecosystem that supports accelerated computing. Although the company benefits from substantial scale, these investments remain central to sustaining differentiation in AI and HPC, given the continual redesign of architectures, compilers, and developer platforms as well as short, technology-driven replacement cycles.

Accordingly, R&D behaves less like a discretionary cost and more like a strategic, long-horizon investment to preserve Nvidia's technological leadership.

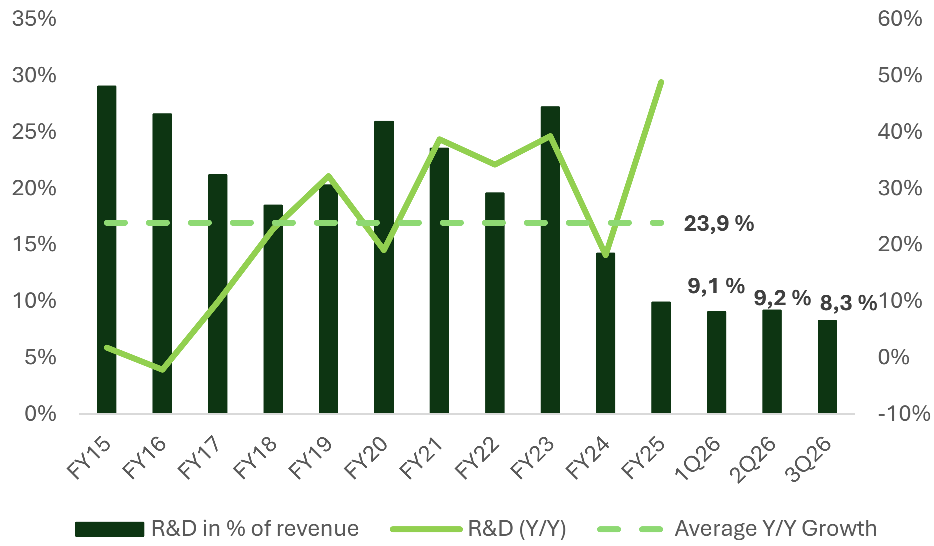

Figure 27 - R&D (common-size), year-over-year growth, and average growth rate

Historically, Nvidia's R&D has grown at approximately 24%, broadly consistent with projected revenue growth. The model therefore assumes R&D will grow in line with revenue, ensuring Nvidia maintains its ability to attract engineering talent and support next-generation product development.

5.1.4. Selling, General, and Administrative Expenses

As shown in Figure 28, SG&A declined sharply from 9.0% of revenue in FY2022 to 2.7% in FY2025, reflecting exceptional operating leverage during Nvidia's phase of rapid expansion.

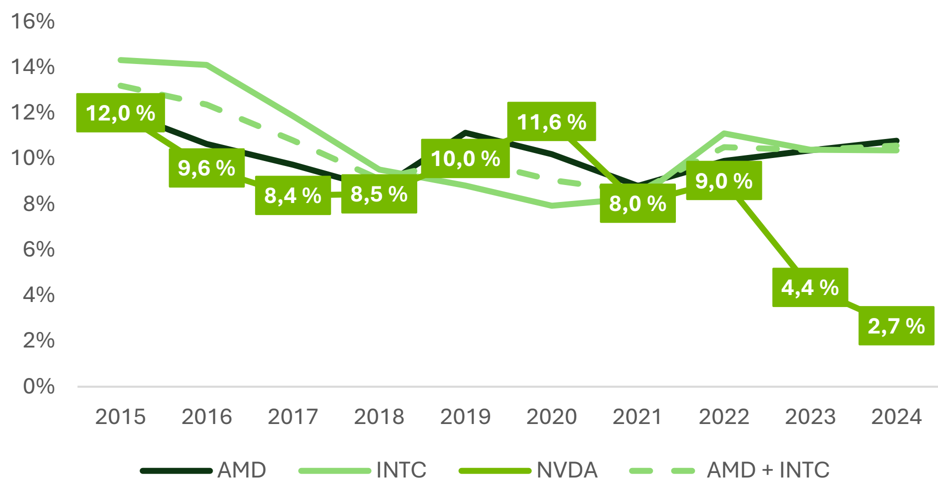

Figure 28 - CoR (common-size) comparison: Nvidia vs peers

With revenue expected to continue expanding, the SG&A-to-revenue ratio is projected to decline gradually from 2.6% in FY2026 to 2.0% by FY2031. This trajectory reflects sustained, though decelerating, operating leverage driven by scale and ongoing automation in administrative functions, while also reinforcing Nvidia's structural cost advantage relative to peers, whose current SG&A-to-revenue ratio is in the 10-11% range.

5.1.5. Net Interest Income

Net interest income is modeled by forecasting interest income and interest expense separately. Interest income is estimated by applying an effective yield to the two-year average balance of cash, cash equivalents, and marketable securities. Since Nvidia predominantly holds short-duration, highly liquid instruments, the 1-year U.S. Treasury yield is used as the reference rate. To translate this into an effective yield, a 0.4% discount is applied, matching the historical average spread between Nvidia's realized cash yield and the 1-year Treasury rate. The reference rate is then assumed to gradually converge toward 3% over the forecast horizon, consistent with the Federal Reserve's 2% inflation target and an assumed long-run neutral real short-term rate of 1%.

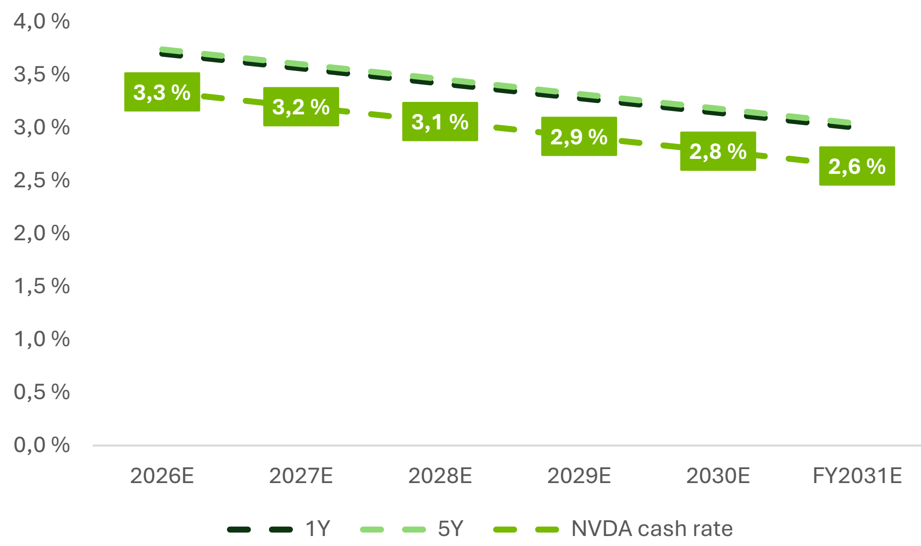

Figure 29 - U.S. 1-year Treasury yield vs Nvidia's effective cash yield

Interest expense is projected using Nvidia's outstanding bonds and their corresponding coupon rates. The bonds with maturities extending beyond the forecast horizon are assumed to retain their fixed coupons, while bonds maturing within the forecast period are assumed to be retired and not refinanced or replaced. Consequently, the model recalculates the total coupon rate each time a bond matures, resulting in the rate rising from 2.9% in FY2026 to 3.1% after the April 2030 maturity.

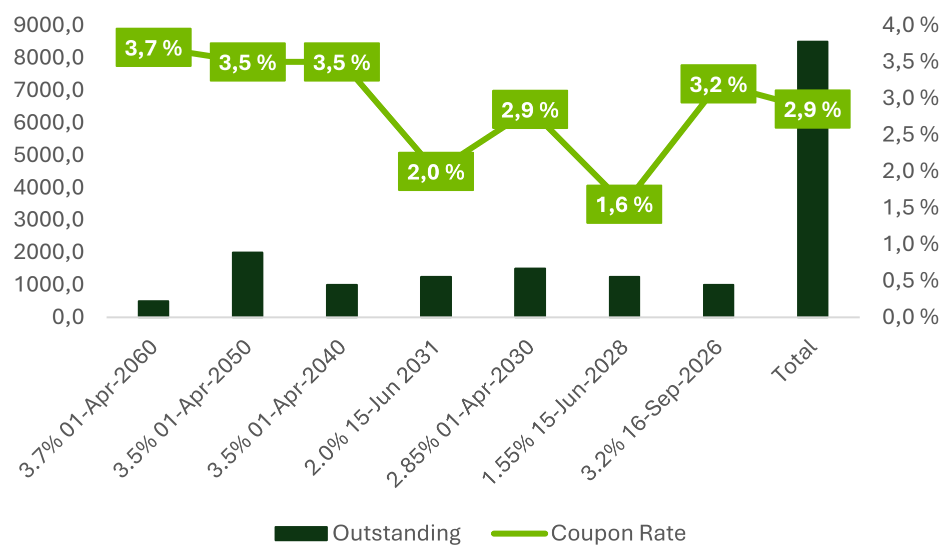

Figure 30 - Nvidia's outstanding bond maturities (in US$ million) and coupon rates

5.1.6. Other Income, Net

Other Income, Net includes non-core and non-recurring items such as gains or losses on equity securities, acquisition-related charges, and legal settlements. Because these items do not exhibit predictable patterns, the model sets this line equal to zero throughout the forecast period, except for FY2026, where the nine-month reported value is carried forward.

5.1.7. Tax Expense

Nvidia's effective tax rate has been highly volatile due to SBC-related excess tax benefits, increased foreign income in low-tax jurisdictions, and discrete items, in addition to the statutory U.S. tax rate reduction, from 35% to 21%, following the 2017 Tax Cuts and Jobs Act. To avoid distorting long-term projections, a normalized 10-year historical ETR is computed excluding extreme SBC-driven outliers, yielding 13.8%.

The ETR is then assumed to gradually move toward the statutory tax rate of 21% over a 15-year horizon. From its current level, this implies an annual increase of 48 basis points (bps), resulting in an ETR of 16.2% by FY2031. This approach reflects steady normalization while recognizing Nvidia's persistent global tax advantages.

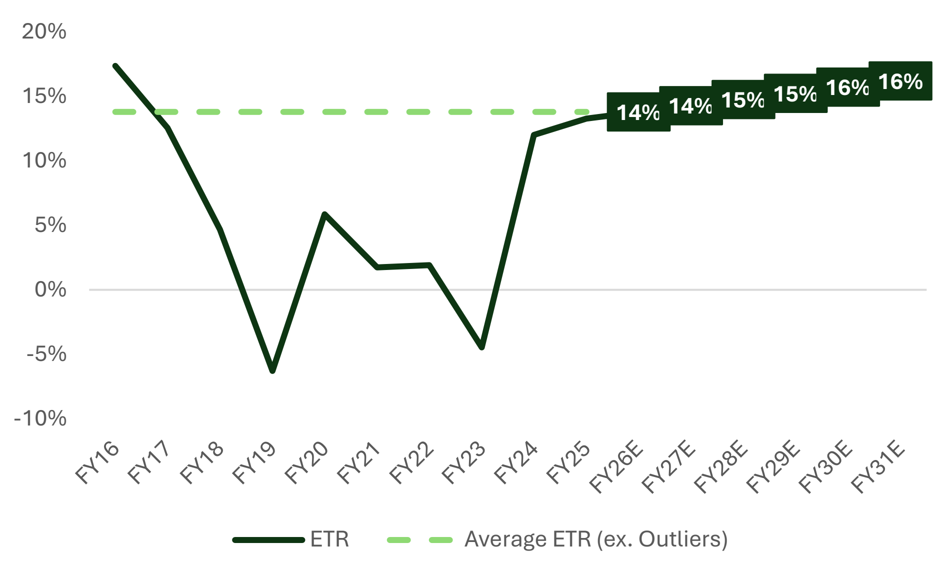

Figure 31 - Effective tax rate

5.1.8. Net Income

Combining the projected cost structure with the revenue forecast results in estimated net income of $225.2 billion in FY2031, representing more than a threefold increase and 21% CAGR compared to FY2025. Despite the substantial earnings growth, net margins contract by more than 770 bps over the forecast period as growth slows, operating leverage dampens, and competitive pressures intensify.

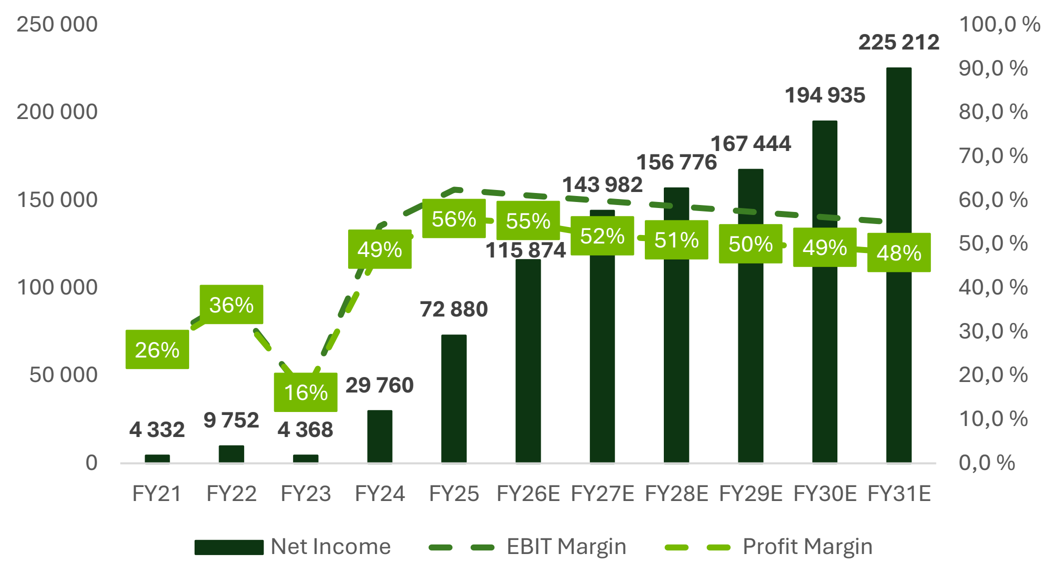

Figure 32 - Net income (in US$ million) and profit margin

An important consideration for shareholders is how Nvidia will deploy the substantial excess cash it is expected to generate. Given its current growth trajectory and comparatively modest reinvestment needs, future capital allocation decisions, whether directed toward share repurchases, dividends, strategic investments, or acquisitions, will become increasingly central to the equity story.

