

DESK NOTE

07.03.2025

NVIDIA Corporation (NVDA US) – AI Industry Leader

Worth Chasing at Reasonable Price

Conclusive Summary: Following the -25% monthly drop after 4Q25 earnings, we recommend adding NVDA around \$100.

The stock **declined despite delivering solid earnings and guidance**, as it did not exceed the highest guidance expectations, however, **we believe the NVIDIA story remains intact**. The company is still **the undisputed leader in AI**, with robust demand for its AI and data center solutions, with an expected 32% CAGR over the next three years, reinforcing its dominant positioning over the medium term. While competition from GPU makers is intensifying, **we believe it will take years to materially impact NVIDIA's market leadership**. We also believe that the introduction of cheaper, competitive models like Deepseek-R1 and Alibaba's QwQ-32B will improve the cost-efficiency of AI applications but are unlikely to meaningfully affect NVIDIA's revenues. Similarly, we do not expect hyperscalers' efforts to develop their own ASICs to replace general-purpose NVIDIA GPUs to impact Blackwell sales over the short-term. With the expanding AI ecosystem and NVIDIA's strong foothold in supercomputing, automotive, and robotics, we believe that the **stock remains well-positioned for diversified growth over the long run**. Although trading at a 50% premium to its peers, **NVDA's ~0.7 PEG ratio at \$100 presents an appealing opportunity for investors**.

Competitive Position: NVIDIA dominates AI and accelerated computing, driven by its CUDA platform, but faces competition across multiple fronts. AMD, Intel, and Huawei challenge its GPU and AI chip leadership, while Amazon, Google, and Microsoft develop in-house AI hardware. In automotive AI, Tesla and Qualcomm are key rivals, and in networking, Broadcom, Cisco, and Marvell compete in high-performance interconnects. Sustaining its edge will depend on continued innovation and software ecosystem expansion. NVIDIA derives **47% of its revenue from the US**, with China (13%), Taiwan (16%), and Singapore (18%) as other key markets.

Valuation: Using a combination of multiple and DCF valuation, **we reach a blended target price (TP) of \$143, +29% above current levels**. NVIDIA's leadership in AI chips resulted in the stock trading at about 150% multiple premiums to peers over the last 5 years which we believe will revert over the coming years to a narrower premium in the range of 50-75%. The stock is trading at ~2 standard deviations below its 5-year multiples, and 50% above industry averages. **We suggest adding NVDA stock around \$100.**

Ticker: NVDA US

Previous day close price: \$110.57

Price range (52w.): \$75.61 - \$153.13

Reason for note: Post 4Q25 Earnings

Target price: \$143 (+29% upside)

Recommendation: **Buy @ \$100**

Description: NVIDIA Corporation (NVDA) is a leader in accelerated computing, specializing in GPUs, AI computing, and data center solutions. Initially focused on gaming graphics, it has expanded into AI, cloud services, and autonomous systems, serving industries like cloud computing, gaming, automotive, and healthcare. NVIDIA's revenue streams include:

- **Data Center:** AI computing, HPC, networking products, and cloud services like DGX Cloud, driving its largest revenue share (87% of Revenue).
- **Gaming:** GeForce GPUs and cloud gaming services (GeForce NOW), benefiting from AI-enhanced gaming demand (9% of Revenue).
- **OEM & Other:** GPU products for OEMs and cryptocurrency mining (1% of Revenue).
- **Automotive:** AI-powered platforms for autonomous driving and infotainment (1% of Revenue).
- **Professional Visualization:** Workstation GPUs (RTX/Quadro), vGPU software, and Omniverse Enterprise for industrial simulation (1% of Revenue).

NVIDIA's edge lies in its unified computing architecture, AI leadership, and strong developer ecosystem, though it faces export restrictions and competition from AMD, Intel, and cloud providers.

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Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/EBITDA	27	137,455	3,711.272	-32,940	3,744,212	24,477	\$152.97
EV/EBIT	30	134,201	4,026,037	-32,940	4,058,977	24,477	\$165.83
P/E	31	4.67				24,477	\$144.79
Avg. Multiple Price							\$154.53
Avg. DCF Price							\$130.50
Avg. Multiple & DCF Price							\$142.51

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Post Earnings Preview:

NVDA	Expected Report Date		Next FY End	Preview Date
NVIDIA CORP	5/28/2025	Aft-mkt	1/26/2026	3/7/2025
Targets	DPRG	143	Street	173.23
Current Price/ Upside	110.57	29.32%		56.7%
Quarterly Preview		Last Q Report		
Last Close	Estimate	2/26/2025		
110.57	Q1	2025 Q4		Year Ago
			% Surprise	
Sales, \$ mil.	43,305	39,331	2.84%	22,103
growth	qoq	10.1%	yoy	95.9%
EBITDA, \$ mil.	27,571	24,838	3.19%	14,217
growth	qoq	11.0%	yoy	93.9%
Net Income, \$ mil.	23,091	22,110	4.97%	12,210
growth	qoq	4.4%	yoy	89.1%
EPS, \$	0.93	0.89	6.08%	0.49
growth	qoq	3.8%	yoy	88.8%
EPS GAAP, \$	0.91	0.89	11.11%	0.49
growth	qoq	1.8%	yoy	83.8%
Valuation	Current	-1STD	Average 2Y	+1STD
EV to Forward 12M Sales	12.73	15.62	18.51	21.40
EV to Forward 12M EBITDA	19.39	23.40	30.96	38.53
Price to Forward 12M EPS	23.67	27.52	36.83	46.15
EV/Sales	Underpriced			
EV/EBITDA	Underpriced			
PE	Underpriced			
Total Rating on Valuation	Underpriced			
Company Guidance	1Q26	4Q25	1Q25	Date of guidance
Sales	43,000	39,331	26,044	2/26/2025
	growth	9.3%	65.1%	
Gross Margin	71.0%	73.3%	78.4%	

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