P&L (in USDm)	FY 2023A	FY 2024A	FY 2025A	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Total Revenue	**26 974**	**60 922**	**130 497**	**211 511**	**277 407**	**307 508**	**334 336**	**395 592**	**468 345**
Cost of Revenue	11 618	16 621	32 639	58 162	80 032	92 872	105 493	130 168	160 438
Gross Profit	**15 356**	**44 301**	**97 858**	**153 349**	**197 375**	**214 636**	**228 842**	**265 424**	**307 907**
Research & Development	7 339	8 675	12 914	18 674	24 492	27 150	29 518	34 926	41 350
SG&A	2 440	2 654	3 491	5 420	6 797	7 188	7 439	8 357	9 367
Acquisition Termination Cost/Restructuring	1 353	0	0						
Total OPEX	11 132	11 329	16 405	24 094	31 289	34 338	36 957	43 283	50 717
EBIT	**4 224**	**32 972**	**81 453**	**129 254**	**166 086**	**180 298**	**191 885**	**222 140**	**257 191**
EBITDA	**5 768**	**34 480**	**83 317**	**131 685**	**169 264**	**184 168**	**196 513**	**227 687**	**263 831**
Adjusted EBITDA	**9 830**	**38 029**	**88 054**	**138 938**	**178 682**	**194 504**	**207 638**	**240 716**	**279 097**
Interest Income	267	866	1 786	1 321	2 546	3 818	4 945	5 924	6 808
Interest Expense	-262	-257	-247	-242	-227	-213	-211	-191	-171
Other Income, Net	-48	237	1 034	3 419	0	0	0	0	0
Net Income Before Taxes	**4 181**	**33 818**	**84 026**	**133 753**	**168 405**	**183 903**	**196 620**	**227 873**	**263 827**
Income Tax Expense (Benefit)	-187	4 058	11 146	17 880	24 424	27 127	29 176	32 938	38 616
Net Income	**4 368**	**29 760**	**72 880**	**115 874**	**143 982**	**156 776**	**167 444**	**194 935**	**225 212**

Table 3 - Profit and loss statement, actual and forecast

5.2. Balance Sheet and Cash Flow Statement

The balance sheet and cash flow statement section focuses on items required to compute FCFF and the reconciliation of the EV-to-equity-bridge.

5.2.1. Depreciation and Amortization

Nvidia's depreciation has risen as its PP&E base expanded. Although Nvidia remains a fabless chip designer, scaling GPU and systems output requires substantial capital investments, particularly in design compute clusters, validation and testing equipment, and the server-integration and networking labs needed to support its fast-growing full-systems business. These capital-intensive assets, together with ongoing R&D facility expansion, are capitalized within PP&E and have relatively short useful lives, resulting in higher depreciation.

Given the structural relationship between depreciation and PP&E, future depreciation is modeled as a constant 22% of PP&E, consistent with Nvidia's five-year historical average. Amortization follows the company's disclosed amortization schedule, as forecasting future acquisition-related intangibles would be speculative. Under these assumptions, D&A is expected to rise from $1.9 billion in FY2025 to approximately $6.6 billion by FY2031.

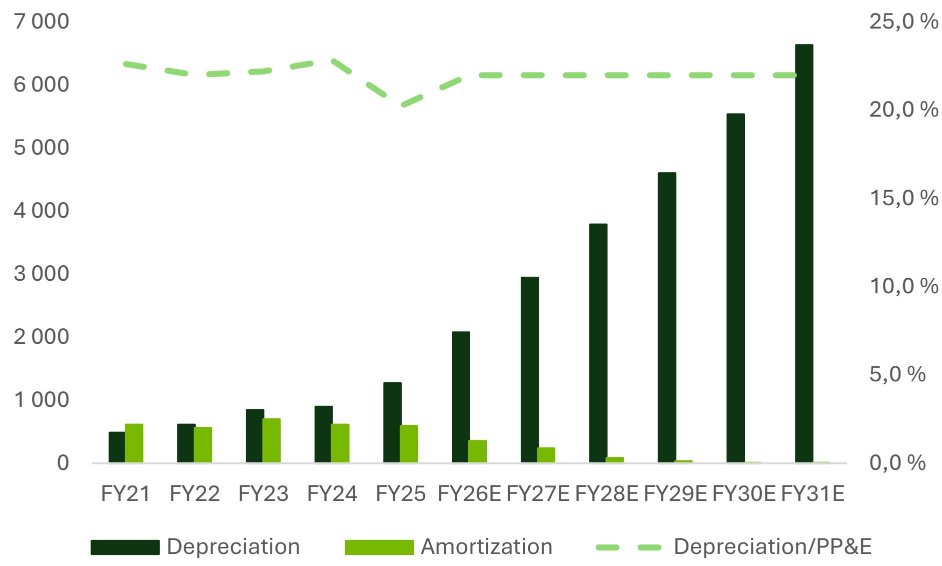

Figure 33 - D&A (in US$ million) and depreciation/PP&E

5.2.2. Net Working Capital

Net working capital (NWC) comprises accounts receivable (AR), inventory, prepaid expenses and other current assets, accounts payable (AP), and the operating components of accrued and other liabilities.

To avoid distortions from quarterly volatility related to product cycles and supply-chain fluctuations, AR, inventory, and AP are forecast using three-year average values for DSO, DIO, and DPO. This window captures recent structural trends, particularly the sharp year-over-year rise in DSO, while smoothing exceptional pandemic- and AI-related swings.

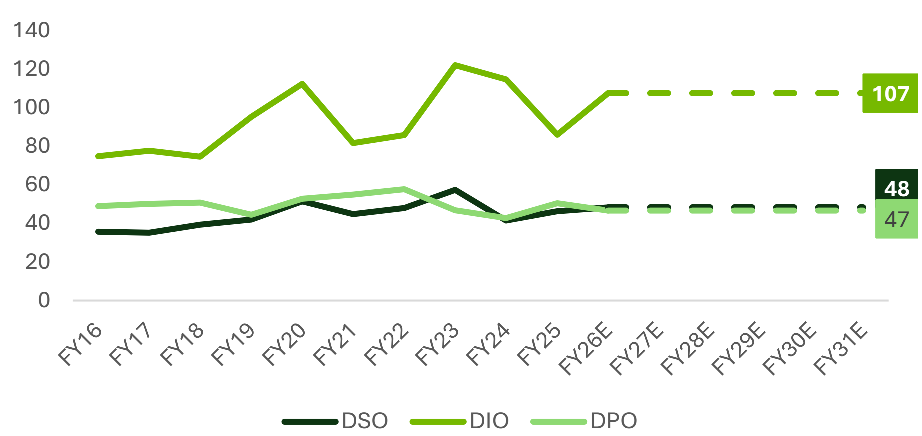

Figure 34 - DSO, DIO, and DPO

Nvidia reports several items together under accrued and other current liabilities, but only a subset represents operating accruals that affect working capital. These include customer program accruals, taxes payable, operating leases, and other operating items. Non-operating line items, such as excess inventory purchase obligations, licenses and royalties, and unsettled share repurchases, were excluded as they are not tied to recurring operating activity.

Accrued and other current liabilities were modeled as 72% of OpEx, the ratio observed in FY2025, and this proportion was held constant over the forecast horizon, implying that the total accrual balance grows in line with OpEx. To isolate only the operating components relevant for working-capital modeling, the five-year average share of each operating subcategory within total accrued expenses was applied to the forecast total. This approach removes non-operating items and ensures that only operating accruals enter the net working capital calculation.

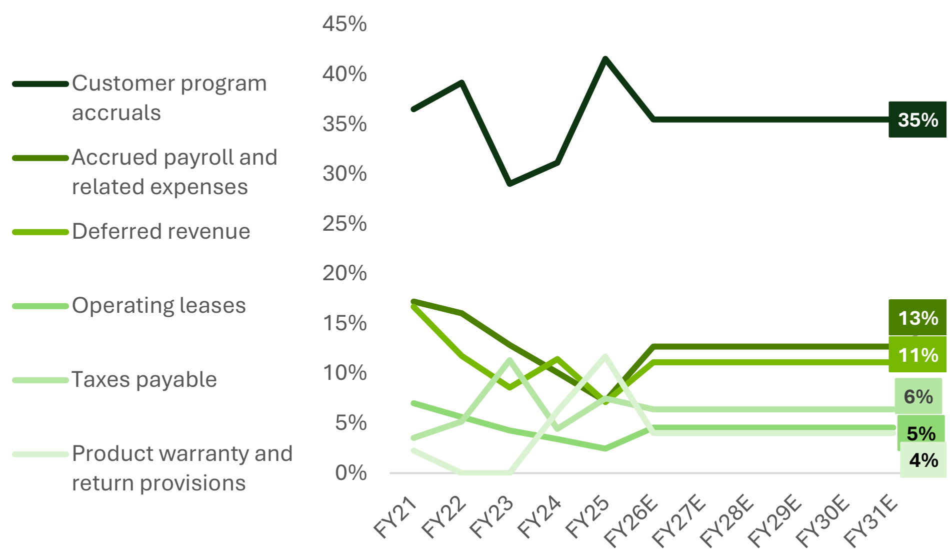

Figure 35 - Operating portion of accrued and other current liabilities

Unlike accrued expenses and other current liabilities, Nvidia does not disclose the composition of prepaid expenses and other current assets. Consequently, this line item was forecast based on its historical relationship with revenue in the absence of more detailed disclosures, which averaged 2.7% over the last five years. The forecast assumes that this relationship will hold, as prepaid balances at Nvidia include items such as supply commitments and service-related payments, both of which tend to scale with the company's operating activity.

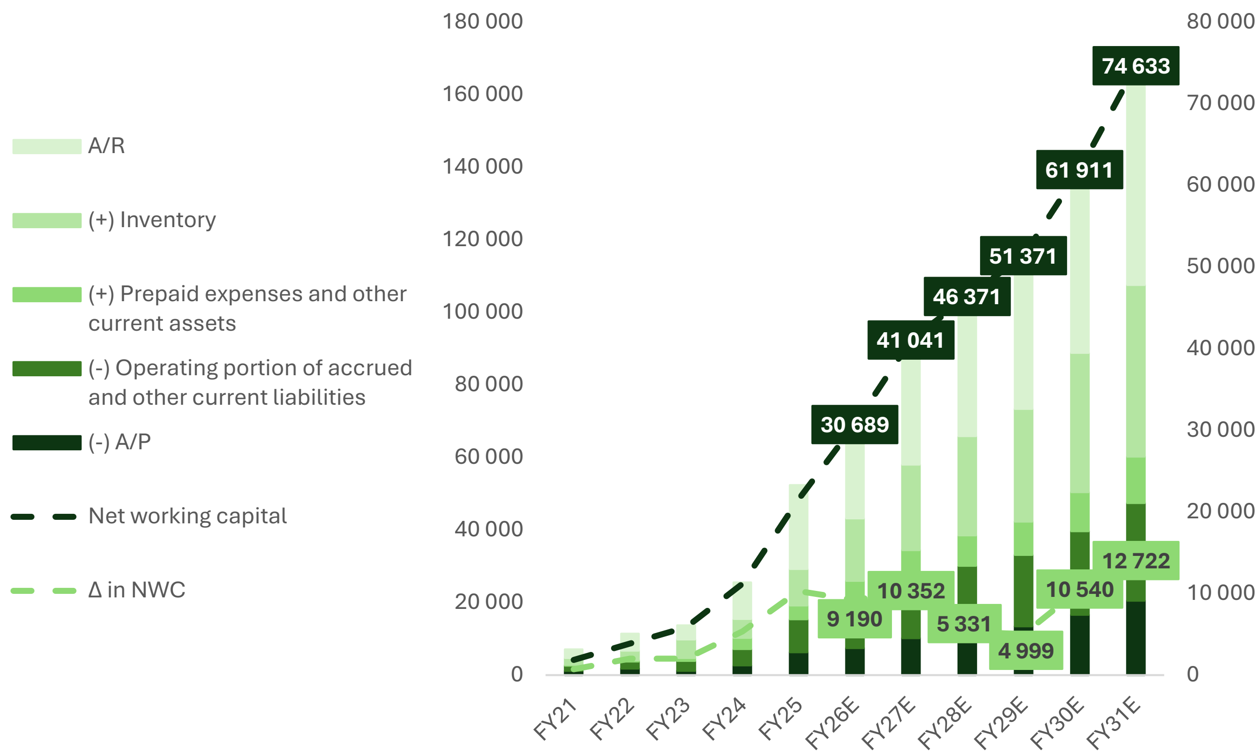

Figure 36 - Net working capital and year-over-year change, in US$ million

The projected increase in NWC reflects the operational intensity of Nvidia's current growth cycle, with accounts receivable growing due to both higher shipment volumes and financing arrangements that effectively fund customer purchases. While this is manageable in a high-growth environment, it increases its sensitivity to any slowdown in revenue. A high baseline of receivables, especially those tied to extended payment terms, would delay cash inflows and could pressure operating cash flow if growth decelerates.

5.2.3. Capital Expenditures

CapEx is projected to grow in line with Nvidia's revenue trajectory and is held at the FY2025 level of 2.5% of revenue over the forecast period, reflecting the need to expand design, testing, and systems-integration capacity. Since Nvidia expenses all R&D under U.S. GAAP, does not capitalize internally developed intangibles, and the valuation does not incorporate additional acquisitions, all CapEx is assumed to be PP&E-related.

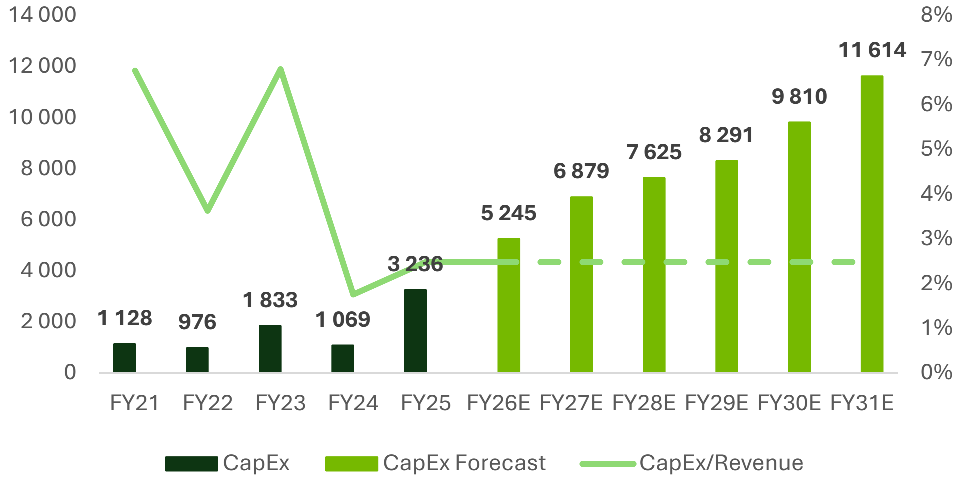

Figure 37 - CapEx (in US$ million) and CapEx/revenue

As revenue continues to grow, this results in an almost fourfold increase in PP&E-related CapEx over the forecast period.

5.2.4. NIBD

To reconcile Nvidia's NIBD and bridge EV to equity value, all non-operating financial items were incorporated, including cash and cash equivalents, marketable securities, gross interest-bearing debt (GIBD), and the value of Nvidia's venture investment arm, NVentures.

NIBD Components (In USDm)	FY21	FY22	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
GIBD	6 963	10 946	10 953	9 709	8 463	8 463	7 463	7 463	6 213	6 213	4 713
Cash and CE & MS	11 561	21 208	13 296	25 984	43 210	115 095	203 285	295 956	381 729	470 987	560 899
Nventures	144	266	299	1 321	8 187	3 799	3 799	3 799	3 799	3 799	3 799
NIBD	**-4 742**	**-10 528**	**-2 642**	**-17 596**	**-42 934**	**-110 431**	**-199 621**	**-292 292**	**-379 315**	**-468 573**	**-559 985**

Table 4 - NIBD calculation, actual and forecast

While cash and cash equivalents, marketable securities, and GIBD were projected using the financial statements and Nvidia's bond maturity schedule, making reliable assumptions for the value of NVentures, an inherently uncertain and illiquid portfolio, is more challenging. Consequently, NVentures was incorporated at its prevailing carrying value and kept constant throughout the forecast period.

6. Valuation

This chapter estimates Nvidia's intrinsic value using valuation methods consistent with financial theory and aligned with the company's economic drivers. Given the firm's exceptional cash-flow growth, driven primarily by its Data Center and AI-accelerated computing businesses, a discounted cash flow (DCF) framework is the most appropriate tool to capture long-term value creation.

To ensure robustness, both an aggregate firm-level DCF and a segmented SOTP approach that isolates the Data Center business from the rest of Nvidia have been applied. A complementary relative valuation incorporated into the terminal value is also included to compare current sentiment to the theoretical GG model.

6.1. DCF Valuation Framework

The DCF valuation is based on the FCFF generated by Nvidia's operating activities and discounted at a WACC consistent with its risk profile and capital structure. The previous chapter provided the operating forecasts that underpin the cash-flow estimates, while this section translates them into FCFF, determines the appropriate WACC, and computes the TV.

6.1.1. Forecasting FCFF

All essential components required to compute FCFF are taken from the financial forecasts developed in the prior chapter. Starting with revenue, operating expenses are deducted to obtain operating income, which is then adjusted for the forecast ETR to derive NOPAT. Non-cash charges such as depreciation and amortization are added back, changes in net working capital are incorporated, and capital expenditures are subtracted to arrive at FCFF over the explicit forecast horizon.

FCFF (in USDm)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Revenue	26 974	60 922	130 497	211 511	277 407	307 508	334 336	395 592	468 345
Cost of Revenue	11 618	16 621	32 639	58 162	80 032	92 872	105 493	130 168	160 438
Gross Profit	15 356	44 301	97 858	153 349	197 375	214 636	228 842	265 424	307 907
R&D	7 339	8 675	12 914	18 674	24 492	27 150	29 518	34 926	41 350
SG&A	2 440	2 654	3 491	5 420	6 797	7 188	7 439	8 357	9 367
Restructuring Costs	1 353	0	0	0	0	0	0	0	0
EBIT	4 224	32 972	81 453	129 254	166 086	180 298	191 885	222 140	257 191
NOPAT	4 413	29 016	70 648	111 426	142 380	153 697	162 652	187 231	215 538
D&A	1 544	1 508	1 864	2 431	3 178	3 870	4 628	5 546	6 640
Δ in NWC	2 008	5 342	10 296	9 190	10 352	5 331	4 999	10 540	12 722
CapEx	1 833	1 069	3 236	5 245	6 879	7 625	8 291	9 810	11 614
FCFF	2 116	24 113	58 980	99 423	128 327	144 611	153 991	172 427	197 842

Table 5 - FCFF, actual and forecast

6.1.2. Estimating the WACC

6.1.2.1. Beta

The equity beta was first estimated using a two-year window of weekly returns, yielding a regression beta of 2.3. This estimate captures the market perception of Nvidia's risk over a period characterized by substantial share-price volatility and rapid structural change. To complement this, a bottom-up beta was constructed from a peer group consisting of AMD, Broadcom, Qualcomm, Micron, and Intel, reflecting the semiconductor industry's underlying operating risk rather than short-term market swings.

Peer Group Betas - Levered and Unlevered								
Company	Levered β	# of Shares Outstanding	Share Price	MVE	GIBD	D/E	Tax Rate	Unlevered β
Advanced Micro Devices (AMD)	2,1	1 623	215	349 335	3 886	0,01	25 %	2,1
Broadcom (AVGO)	2,4	4 714	382	1 798 721	64 229	0,04	25 %	2,3
Qualcomm (QCOM)	1,5	1 092	171	186 404	14 788	0,08	25 %	1,5
Micron Technology (MU)	2,4	1 120	239	268 229	15 278	0,06	25 %	2,3
Intel Corporation (INTC)	1,6	4 770	43	207 352	46 553	0,22	25 %	1,4
Median								**2,1**
Average								**1,9**
Nvidia levered β								2,1

Table 6 - Peer group betas

Given Nvidia's sizeable cash balance, which dampens observed equity risk but does not affect underlying operating risk, the peer-based beta is adjusted in two stages. First, peer betas are unlevered and then relevered using Nvidia's operating debt-to-equity ratio, where equity is measured net of cash, cash equivalents, and marketable securities, to obtain a cash-neutral beta. Second, this operating beta is translated into a conventional equity beta by scaling it to reflect the difference between Nvidia's operating equity and the market value of equity. Together, these adjustments yield a peer-derived levered beta of 1.9, which is used as the equity beta for valuation purposes.

6.1.2.2. Estimating the Cost of Equity

The cost of equity is estimated using the CAPM framework, with the prevailing 10-year U.S. Treasury yield of 4.1% as the risk-free rate and an ERP of 4.5%, positioned between Damodaran's latest implied U.S. ERP of 4.3% (2025) and long-term survey-based ERP expectations of approximately 5.0% (Welch, 2001). Applying the regression beta produces a cost of equity of 14.5%, whereas the bottom-up beta yields a cost of equity of 12.6%.

- Regression beta → Cost of equity = 14.5%
- Bottom-up beta → Cost of equity = 12.6%

The latter is adopted in the valuation because it is less sensitive to temporary market volatility and better reflects Nvidia's fundamental business risk.

6.1.2.3. Estimating the Cost of Debt

Nvidia's cost of debt was derived from its outstanding bonds, whose current yields translate to a blended pretax cost of 4.4%. Adjusting for the FY2026 estimated ETR of 13.8% results in an after-tax cost of debt of 3.8%.

6.1.2.4. Capital Structure and WACC

Nvidia is almost entirely equity-financed, with equity accounting for 99.8% of its capital structure. As a result, the WACC essentially mirrors the cost of equity and is estimated at 12.6% when using the bottom-up beta.

Peer-Based Beta	
Risk-Free Rate	4,1 %
Equity Risk Premium	4,5 %
Average Unlevered Peer β	1,9
FY 2026E Effective Tax Rate	13,8 %
GIBD	8 466
Cash and CE & MS	56 791
Share Price	180
MVE	4 378 860
D/E (Less Cash, CE & MS)	0,002
Operating Levered β	1,9
β (Equity)	**1,9**
Cost of Equity	12,6 %

WACC	
D/V	0,002
E/V	0,998
After-Tax rD	3,8 %
Cost of Equity	12,6 %
WACC	**12,6 %**

Table 7 - WACC calculations

Applying the regression beta would increase the WACC to 14.5%, illustrating the discount rate's sensitivity to the choice of beta methodology. Bottom-up betas provide stability and comparability across firms but may underestimate firm-specific or momentum-driven risks, while regression betas reflect market perception but may exaggerate risk during periods of pronounced volatility.

6.1.3. Estimating the Terminal Value

Academic research shows that terminal value frequently constitutes a major part of the total EV (Behr, Mielcarz, & Osiichuk, 2018), underscoring the importance of grounding TV assumptions in robust and sensible inputs. While finance academia generally favors the GG model, comparing the implied terminal multiple with observed multiples for both Nvidia and close peers provides a more holistic perspective on market expectations.

For the GG model, Nvidia's WACC and a perpetual growth rate are required. The Congressional Budget Office (2025) projects annual real U.S. GDP growth of 1.6% over the next 30 years. Combining this with the Federal Reserve's 2% inflation target (Federal Reserve, 2020) yields a perpetual growth rate of approximately 3.6%. Using this rate and Nvidia's WACC in the GG framework is equivalent to a terminal EV/FCFF multiple of 11.6, well below Nvidia's current EV/FY2026E FCFF multiple of 43.6.

Forward-looking multiples for the refined peer group comprising AMD, Broadcom, Qualcomm, and Micron provide a market-based benchmark. Analyst estimates retrieved from Refinitiv Workspace indicate that these peers trade at 25.1x three-year forward EV/FCFF on average, with a median of 25.8x. This contrasts sharply with the 12.1x multiple implied by the GG model, highlighting a sizable gap between a theoretically grounded steady-state valuation and the multiples currently observed in the market for comparable semiconductor firms.

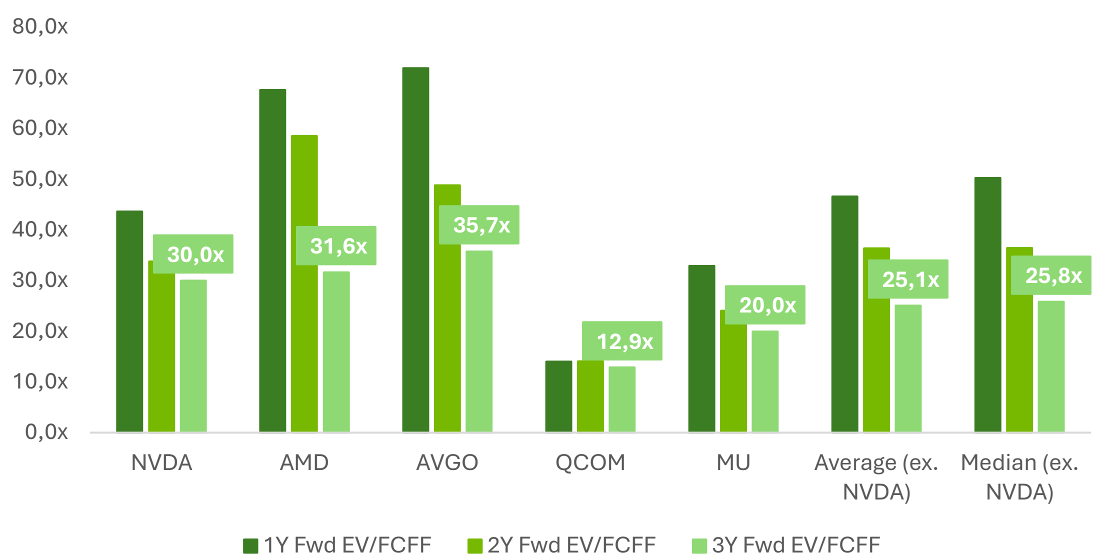

Figure 38 - 1-3-year forward EV/FCFF multiples, Nvidia vs peers

The GG model therefore offers a conservative lower bound, while peer-based multiples provide an upper bound more in line with prevailing market sentiment. Since Nvidia structurally outperforms peers in both growth and margins, its true steady-state multiple is unlikely to converge fully to the GG-implied value.

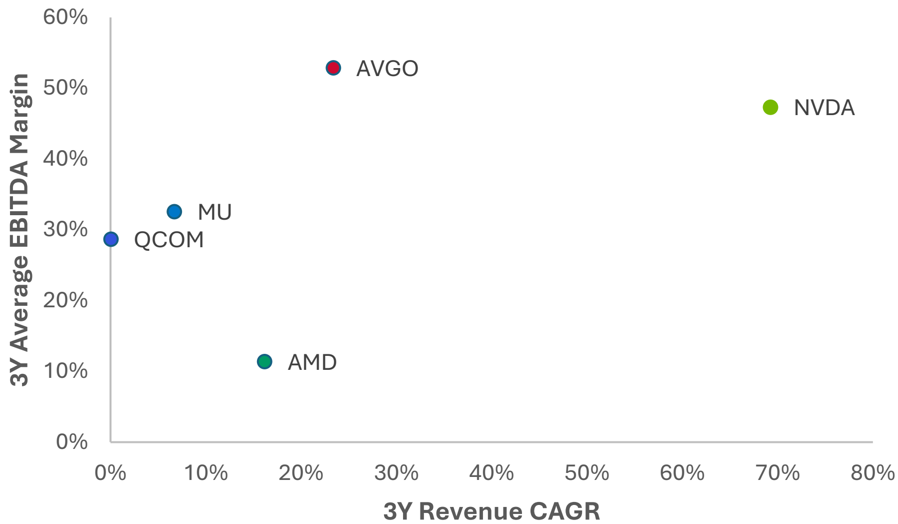

Figure 39 - Scatter plot of EBITDA margins and revenue growth, Nvidia vs peers

The GG-based multiple is applied as a theory-consistent lower bound in the pessimistic case, whereas the peer-based multiple is used as the terminal valuation multiple in both the base and optimistic cases. This approach ensures that terminal values remain grounded in theory while reflecting prevailing market pricing.

6.1.4. Fair Value per Share (FVPS)

Aggregating the projected FCFF, discounting them at the WACC, and applying the peer-based exit multiple to the TV yields a current fair EV of approximately \$3.1 trillion. To derive the corresponding equity value, the EV is adjusted for Nvidia's substantial cash position, the carrying value of its non-marketable NVentures portfolio, expected option proceeds, and GIBD.

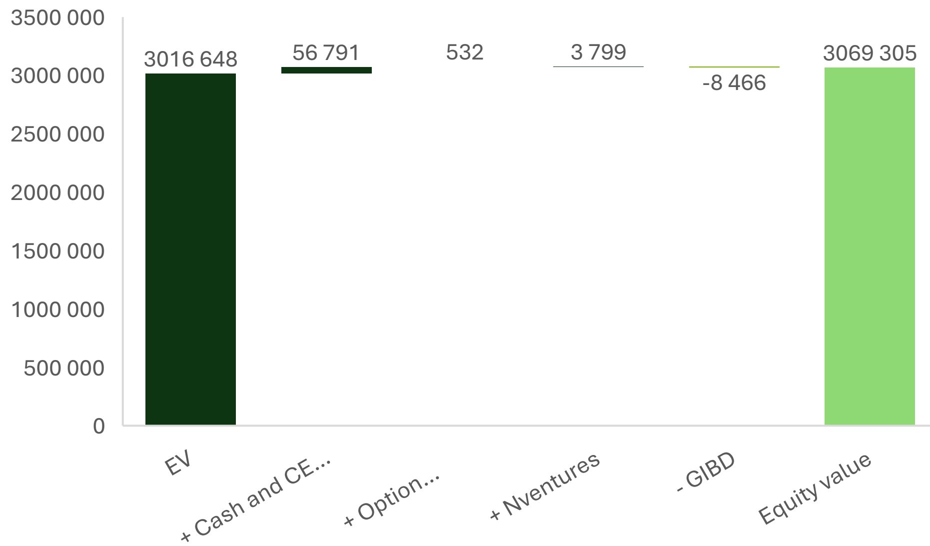

Figure 40 - EV-to-equity bridge in US$ million, as of Q3 FY2026

After incorporating these adjustments and using a fully diluted share count that includes outstanding restricted stock units (RSUs), performance stock units (PSUs), and legacy employee stock options, the base-case fair value per share (FVPS) is $125.6. Relative to the current share price, this implies a downside of approximately 31%.

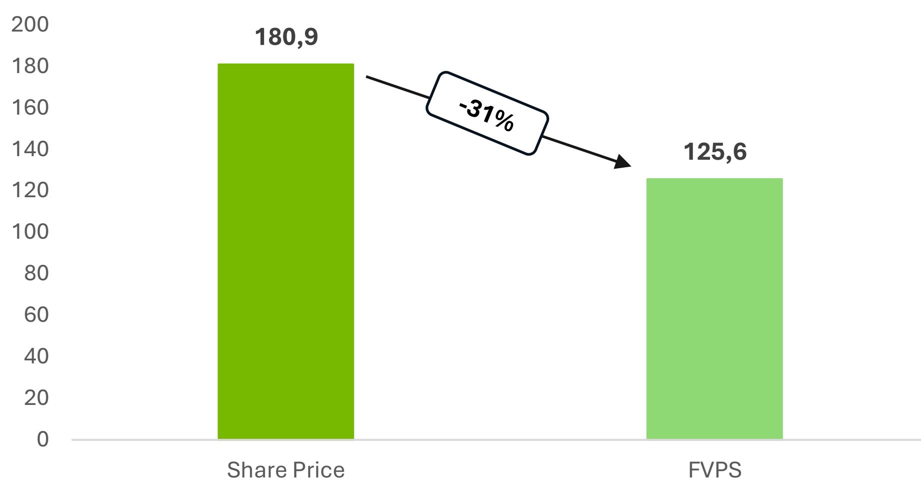

Figure 41 - Current share price vs FVPS, in US$

To frame the DCF approach within a broader range, pessimistic and optimistic scenarios were constructed using alternative revenue trajectories based on McKinsey's accelerated-demand and constrained-momentum IT-equipment data center CapEx estimates of $4.7 trillion and $2.6

trillion, respectively, while keeping SAM fixed at 70%. In these scenarios, annual market-share erosion is assumed to be 500 bps in the pessimistic scenario and 100 bps in the optimistic scenario, reflecting differing views on Nvidia's ability to sustain its competitive position over time. The optimistic scenario maintains the base-case terminal multiple, whereas the pessimistic scenario applies the more conservative GG-implied multiple. The resulting fair-value range of $32.1 to $271.4 per share, an 88% peak-to-trough decline, highlights the valuation's sensitivity to long-horizon assumptions about AI-infrastructure spending, competition and terminal value.

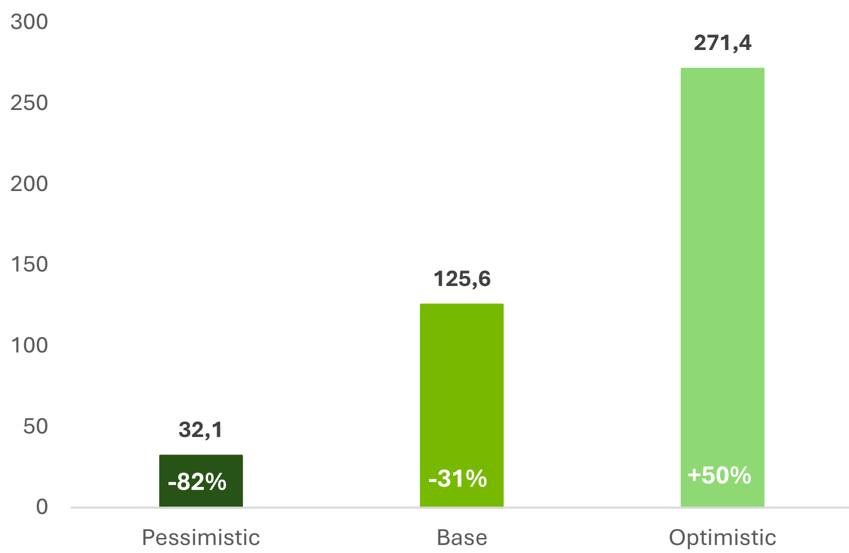

Figure 42 - Scenario analysis, in US$

6.2. SOTP

As discussed in the literary review, a SOTP valuation is appropriate when business segments exhibit distinct economic characteristics. In Nvidia's case, the Graphics segment mainly addresses consumer and professional visualization markets, while Compute & Networking (C&N) serves data center AI and accelerated computing. Although both segments rely on the same underlying GPU technology, they differ in growth and margin profiles and, consequently, segment-specific terminal assumptions.

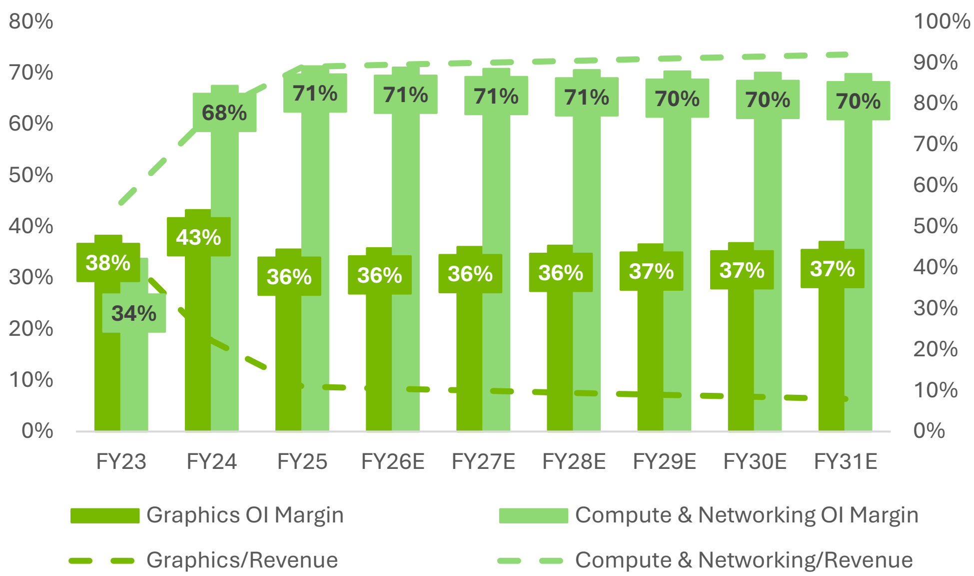

Figure 43 - Graphics vs Compute & Networking

Due to the lack of segment-level detail on CapEx, D&A, and working capital, each segment is valued on an EV/EBIT basis. Nvidia reports operating income by segment, which is treated as EBIT for valuation purposes, as the distinction is immaterial in this context. The same peer group used in the DCF analysis is employed here, and the Graphics segment is valued using the average three-year forward EV/EBIT multiple of the peer set.

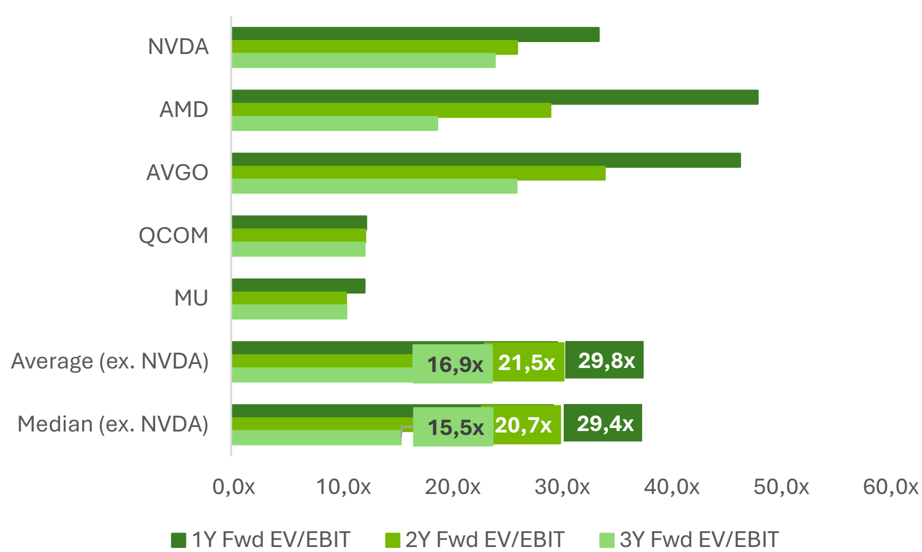

Figure 44 - 1-3-year forward EV/EBIT multiples, Nvidia vs peers

To reflect the superior economics of the C&N segment, its exit multiple was scaled relative to Graphics using the equally weighted average of (i) the segments' relative six-year forward revenue CAGRs and (ii) their relative six-year forward average operating margins.

FY26-FY31	Compute & Networking	Graphics	C&N/Graphics
Revenue CAGR	23,3 %	17,3 %	1,3x
Average Operating Margin	69,1 %	37,6 %	1,8x
Average Scaling Factor			1,6x

Table 8 - Segment growth, margins, and scaling factor

The total revenue forecast remains identical to that used in the consolidated DCF. It is only the allocation between segments that changes. In the high case, C&N's revenue share is assumed to increase by 50 bps annually, reaching 92% by FY2031 and reflecting the significant AI tailwinds, while its EBIT margin declines by 63 bps per year toward the FY2024 level of 67.5%. This adjustment reflects a measured pace of margin normalization as Nvidia's pricing premium in accelerated computing comes under pressure from improving alternatives offered by AMD, Intel, and hyperscalers.

C&N's margin compression is partially offset by the Graphics segment, whose EBIT margin is assumed to expand by 58 bps annually. The rationale for this increase rests on the expectation that the segment's unusually weak performance in FY2025 was primarily driven by channel-inventory normalization and late-cycle production mix, not a structural deterioration of the business. As supply conditions stabilize and the next product cycle ramps up, Graphics is expected to revert toward a more representative mid-cycle margin, proxied by the three-year average operating margin of 39%.

The evolving revenue mix affects the weighted operating margin, and, by extension, the blended exit multiple applied in the terminal year. The SOTP valuation thus illustrates how Nvidia's value is driven not merely by aggregate revenue growth, but by the relative contribution of the higher-growth, higher-margin C&N segment versus the more mature Graphics business.

SOTP (in USDm)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	Terminal Value
Total Revenue	**26 974**	**60 922**	**130 497**	**211 511**	**277 407**	**307 508**	**334 336**	**395 592**	**468 345**	
Graphics Revenue	11 906	13 517	14 304	22 127	27 633	29 094	29 960	33 472	37 286	
Graphics OI	4 552	5 846	5 085	7 994	10 142	10 846	11 342	12 864	14 545	245 701
Compute & Networking Revenue	15 068	47 405	116 193	189 384	249 774	278 414	304 375	362 121	431 059	
Compute & Networking OI	5 083	32 016	82 875	133 883	174 998	193 306	209 410	246 852	291 125	7 831 848

Assumptions	
Annual bps Increase in C&N/Revenue	0,5 %
Annual bps Increase in Graphics Margin	0,6 %
Annual bps Decrease in C&N Margin	0,6 %
Graphics EV/EBIT	16,9x
C&N EV/EBIT (Scaled)	26,9x
WACC	12,5 %

Table 9 - SOTP

The segment EVs were then discounted at the consolidated WACC and adjusted for corporate expenses and the remaining EV-to-equity bridge items. Corporate expenses were estimated as the residual between the sum of trailing twelve months (TTM) segment EBIT and consolidated EBIT, and capitalized as a zero-growth perpetuity, reflecting the assumption that overhead stabilizes in steady state.

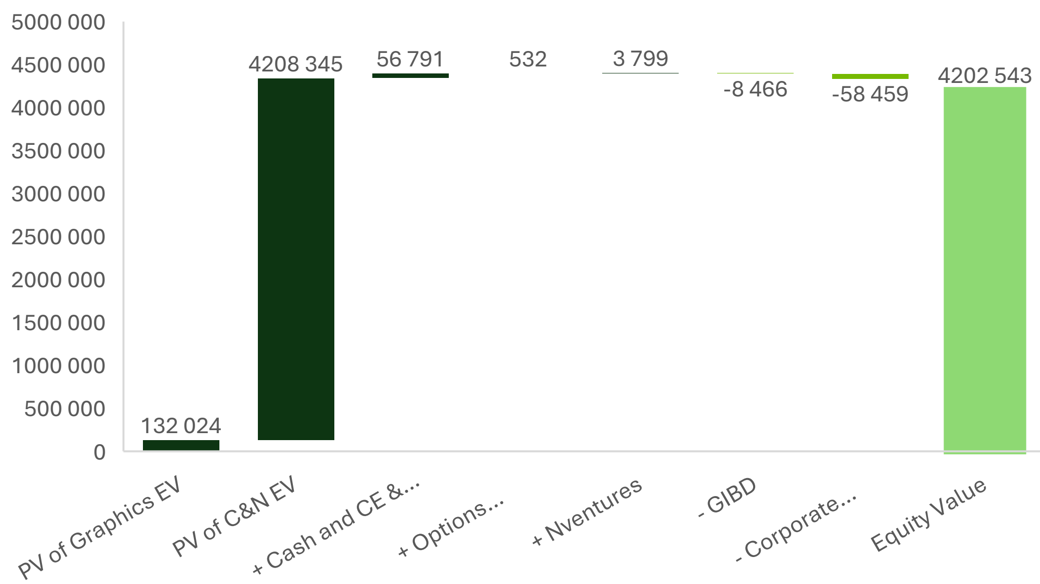

Figure 45 - SOTP waterfall in US$ million, high case

Dividing the resulting equity value by the fully diluted share count yields a FVPS of $171.9, approximately 5% below Nvidia's current share price.

In the SOTP low case, C&N revenue follow McKinsey's constrained-demand path, with its revenue share increasing by only 25 bps per year. C&N's EBIT margin is assumed to decline by 100 bps annually to reflect stronger competition and weaker differentiation, while the Graphics margin path remains unchanged. For the terminal year, the Graphics segment is valued using the

11.6x GG-implied multiple, and the C&N multiple is scaled with a factor of 1.5x due to lowered growth and margin profile differences.

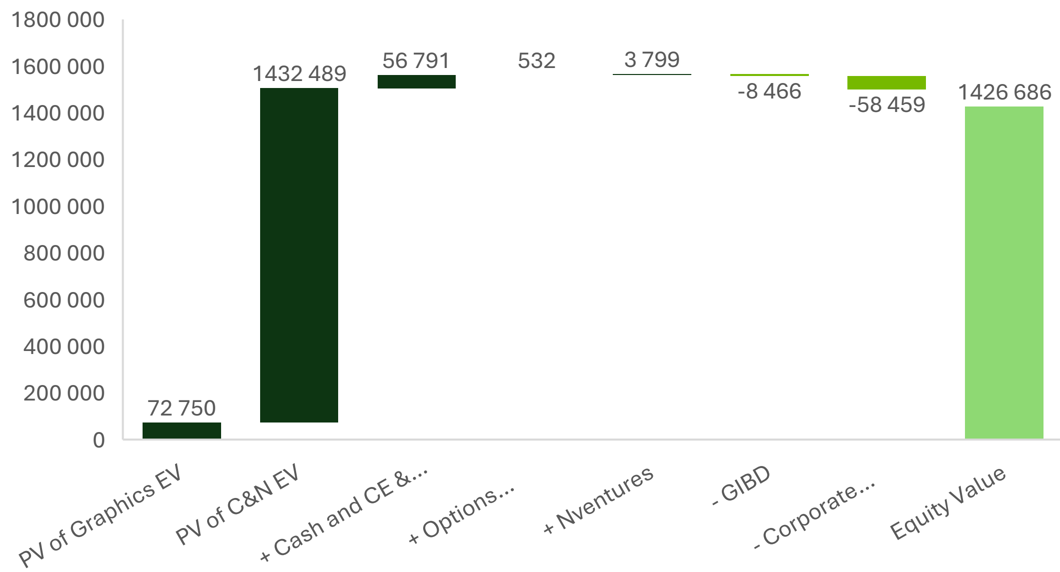

Figure 46 - SOTP waterfall in US$ million, low case

The low case scenario produces an estimated FVPS of $58.4, implying a SOTP valuation range of $58.4-171.9 across scenarios and a 66% peak-to-trough decline.

6.3. FY2031 Fair Value Method

Since the base and high case assumptions imply that Nvidia will accumulate a substantial cash position over time, a long-horizon fair value approach is applied.

In this method, the base-case DCF EV is combined with the estimated FY2031 NIBD. Option proceeds are excluded due to the difficulty of forecasting exercises with precision, and the current carrying value of NVentures is retained given the limited visibility over its illiquid holdings. The resulting FY2031 equity value is divided by the projected basic share count to account for share repurchases that are expected to continue throughout the period. Finally, the FY2031 FVPS is discounted back at Nvidia's current cost of equity of 12.6%.

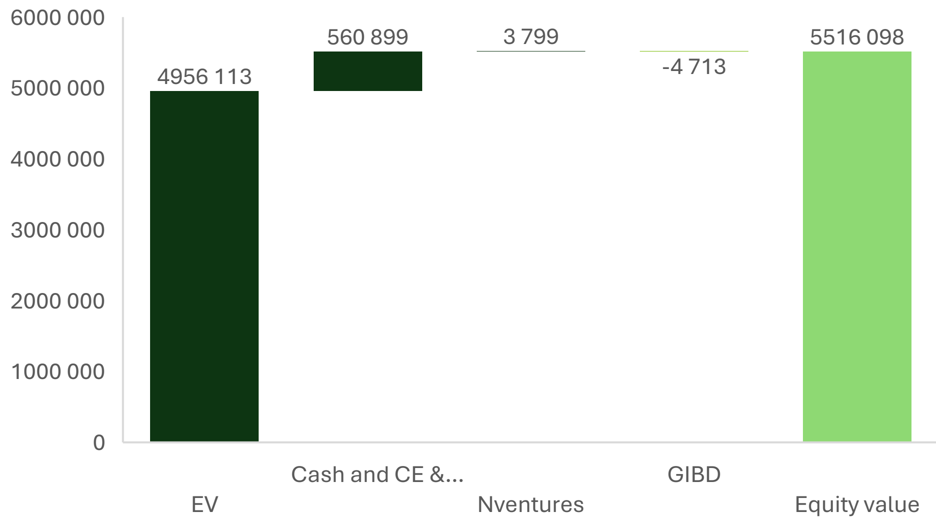

Figure 47 - FY2031 EV-to-equity bridge, DCF (in US$ million)

This approach yields a FY2031 FVPS of $248.0, with a present value of $133.3 per share. For completeness, the same long-horizon framework is applied to the SOTP high case results. While both methods rely on the FY2031 capital structure and share count, the SOTP bridge incorporates corporate expenses and reflects the higher EV derived from segment-level valuation, leading to a correspondingly higher long-horizon FVPS and present value.

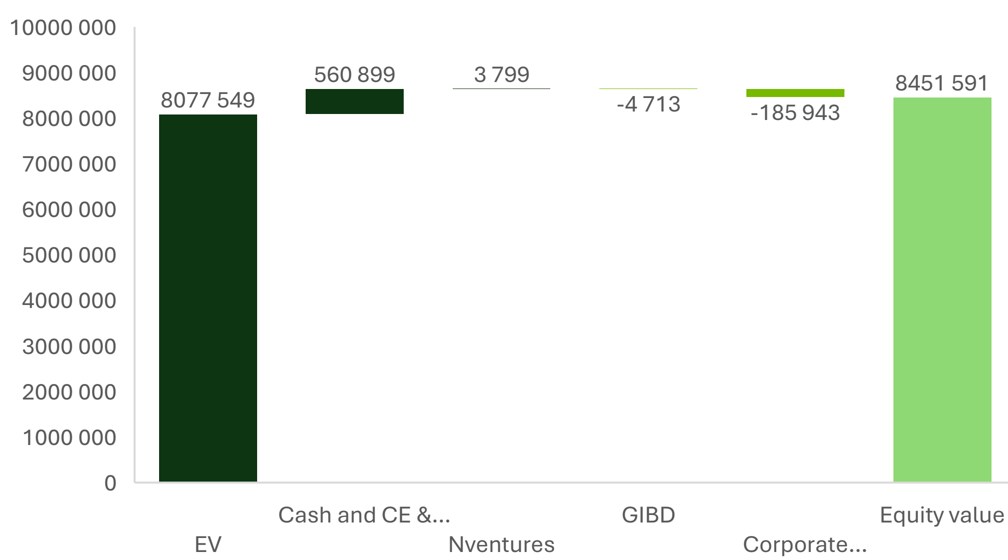

Figure 48 - FY2031 EV-to-equity bridge, SOTP (in US$ million)

The FY2031 FVPS derived from the SOTP approach is $379.9, with a present value of $204.3. Combined with the DCF approach, this translates to a valuation range of $133.3-204.3 per share.

6.4. Valuation Summary and Sensitivity Analysis

This section examines how sensitive the DCF and SOTP outcomes are to changes in key assumptions. Since terminal value represents the majority of Nvidia's EV, the analysis focuses on the exit multiple and WACC. Terminal value is computed via an exit multiple rather than the GG model to separate the TV assumption from that of the discount rate.

While the earlier pessimistic and optimistic DCF scenarios showed substantial dispersion in intrinsic value, the sensitivity table isolates the DCF base case and tests its robustness to changes in the exit multiple and WACC. Across all reasonable combinations, the fair value estimate remains below the current share price, suggesting that the market price already embeds assumptions far outstripping those used in the base case. Only McKinsey's accelerated-demand trajectory, implying materially higher Data Center CapEx, or a higher exit multiple would clearly shift the valuation towards levels consistent with Nvidia's current market pricing.

		DCF						
		WACC						
	$180,0	13,0 %	12,5 %	12,0 %	11,5 %	11,0 %	10,5 %	10,0 %
EV/FCFF Exit Multiple	16,0x	$87,7	$89,7	$91,8	$94,0	$96,2	$98,5	$100,9
	18,0x	$95,4	$97,7	$100,0	$102,4	$104,9	$107,4	$110,0
	20,0x	$103,2	$105,7	$108,2	$110,8	$113,5	$116,3	$119,2
	22,0x	$111,0	$113,6	$116,4	$119,2	$122,2	$125,2	$128,3
	24,0x	$118,7	$121,6	$124,6	$127,6	$130,8	$134,1	$137,4
	26,0x	$126,5	$129,6	$132,8	$136,1	$139,5	$142,9	$146,5
	28,0x	$134,3	$137,6	$141,0	$144,5	$148,1	$151,8	$155,7

Table 10 - Sensitivity table, DCF base case

The SOTP sensitivity analysis applies a blended EV/EBIT exit multiple and a WACC range of 10.0-13.0%. This framework yields estimates closer to the current share price, largely because it assumes a more aggressive shift in revenue mix toward the higher-margin C&N segment and uses EBIT-based multiples that do not explicitly deduct cash outflows such as CapEx and working-capital needs.

					SOTP WACC			
	$180,0	13,0 %	12,5 %	12,0 %	11,5 %	11,0 %	10,5 %	10,0 %
Blended EV/EBIT Exit Multiple	16,0x	$101,8	$104,3	$106,9	$109,6	$112,4	$115,2	$118,1
	18,0x	$114,6	$117,4	$120,3	$123,3	$126,4	$129,6	$132,9
	20,0x	$127,3	$130,5	$133,7	$137,1	$140,5	$144,0	$147,7
	22,0x	$140,1	$143,6	$147,1	$150,8	$154,6	$158,5	$162,5
	24,0x	$152,9	$156,6	$160,5	$164,5	$168,7	$172,9	$177,3
	26,0x	$165,6	$169,7	$173,9	$178,3	$182,7	$187,3	$192,1
	28,0x	$178,4	$182,8	$187,3	$192,0	$196,8	$201,8	$206,9

Table 11 - Sensitivity table, SOTP high case

6.4.1. Target Price (TP)

Although Nvidia's valuation range is unusually wide due to its sensitivity to long-term Data Center CapEx and terminal assumptions, positioning the final target price near the upper bound is difficult to justify. The optimistic scenario effectively requires McKinsey's accelerated AI-infrastructure path to materialize and for Nvidia to sustain its current pricing power, despite intensifying competitive pressure from alternatives such as Google's TPU and Gemini stacks. Any loss of market share or margin compression would translate directly into a lower exit multiple and since the PV of the TV accounts for more than 80% of Nvidia's EV, even modest multiple compression would substantially reduce its intrinsic value.

These competitive risks are compounded by emerging concerns about earnings quality and financial transparency, including expanding vendor financing, rising cloud commitments, and circular deal structures. Considered collectively, these factors tilt the risk-return balance to the downside.

Accordingly, the final TP is anchored to the DCF base case, yielding a TP of $125.6 per share. As this implies approximately 31% downside relative to the current share price, the investment recommendation is to sell.

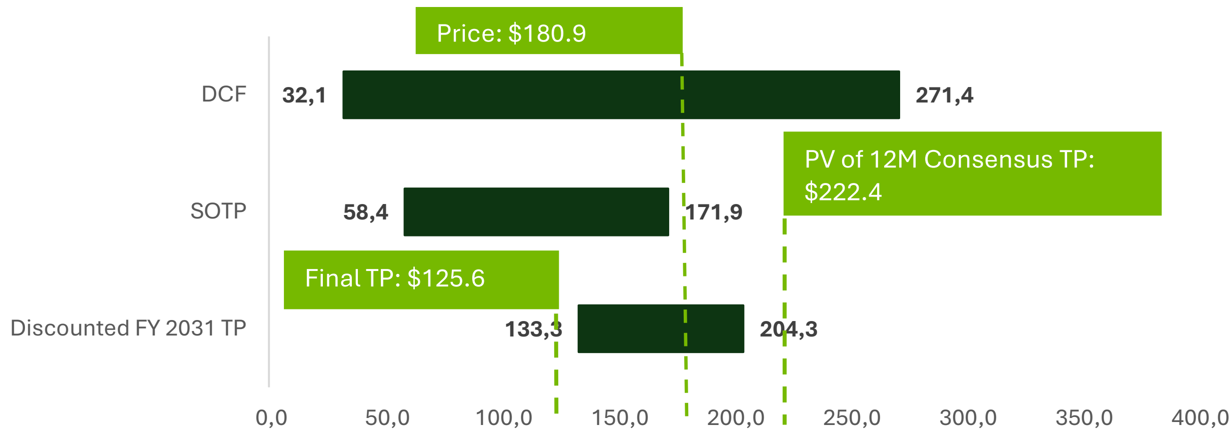

Figure 49 - Target price football field, in US$

7. **Valuation Comparison to Sell-Side Report**

This chapter compares the dissertation's valuation and TP for Nvidia with those presented in the Zacks report. The objective is to identify the key methodological and forecast differences that drive the divergence between the two TPs.

7.1. Horizon Alignment and Target Price Comparison

Since this dissertation establishes a fair value as of December 2025, while the Zacks report, published in September 2025, provides a 12-month forward TP of $186.0, the Zacks estimate was discounted back to the valuation date using its implied cost of equity. This was calculated from the report's stated beta of 2.1, applying the same risk-free rate and ERP used in the dissertation.

Even after this adjustment, the dissertation's TP remains 26% below the discounted Zacks estimate of $169.1. The following subsections analyze the specific valuation and forecast assumptions that explain this divergence.

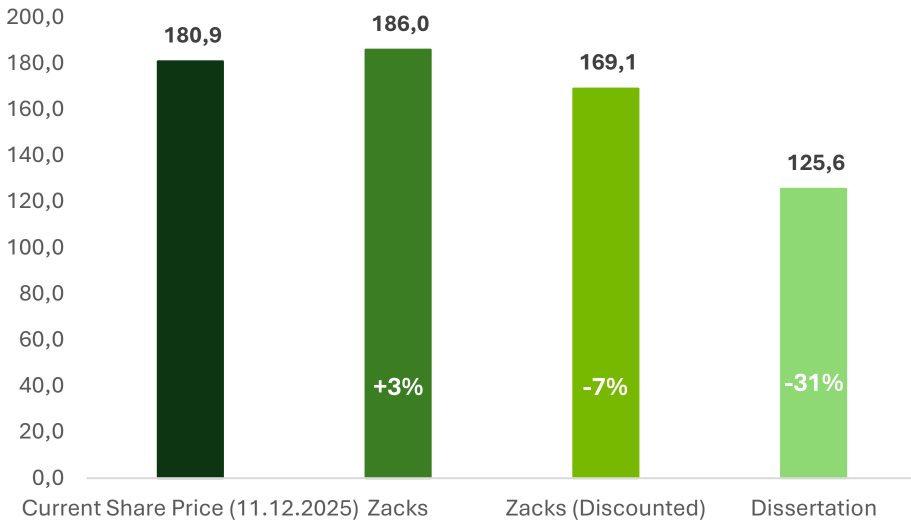

Figure 50 - Target price comparison, in US$

7.2. Methodology Comparison: DCF vs 1-Year Forward EPS Multiple

A fundamental distinction between the two valuations lies in their methodological basis. Zacks provides limited disclosure of its assumption set and anchors its valuation to next-twelve-month (NTM) EPS multiplied by a sub-industry-derived forward P/E multiple. This approach extrapolates near-term earnings momentum and implicitly embeds prevailing market sentiment in the TP, while neglecting reinvestment needs, long-term competitive dynamics, and gradual multiple compression.

In contrast, the dissertation employs a six-year DCF timeframe that ties Nvidia's long-run revenue path to McKinsey's 2030 cumulative data center CapEx estimate. Margins and reinvestment are derived from detailed assumptions about the cost structure, D&A, working capital, and capital expenditures. The TV is anchored to a peer-based forward EV/FCFF multiple, and all cash flows are discounted at a WACC incorporating long-term risks that the Zacks EPS-based method disregards.

Modelling Component	Zacks	Dissertation
Forecast Horizon	12-Month Forward	Six-Year Forecast
Valuation Method	Forward P/E Multiple	DCF
Key Driver	NTM EPS	FCFF
Terminal Value Basis	Implied by Forward P/E	Relative Valuation and GG Cross-Check
Discount Rate	None (Multiple-Based)	WACC-Based Multi-Period
Reinvestment Needs	Not Modelled	Explicit D&A, NWC, and CapEx Forecasts
Cash Treatment	Not Disclosed	Cash Tied to CF Statement and MS Assumption

Table 12 - Valuation methodology comparison

7.3. Forecast Comparison: Profit and Loss Statement

To isolate the main drivers of the valuation divergence, a direct comparison of the two models' forecasts was conducted. The table below presents the comparative P&Ls, with Δ denoting the percentage difference between the dissertation's estimates and those provided by Zacks.

Estimate Comparison	Dissertation Estimates			Zacks Estimates			Delta (Δ)		
Dissertation vs Zacks	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Total Revenue	**211 511**	**277 407**	**307 508**	**202 244**	**256 273**	**294 320**	**4,6 %**	**8,2 %**	**4,5 %**
Cost of Revenue	58 162	80 032	92 872	59 718	71 768	80 583	-2,6 %	11,5 %	15,3 %
Gross Profit	**153 349**	**197 375**	**214 636**	**142 526**	**184 505**	**213 737**	**7,6 %**	**7,0 %**	**0,4 %**
Research & Development	18 674	24 492	27 150	17 744	22 313	25 569	5,2 %	9,8 %	6,2 %
SG&A	5 420	6 797	7 188	4 740	5 987	6 867	14,3 %	13,5 %	4,7 %
Total OPEX	24 094	31 289	34 338	22 485	28 300	32 436	7,2 %	10,6 %	5,9 %
EBIT	**129 254**	**166 086**	**180 298**	**120 041**	**156 205**	**181 301**	**7,7 %**	**6,3 %**	**-0,6 %**
Interest Income	1 321	2 546	3 818	2 233	2 343	2 319	-40,8 %	8,7 %	64,7 %
Interest Expense	-242	-227	-213	-259	-276	-262	-6,7 %	-17,6 %	-18,7 %
Other Income	3 419	0	0	2 053	-17	-18	66,6 %	-100,0 %	-100,0 %
Net Income Before Taxes	**133 753**	**168 405**	**183 903**	**124 068**	**158 256**	**183 339**	**7,8 %**	**6,4 %**	**0,3 %**
Income Tax Expense (Benefit)	17 880	24 424	27 127	20 335	26 112	30 251	-12,1 %	-6,5 %	-10,3 %
Net Income	**115 874**	**143 982**	**156 776**	**103 732**	**132 144**	**153 088**	**11,7 %**	**9,0 %**	**2,4 %**
# of Basic SO	24 266	24 027	23 722	24 351	24 166	23 988	-0,3 %	-0,6 %	-1,1 %
# of FDSO	24 422	24 183	23 878	24 518	24 332	24 154	-0,4 %	-0,6 %	-1,1 %
Basic EPS	**4,8**	**6,0**	**6,6**	**4,3**	**5,5**	**6,4**	**12,1 %**	**9,6 %**	**3,6 %**
Diluted EPS	**4,7**	**6,0**	**6,6**	**4,2**	**5,4**	**6,3**	**12,1 %**	**9,6 %**	**3,6 %**
Dividends Paid	971	1 941	3 883	2 435	3 867	3 838	-60,1 %	-49,8 %	1,2 %
Dividends per Share	0,04	0,08	0,16	0,10	0,16	0,16	-60,0 %	-49,5 %	2,3 %

Table 13 - Comparison of P&L forecast, in US$ million

Across the overlapping forecast horizon, the dissertation projects higher revenues and profitability than Zacks. This is partly attributed to the dissertation incorporating Nvidia's recently reported Q3 FY2026 results and Q4 FY2026 guidance, which were not available at the time of the Zacks report.

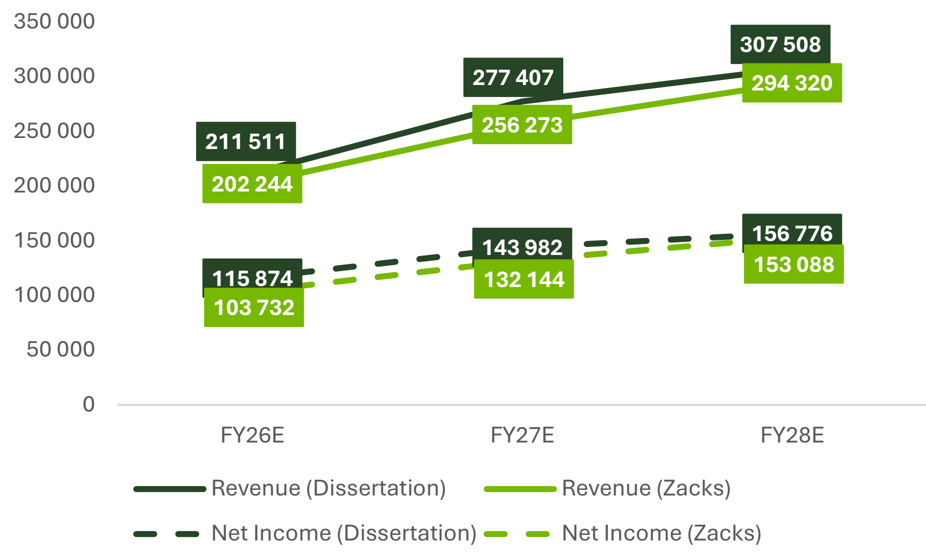

Figure 51 - Revenue and net income comparison, in US$ million

The dissertation also assumes that NVIDIA's effective tax rate remains several percentage points below the U.S. statutory rate, reflecting its substantial share of income generated in low-tax jurisdictions and lower blended tax rate. A gradual upward reversion is modelled over the forecast horizon, and this assumption explains why the dissertation's tax expense remains lower than that of the Zacks report despite higher pre-tax profits.

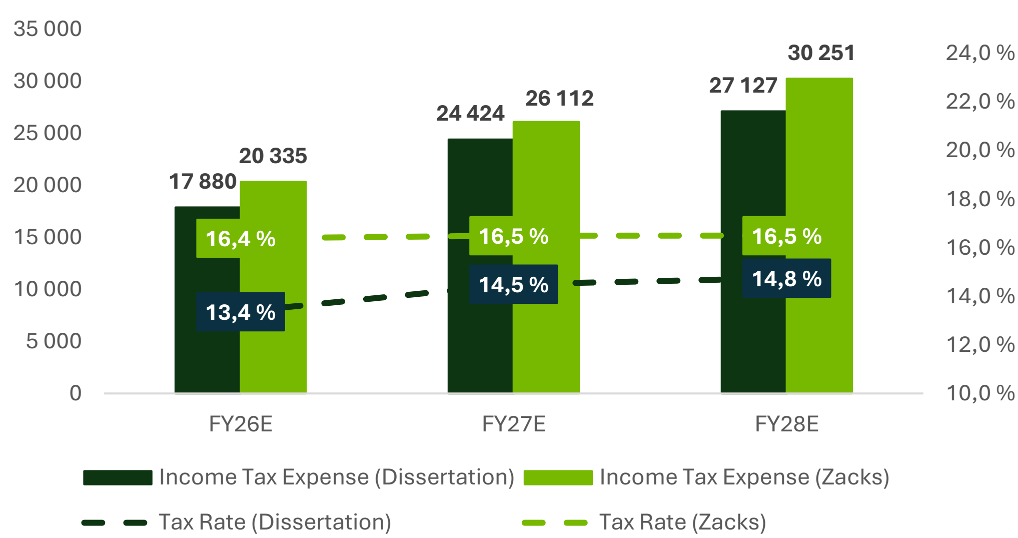

Figure 52 - Income tax and tax rate comparison, in US$ million

Despite the dissertation's more optimistic forecast, the TP remains 26% below the discounted Zacks estimate.

TP Comparison	Dissertation	Zacks (Discounted)	Δ
Revenue CAGR (FY26-FY28)	33,1 %	31,1 %	6,2 %
FY26e EPS	4,8	4,3	12,1 %
TP	$125,6	$169,1	-25,7 %
Implied FY26E P/E Multiple	26,3x	39,7x	-33,7 %

Table 14 - Simple assumption comparison

7.4. Assumptions Comparison: WACC, Perpetual Growth, And Terminal Multiple

The valuation gap is further explained by differences in key modelling assumptions. Zacks applies a forward P/E multiple of 33.9, implicitly assuming the current market multiple is sustainable. The dissertation instead relies on a WACC of 12.5% and a multi-year discounting timeframe in which the TV is grounded in a peer-derived EV/FCFF multiple of 25.1.

Key Assumption Comparison	Dissertation	Zacks
Risk-Free Rate	4,1 %	4,1 %
Beta	1,9	2,1
Equity Risk Premium	4,5 %	4,5 %
Cost of Equity	**12,6 %**	**13,5 %**
Tax rate	13,8 %	16,4 %
D/V	0,002	0,002
WACC	**12,6 %**	**13,5 %**
Perpetual Growth Rate	3,6 %	3,6 %
Implied Forward Multiple	**11,2x**	**10,1x**

Table 15 - Key assumption comparison

Assuming identical risk-free rate, ERP, and perpetual growth assumptions, the implied forward multiple consistent with Zacks's discount rate inputs is approximately 10x. To make this fully comparable to a P/E multiple, the multiple would need to be adjusted for Nvidia's reinvestment rate, further reducing the valuation multiple. Accordingly, a 33.9x forward P/E multiple is difficult to reconcile with Nvidia's actual cost of equity and perpetual growth rate and therefore appears structurally disconnected from a theoretically consistent steady state.

		NTM EPS							
	$186,0	$5,2	$5,4	$5,5	$5,6	$5,8	$5,9	$6,1	$6,2
Forward P/E Multiple	10,0x	$52,2	$53,5	$54,9	$56,3	$57,7	$59,1	$60,6	$62,1
	12,0x	$62,6	$64,2	$65,9	$67,5	$69,2	$70,9	$72,7	$74,5
	14,0x	$73,1	$74,9	$76,9	$78,8	$80,8	$82,8	$84,8	$87,0
	16,0x	$83,5	$85,6	$87,8	$90,0	$92,3	$94,6	$97,0	$99,4
	18,0x	$93,9	$96,3	$98,8	$101,3	$103,8	$106,4	$109,1	$111,8
	20,0x	$104,4	$107,1	$109,8	$112,5	$115,4	$118,2	$121,2	$124,2
	22,0x	$114,8	$117,8	$120,8	$123,8	$126,9	$130,1	$133,3	$136,7
	24,0x	$125,3	$128,5	$131,8	$135,1	$138,4	$141,9	$145,4	$149,1

Table 16 - Forward P/E and NTM EPS sensitivity table

7.5. Cash Balance and Capital Allocation Differences

Another notable difference relates to capital allocation. The Zacks report does not appear to project meaningful growth in Nvidia's cash balance through FY2028, gauged through the small increase in interest income. With only a modest change in shares outstanding and dividends paid, it is difficult to infer how they assume Nvidia will deploy the cash generated during the forecast period. The dissertation, in contrast, explicitly models substantial cash accumulation by linking the three financial statements, which significantly affects the EV-to-equity bridge in future years.

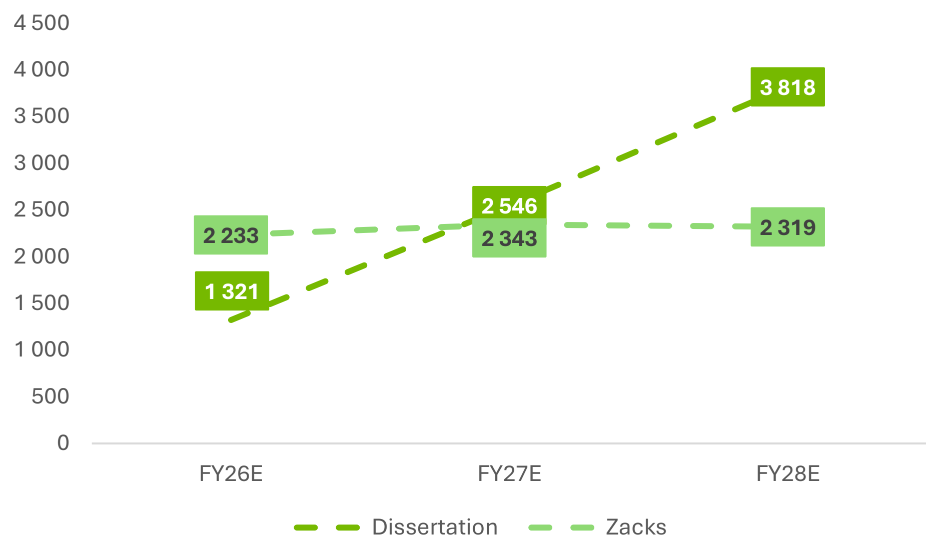

Figure 53 - Interest income, in US$ million

7.6. Conclusion

The divergence between the two TPs reflects a combination of both modelling and forecast differences. Although the dissertation projects stronger revenue and profit growth than Zacks, these upward revisions are more than offset by the fundamentally different valuation frameworks employed: Zacks capitalizes near-term earnings at a high forward P/E multiple, while the dissertation discounts multi-year cash flows at a double-digit WACC while simultaneously applying a more conservative terminal valuation.

Consequently, the lower dissertation TP is driven not by weaker expectations for Nvidia's fundamentals, but by a valuation methodology that imposes long-run economic discipline and incorporates a narrative into the numbers that appears absent in the Zacks report.

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8. Appendix

Appendix A – FY2016-FY2025 P&L

P&L (in USDm)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023A	FY 2024A	FY 2025A
Total Revenue	**5 010**	**6 910**	**9 714**	**11 716**	**10 918**	**16 675**	**26 914**	**26 974**	**60 922**	**130 497**
Cost of Revenue	2 199	2 847	3 892	4 545	4 150	6 279	9 439	11 618	16 621	32 639
Gross Profit	**2 811**	**4 063**	**5 822**	**7 171**	**6 768**	**10 396**	**17 475**	**15 356**	**44 301**	**97 858**
Research & Development	1 331	1 463	1 797	2 376	2 829	3 924	5 268	7 339	8 675	12 914
SG&A	602	663	815	991	1 093	1 940	2 166	2 440	2 654	3 491
Acquisition Termination Cost/Restructuring	131	3	0	0	0	0	0	1 353	0	0
EBIT	**747**	**1 934**	**3 210**	**3 804**	**2 846**	**4 532**	**10 041**	**4 224**	**32 972**	**81 453**
EBITDA	**944**	**2 121**	**3 409**	**4 066**	**3 227**	**5 630**	**11 215**	**5 768**	**34 480**	**83 317**
Adjusted EBITDA	**1 279**	**2 371**	**3 800**	**4 623**	**4 071**	**7 027**	**13 219**	**9 830**	**38 029**	**88 054**
Interest Income	39	54	69	136	178	57	29	267	866	1 786
Interest Expense	-47	-58	-61	-58	-52	-184	-236	-262	-257	-247
Other Income, Net	4	-25	-22	14	-2	4	107	-48	237	1 034
Net Income Before Taxes	**743**	**1 905**	**3 196**	**3 896**	**2 970**	**4 409**	**9 941**	**4 181**	**33 818**	**84 026**
Income Tax Expense (Benefit)	129	239	149	-245	174	77	189	-187	4 058	11 146
Net Income	**614**	**1 666**	**3 047**	**4 141**	**2 796**	**4 332**	**9 752**	**4 368**	**29 760**	**72 880**

Appendix B – FY2026E-FY2031E P&L

P&L (in USDm)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Total Revenue	**211 511**	**277 407**	**307 508**	**334 336**	**395 592**	**468 345**
Cost of Revenue	58 162	80 032	92 872	105 493	130 168	160 438
Gross Profit	**153 349**	**197 375**	**214 636**	**228 842**	**265 424**	**307 907**
Research & Development	18 674	24 492	27 150	29 518	34 926	41 350
SG&A	5 420	6 797	7 188	7 439	8 357	9 367
Acquisition Termination Cost/Restructuring						
EBIT	**129 254**	**166 086**	**180 298**	**191 885**	**222 140**	**257 191**
EBITDA	**131 685**	**169 264**	**184 168**	**196 513**	**227 687**	**263 831**
Adjusted EBITDA	**138 938**	**178 682**	**194 504**	**207 638**	**240 716**	**279 097**
Interest Income	1 321	2 546	3 818	4 945	5 924	6 808
Interest Expense	-242	-227	-213	-211	-191	-171
Other Income, Net	3 419	0	0	0	0	0
Net Income Before Taxes	**133 753**	**168 405**	**183 903**	**196 620**	**227 873**	**263 827**
Income Tax Expense (Benefit)	17 880	24 424	27 127	29 176	32 938	38 616
Net Income	**115 874**	**143 982**	**156 776**	**167 444**	**194 935**	**225 212**

Appendix C – FY2016-FY2025 Balance Sheet

Balance Sheet (in USDm)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Current assets:										
Cash and cash equivalents	596	1 766	4 002	782	10 896	847	1 990	3 389	7 280	8 589
Marketable securities	4 441	5 032	3 106	6 640	1	10 714	19 218	9 907	18 704	34 621
Accounts receivable, net	505	826	1 265	1 424	1 657	2 429	4 650	3 827	9 999	23 065
Inventories	418	794	796	1 575	979	1 826	2 605	5 159	5 282	10 080
Prepaid expenses and other current assets	93	118	86	136	157	239	366	791	3 080	3 771
Total current assets	**6 053**	**8 536**	**9 255**	**10 557**	**13 690**	**16 055**	**28 829**	**23 073**	**44 345**	**80 126**
Total non-current assets:										
Property and equipment, net	466	521	997	1 404	1 674	2 149	2 778	3 807	3 914	6 283
Operating lease assets					618	707	829	1 038	1 346	1 793
Goodwill	618	618	618	618	618	4 193	4 349	4 372	4 430	5 188
Intangible assets, net	166	104	52	45	49	2 737	2 339	1 676	1 112	807
Deferred income tax assets					548	806	1 222	3 396	6 081	10 979
Other assets	67	62	319	668	118	2 144	3 841	3 820	4 500	6 425
Total non-current assets	**1 317**	**1 305**	**1 986**	**2 735**	**3 625**	**12 736**	**15 358**	**18 109**	**21 383**	**31 475**
Total assets	**7 370**	**9 841**	**11 241**	**13 292**	**17 315**	**28 791**	**44 187**	**41 182**	**65 728**	**111 601**
Current liabilities:										
Accounts payable	296	485	596	511	687	1 201	1 783	1 193	2 699	6 310
Accrued and other current liabilities	642	507	542	818	1 097	1 725	2 552	4 120	6 682	11 737
Convertible short-term debt	1 413	796	15	0	0	999	0	1 250	1 250	0
Current portion of long-term debt										
Total current liabilities	**2 351**	**1 788**	**1 153**	**1 329**	**1 784**	**3 925**	**4 335**	**6 563**	**10 631**	**18 047**
Total non-current liabilities:										
Long-term debt		1 983	1 985	1 988	1 991	5 964	10 946	9 703	8 459	8 463
Long-term operating lease liabilities	10	6			561	634	741	902	1 119	1 519
Other long-term liabilities	453	271	632	633	775	1 375	1 553	1 913	2 541	4 245
Total non-current liabilities	**463**	**2 260**	**2 617**	**2 621**	**3 327**	**7 973**	**13 240**	**12 518**	**12 119**	**14 227**
Total liabilities	**2 814**	**4 048**	**3 770**	**3 950**	**5 111**	**11 898**	**17 575**	**19 081**	**22 750**	**32 274**
Shareholders' equity:										
Convertible debt conversion obligation	87	31								
Preferred stock ($0.001 par value)	0	0								
Common stock	1	1	1	1	1	1	3	2	25	24
Additional paid-in capital	4 170	4 708	5 351	6 051	7 045	8 721	10 385	11 971	13 109	11 237
Treasury stock, at cost	-4 048	-5 039	-6 650	-9 263	-9 814	-10 756				
Accumulated other comprehensive income/loss	-4	-16	-18	-12	1	19	-11	-43	27	28
Retained earnings	4 350	6 108	8 787	12 565	14 971	18 908	16 235	10 171	29 817	68 038
Total shareholders' equity	**4 469**	**5 762**	**7 471**	**9 342**	**12 204**	**16 893**	**26 612**	**22 101**	**42 978**	**79 327**
Total liabilities and shareholder's equity	**7 370**	**9 841**	**11 241**	**13 292**	**17 315**	**28 791**	**44 187**	**41 182**	**65 728**	**111 601**

Appendix D – FY2026E-FY2031E Balance Sheet

Balance Sheet (in USDm)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Current assets:						
Cash and cash equivalents	59 701	114 655	154 149	154 837	107 960	-19 945
Marketable securities	55 394	88 630	141 808	226 892	363 027	580 844
Accounts receivable, net	28 010	36 737	40 723	44 276	52 388	62 023
Inventories	17 130	23 571	27 353	31 070	38 337	47 252
Prepaid expenses and other current assets	5 783	7 585	8 408	9 141	10 816	12 805
Total current assets	**166 018**	**271 178**	**372 440**	**466 216**	**572 529**	**682 980**
Total non-current assets:						
Property and equipment, net	9 451	13 388	17 228	20 921	25 194	30 177
Operating lease assets	2 906	3 812	4 225	4 594	5 435	6 435
Goodwill	5 188	5 188	5 188	5 188	5 188	5 188
Intangible assets, net	453	217	133	102	92	84
Deferred income tax assets	10 500	10 500	10 500	10 500	10 500	10 500
Other assets	6 425	6 425	6 425	6 425	6 425	6 425
Total non-current assets	**34 923**	**39 530**	**43 699**	**47 730**	**52 835**	**58 808**
Total assets	**200 941**	**310 707**	**416 139**	**513 946**	**625 363**	**741 788**
Current liabilities:						
Accounts payable	7 429	10 222	11 862	13 474	16 625	20 491
Accrued and other current liabilities	17 238	22 386	24 567	26 441	30 967	36 285
Convertible short-term debt	0	0	0	0	0	0
Current portion of long-term debt	1 000	0	1 250	0	1 500	0
Total current liabilities	**25 667**	**32 607**	**37 679**	**39 915**	**49 093**	**56 777**
Total non-current liabilities:						
Long-term debt	7 463	7 463	6 213	6 213	4 713	4 713
Long-term operating lease liabilities	2 632	3 538	3 951	4 320	5 161	6 161
Other long-term liabilities	5 492	7 780	10 011	12 158	14 641	17 537
Total non-current liabilities	**15 587**	**18 781**	**20 176**	**22 690**	**24 515**	**28 410**
Total liabilities	**41 254**	**51 388**	**57 855**	**62 606**	**73 608**	**85 187**
Shareholders' equity:						
Convertible debt conversion obligation						
Preferred stock ($0.001 par value)						
Common stock	24	24	24	24	24	24
Additional paid-in capital	18 490	27 908	38 244	49 368	62 397	77 663
Treasury stock, at cost						
Accumulated other comprehensive income/loss	28	28	28	28	28	28
Retained earnings	141 145	231 359	319 988	401 920	489 306	578 886
Total shareholders' equity	**159 687**	**259 319**	**358 284**	**451 341**	**551 755**	**656 601**
Total liabilities and shareholder's equity	**200 941**	**310 707**	**416 139**	**513 946**	**625 363**	**741 788**

Appendix E – FY2016-FY2025 Cash Flow Statement

CF Statement (in USDm)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Cash flows from operating activities:										
Net income	614	1 666	3 047	4 141	2 796	4 332	9 752	4 368	29 760	72 880
Depreciation and amortization	197	187	199	262	381	1 098	1 174	1 544	1 508	1 864
Stock-based compensation expense	204	247	391	557	844	1 397	2 004	2 709	3 549	4 737
Restructuring / Acquisition termination cost	45	0	0	0	0	0	0	1 353	0	0
Deferred income taxes	134	197	-359	-315	18	-282	-406	-2 164	-2 489	-4 477
Losses (gain) on investments / non-marketable equity securities	-6	0	0	0	1	0	-100	45	-238	-1 030
Amortization of debt discount / loss on early conversions	29	21	19	0	0	0	0	0	0	0
Other non-cash adjustments	9	33	20	-45	4	-20	47	-7	-278	-502
Changes in operating assets and liabilities, net of acquisitions:										
Changes in accounts receivable	-32	-321	-440	-149	-233	-550	-2 215	822	-6 172	-13 063
Changes in inventories	66	-375	0	-776	597	-524	-774	-2 554	-98	-4 781
Changes in prepaid expenses and other assets	-16	-18	21	-55	77	-394	-1 715	-1 517	-1 522	-395
Changes in accounts payable	-11	184	90	-135	194	312	568	-551	1 531	3 357
Changes in accrued and other current liabilities	39	-135	33	256	54	290	581	1 341	2 025	4 278
Changes in other long-term liabilities	-97	-14	481	2	28	163	192	252	514	1 221
Net cash provided by operating activities	**1 175**	**1 672**	**3 502**	**3 743**	**4 761**	**5 822**	**9 108**	**5 641**	**28 090**	**64 089**
Cash flows from investing activities:										
Proceeds from maturities of marketable securities	1 036	969	1 078	7 232	4 744	8 792	15 197	19 425	9 732	11 195
Proceeds from sales of marketable securities	2 102	1 546	863	428	3 365	527	1 023	1 806	50	495
Proceeds from sales of non-marketable equity securities	0	0	0	0	0	0	0	8	1	171
Purchases of marketable securities	-3 477	-3 134	-36	-11 148	-1 461	-19 308	-24 787	-11 897	-18 211	-26 575
Purchases of property and equipment and intangibles	-86	-176	-593	-600	-489	-1 128	-976	-1 833	-1 069	-3 236
Purchases of non-marketable equity securities	0	-5	-36	-9	0	0	0	-85	-862	-1 486
Acquisitions, net of cash acquired	0	0	0	0	-4	-8 524	-263	-49	-83	-1 007
Other investing activities	25	7	2	0	-10	-34	-24	0	-124	22
Net cash provided by (used in) investing activities	**-400**	**-793**	**1 278**	**-4 097**	**6 145**	**-19 675**	**-9 830**	**7 375**	**-10 566**	**-20 421**
Cash flows from financing activities:										
Issuance of debt, net	0	1 988	0	0	0	4 968	4 977	0	0	0
Proceeds related to employee stock plans	120	167	139	137	149	194	281	355	403	490
Payments related to repurchases of common stock	-587	-739	-909	-1 579	0	0	0	-10 039	-9 533	-33 706
Tax/withholding payments on equity awards	10	-176	-612	-1 032	-551	-942	-1 904	-1 475	-2 783	-6 930
Dividends paid	-213	-261	-341	-371	-390	-395	-399	-398	-395	-834
Repayment of debt / convertible notes	0	-673	-812	-16	0	0	-1 000	0	-1 250	-1 250
Other financing activities	-6	-15	-9	-5	0	-21	-90	-60	-75	-129
Net cash provided by (used in) financing activities	**-676**	**291**	**-2 544**	**-2 866**	**-792**	**3 804**	**1 865**	**-11 617**	**-13 633**	**-42 359**
Change in cash and cash equivalents	**99**	**1 170**	**2 236**	**-3 220**	**10 114**	**-10 049**	**1 143**	**1 399**	**3 891**	**1 309**
Cash and cash equivalents at beginning of period	497	596	1 766	4 002	782	10 896	847	1 990	3 389	7 280
Cash and cash equivalents at end of period	**596**	**1 766**	**4 002**	**782**	**10 896**	**847**	**1 990**	**3 389**	**7 280**	**8 589**

Appendix F – FY2026E-FY2031E Cash Flow Statement

CF Statement (in USDm)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Cash flows from operating activities:						
Net income	115 874	143 982	156 776	167 444	194 935	225 212
Depreciation and amortization	2 431	3 178	3 870	4 628	5 546	6 640
Stock-based compensation expense	7 253	9 418	10 336	11 125	13 029	15 266
Restructuring / Acquisition termination cost	0	0	0	0	0	0
Deferred income taxes	479	0	0	0	0	0
Losses (gain) on investments / non-marketable equity securities	0	0	0	0	0	0
Amortization of debt discount / loss on early conversions	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0
Changes in operating assets and liabilities, net of acquisitions:						
Changes in accounts receivable	-4 945	-8 727	-3 986	-3 553	-8 112	-9 635
Changes in inventories	-7 050	-6 441	-3 782	-3 717	-7 267	-8 915
Changes in prepaid expenses and other assets	-2 012	-1 802	-823	-734	-1 675	-1 989
Changes in accounts payable	1 119	2 793	1 640	1 612	3 152	3 866
Changes in accrued and other current liabilities	5 501	5 147	2 181	1 874	4 526	5 318
Changes in other long-term liabilities	1 247	2 288	2 231	2 146	2 483	2 895
Net cash provided by operating activities	**119 896**	**149 837**	**168 444**	**180 826**	**206 617**	**238 659**
Cash flows from investing activities:						
Proceeds from maturities of marketable securities	0	0	0	0	0	0
Proceeds from sales of marketable securities	0	0	0	0	0	0
Proceeds from sales of non-marketable equity securities	0	0	0	0	0	0
Purchases of marketable securities	-20 773	-33 236	-53 178	-85 085	-136 135	-217 816
Purchases of property and equipment and intangibles	-5 245	-6 879	-7 625	-8 291	-9 810	-11 614
Purchases of non-marketable equity securities	0	0	0	0	0	0
Acquisitions, net of cash acquired	0	0	0	0	0	0
Other investing activities	0	0	0	0	0	0
Net cash provided by (used in) investing activities	**-26 018**	**-40 115**	**-60 803**	**-93 375**	**-145 945**	**-229 430**
Cash flows from financing activities:						
Issuance of debt, net	0	0	0	0	0	0
Proceeds related to employee stock plans	0					
Payments related to repurchases of common stock	-41 795	-51 826	-64 265	-79 688	-98 813	-122 529
Tax/withholding payments on equity awards	0	0	0	0	0	0
Dividends paid	-971	-1 941	-3 883	-5 824	-8 736	-13 104
Repayment of debt / convertible notes	0	-1 000	0	-1 250	0	-1 500
Other financing activities	0	0	0	0	0	0
Net cash provided by (used in) financing activities	**-42 766**	**-54 768**	**-68 147**	**-86 762**	**-107 549**	**-137 132**
Change in cash and cash equivalents	**51 112**	**54 954**	**39 493**	**688**	**-46 877**	**-127 904**
Cash and cash equivalents at beginning of period	8 589	59 701	114 655	154 149	154 837	107 960
Cash and cash equivalents at end of period	**59 701**	**114 655**	**154 149**	**154 837**	**107 960**	**-19 945**

Appendix G – P&L Figures (Common Size), FY2016-FY2025

Key Ratios - Common Size	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
CoR	43,9 %	41,2 %	40,1 %	38,8 %	38,0 %	37,7 %	35,1 %	43,1 %	27,3 %	25,0 %
Gross Margins	56,1 %	58,8 %	59,9 %	61,2 %	62,0 %	62,3 %	64,9 %	56,9 %	72,7 %	75,0 %
R&D	26,6 %	21,2 %	18,5 %	20,3 %	25,9 %	23,5 %	19,6 %	27,2 %	14,2 %	9,9 %
SG&A	12,0 %	9,6 %	8,4 %	8,5 %	10,0 %	11,6 %	8,0 %	9,0 %	4,4 %	2,7 %
Non-Recurring Items	2,6 %	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	5,0 %	0,0 %	0,0 %
Total OPEX	41,2 %	30,8 %	26,9 %	28,7 %	35,9 %	35,2 %	27,6 %	41,3 %	18,6 %	12,6 %
EBIT Margin	14,9 %	28,0 %	33,0 %	32,5 %	26,1 %	27,2 %	37,3 %	15,7 %	54,1 %	62,4 %
EBITDA Margin	18,8 %	30,7 %	35,1 %	34,7 %	29,6 %	33,8 %	41,7 %	21,4 %	56,6 %	63,8 %
Adj. EBITDA Margin	25,5 %	34,3 %	39,1 %	39,5 %	37,3 %	42,1 %	49,1 %	36,4 %	62,4 %	67,5 %
Net Interest Income (Expense)	-0,2 %	-0,1 %	0,1 %	0,7 %	1,2 %	-0,8 %	-0,8 %	0,0 %	1,0 %	1,2 %
Other, Net	0,1 %	-0,4 %	-0,2 %	0,1 %	0,0 %	0,0 %	0,4 %	-0,2 %	0,4 %	0,8 %
Pre-Tax Margin	14,8 %	27,6 %	32,9 %	33,3 %	27,2 %	26,4 %	36,9 %	15,5 %	55,5 %	64,4 %
Effective Tax Rate	17,4 %	12,5 %	4,7 %	-6,3 %	5,9 %	1,7 %	1,9 %	-4,5 %	12,0 %	13,3 %
Profit Margin	12,3 %	24,1 %	31,4 %	35,3 %	25,6 %	26,0 %	36,2 %	16,2 %	48,8 %	55,8 %

Appendix H – Historical Multiples, FY2016-FY2025

Multiples	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
EV/Sales	1,9x	4,1x	9,2x	11,3x	9,3x	15,1x	18,6x	16,4x	15,7x	21,1x
EV/EBITDA	10,2x	13,2x	26,3x	32,6x	31,4x	44,7x	44,6x	76,8x	27,7x	33,1x
EV/adj. EBITDA	7,5x	11,8x	23,6x	28,7x	24,9x	35,8x	37,9x	45,1x	25,1x	31,3x
EV/EBIT	12,8x	14,5x	28,0x	34,9x	35,6x	55,5x	49,9x	104,9x	29,0x	33,8x
EV/FCFF	11,7x	27,3x	37,7x	46,3x	30,0x	67,8x	62,2x	209,4x	39,6x	46,7x
P/E	21,5x	19,3x	31,1x	33,3x	39,4x	59,1x	52,4x	102,0x	32,6x	38,3x
P/FCFE	16,2x	32,0x	40,1x	46,6x	31,5x	71,4x	64,2x	215,0x	39,1x	45,6x

Appendix I – Revenue Estimate, FY2026E-FY2031E

Assumptions	
Cumulative IT Equipment Spend	3 300
Annual market share erosion p.a. (IT)	3 %

Revenue	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY2031E
In % of cumulative spend	8 %	13 %	15 %	17 %	21 %	26 %
IT equipment spend	264	429	495	561	693	858
NVDA SAM (70%)	185	300	347	393	485	601
NVDA market share	85 %	82 %	79 %	76 %	73 %	70 %
NVDA data center revenue	157	246	274	298	354	420
NVDA data center revenue in % of total	88,5 %	88,8 %	89,0 %	89,3 %	89,5 %	89,8 %
Gaming and other	20	31	34	36	41	48
Total NVDA revenue	177	277	308	334	396	468
In US$m	211 511	277 407	307 508	334 336	395 592	468 345

Appendix J – DCF

FCFF (in USDm)	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	Terminal Value
Revenue	26 974	60 922	130 497	211 511	277 407	307 508	334 336	395 592	468 345	
Cost of Revenue	11 618	16 621	32 639	58 162	80 032	92 872	105 493	130 168	160 438	
Gross Profit	15 356	44 301	97 858	153 349	197 375	214 636	228 842	265 424	307 907	
R&D	7 339	8 675	12 914	18 674	24 492	27 150	29 518	34 926	41 350	
SG&A	2 440	2 654	3 491	5 420	6 797	7 188	7 439	8 357	9 367	
Restructuring Costs	1 353	0	0	0	0	0	0	0	0	
EBIT	4 224	32 972	81 453	129 254	166 086	180 298	191 885	222 140	257 191	
NOPAT	4 413	29 016	70 648	111 426	142 380	153 697	162 652	187 231	215 538	
D&A	1 544	1 508	1 864	2 431	3 178	3 870	4 628	5 546	6 640	
Δ in NWC	2 008	5 342	10 296	9 190	10 352	5 331	4 999	10 540	12 722	
CapEx	1 833	1 069	3 236	5 245	6 879	7 625	8 291	9 810	11 614	
FCFF	2 116	24 113	58 980	99 423	128 327	144 611	153 991	172 427	197 842	4 956 113
PV of FCFF and TV				88 329	101 287	101 404	95 933	95 433	97 281	2 436 981

Assumptions	
WACC	12,6 %
LT growth rate	3,6 %
Implied terminal multiple	11,6x
Applied terminal multiple	25,1x

EV	**3 016 648**
+ Cash and CE & MS	56 791
+ Option Proceeds	532
+ Nventures	3 799
- GIBD	-8 466
Equity value	**3 069 305**
# of basic SO	24 327
+ # of options/warrants/RSUs/PSUs	119
# of FDSO	24 446
Fair value/sh	**125,6**

Appendix K – Cost of Debt/Bond Overview

Bond	YTM	Face Value	Price %	Outstanding	Mkt Value of bond	rD	Coupon	Interest expense
3.7% 01-Apr-2060	5,3 %	1000,0	75,3 %	500,0	376,6	0,3 %	3,7 %	18,5
3.5% 01-Apr-2050	5,2 %	1000,0	76,6 %	2000,0	1531,0	1,1 %	3,5 %	70,0
3.5% 01-Apr-2040	4,9 %	1000,0	86,0 %	1000,0	860,1	0,6 %	3,5 %	35,0
2.0% 15-Jun 2031	4,1 %	1000,0	89,6 %	1250,0	1119,8	0,6 %	2,0 %	25,0
2.85% 01-Apr-2030	3,9 %	1000,0	95,7 %	1500,0	1435,8	0,7 %	2,9 %	42,8
1.55% 15-Jun-2028	3,8 %	1000,0	94,3 %	1250,0	1179,1	0,6 %	1,6 %	19,4
3.2% 16-Sep-2026	4,0 %	1000,0	99,2 %	1000,0	992,4	0,5 %	3,2 %	32,0
Total		7000,0		8500,0	7494,7	4,4 %	2,9 %	242,6

Appendix L - SOTP Segment Forecast

Revenue by Reportable Segments	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Graphics revenue	11 906	13 517	14 304	22 127	27 633	29 094	29 960	33 472	37 286
Compute & Networking revenue	15 068	47 405	116 193	189 384	249 774	278 414	304 375	362 121	431 059
Graphics OI	4 552	5 846	5 085	7 994	10 142	10 846	11 342	12 864	14 545
Compute & Networking OI	5 083	32 016	82 875	133 883	174 998	193 306	209 410	246 852	291 125
Graphics OI margin	38 %	43 %	36 %	36 %	37 %	37 %	38 %	38 %	39 %
Compute & Networking OI margin	33,7 %	67,5 %	71,3 %	70,7 %	70,1 %	69,4 %	68,8 %	68,2 %	67,5 %
Graphics in %	44 %	22 %	11 %	10 %	10 %	9 %	9 %	8 %	8 %
Compute & Networking in %	56 %	78 %	89 %	90 %	90 %	91 %	91 %	92 %	92,0 %