

# NVIDIA:

# Long Idea



# NVIDIA

# Macro view

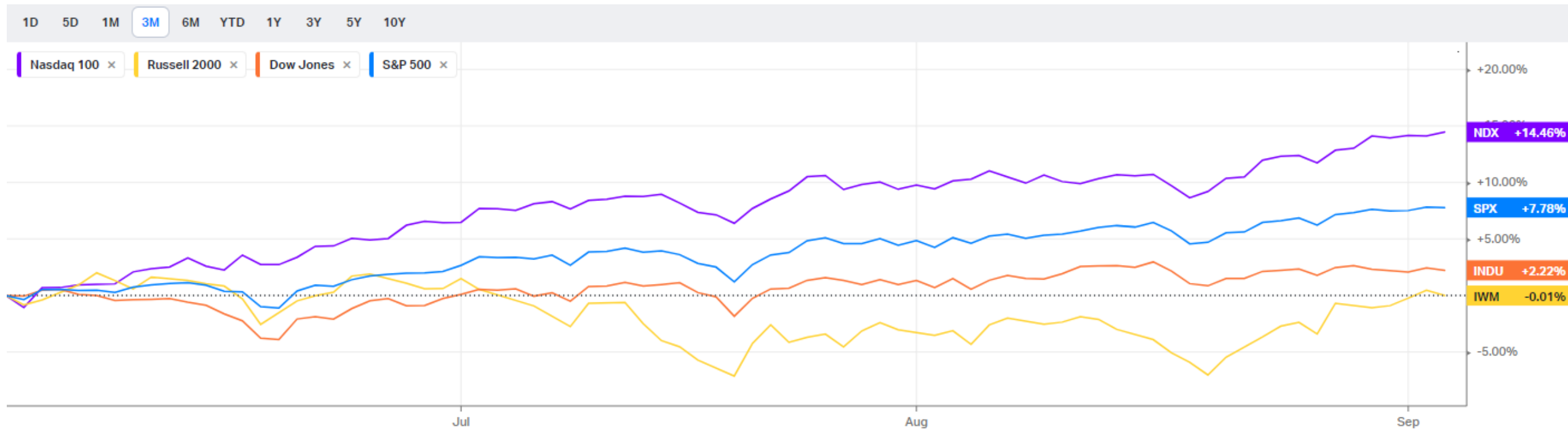
- Leading indicators:** Leading indicators are strong, particularly so in the US even though building permits saw a drawback. Mixed comments with problems in the supply chain, labor shortage and **inflation** with **higher commodity prices** seem to be common themes across many industries as demand increases.

ISM Manufacturing	mar-21		abr-21		may-21		jun-21		jul-21		ago-21	
Furniture & Related Products	Growth	12	Growth	16	Growth	16	Growth	17	Growth	17	Growth	15
Computer & Electronic Products	Growth	14	Growth	8	Growth	11	Growth	14	Growth	13	Growth	14
Machinery	Growth	15	Growth	15	Growth	7	Growth	16	Growth	11	Growth	13
Primary Metals	Growth	9	Growth	13	Growth	12	Growth	6	Growth	6	Growth	12
Electrical Equipment, Appliances & Comp	Growth	16	Growth	18	Growth	10	Growth	15	Growth	3	Growth	11
Fabricated Metal Products	Growth	11	Growth	14	Growth	9	Growth	11	Growth	10	Growth	10
Plastics & Rubber Products	Growth	8	Growth	10	Growth	14	Growth	13	Growth	5	Growth	9
Chemical Products	Growth	5	Growth	11	Growth	6	Growth	12	Growth	8	Growth	8
Miscellaneous Manufacturing	Growth	3	Growth	12	Growth	5	Growth	9	Growth	14	Growth	7
Food, Beverage & Tobacco Products	Growth	10	Growth	9	Growth	8	Growth	5	Growth	7	Growth	6
Transportation Equipment	Growth	6	Growth	5	Growth	4	Growth	10	Growth	4	Growth	5
Wood Products	Neutral	0	Growth	1	Growth	3	Growth	2	Growth	2	Growth	4
Printing & Related Support Activities	Growth	2	Growth	2	Contraction	-1	Growth	3	Growth	16	Growth	3
Paper Products	Growth	7	Growth	4	Growth	2	Growth	4	Growth	9	Growth	2
Petroleum & Coal Products	Growth	1	Growth	3	Growth	1	Growth	1	Growth	1	Growth	1
Apparel, Leather & Allied Products	Growth	13	Growth	6	Neutral	0	Neutral	0	Growth	15	Neutral	0
Nonmetallic Mineral Products	Growth	4	Growth	7	Growth	15	Growth	8	Growth	12	Contraction	-1
Textile Mills	Growth	17	Growth	17	Growth	13	Growth	7	Contraction	-1	Contraction	-2



# Idea background

- As we know, markets have been worrying about growth and that has led to an overperformance of “big tech” over small and mid caps, I want reflect that dynamic in my portfolio while also providing diversification in market caps.



# Industry Top-Down

- It's trading at a **high premium** to the semiconductor (high market cap) sector, with very high earnings and revenue growth. *(I put the other companies this time)*

Ticker	Company Name	EG F1	EG F2	EG F3	PE FY1	PE FY2	PE FY3	PEG F1	PEG F2	PEG F3
TXN	Texas Instruments Inc	35.69%	3.37%	4.44%	24.03	23.24	22.25	0.67	6.89	5.01
AMD	Advanced Micro Devices Inc	92.81%	21.89%	14.74%	43.90	36.02	31.39	0.47	1.65	2.13
ADI	Analog Devices Inc	31.43%	12.57%	14.33%	25.20	22.39	19.58	0.80	1.78	1.37
XLNX	Xilinx Inc	33.82%	12.10%	4.27%	43.96	39.22	37.61	1.30	3.24	8.82
INTC	Intel Corp	-9.64%	-7.41%	8.32%	11.22	12.12	11.19	-1.16	-1.64	1.35
MRVL	Marvell Technology Inc	56.64%	32.04%	24.67%	42.55	32.23	25.85	0.75	1.01	1.05
MCHP	Microchip Technology Inc	28.90%	8.76%	7.34%	18.40	16.92	15.76	0.64	1.93	2.15
ANET	Arista Networks Inc	18.06%	11.44%	9.80%	34.10	30.60	27.87	1.89	2.68	2.85
AVGO	Broadcom Inc	24.89%	9.33%	6.16%	17.77	16.26	15.31	0.71	1.74	2.48
ON	ON Semiconductor Corp	190.39%	10.86%	9.95%	18.39	16.59	15.09	0.10	1.53	1.52
MPWR	Monolithic Power Systems Inc	39.84%	15.56%	17.71%	70.66	61.15	51.95	1.77	3.93	2.93
TEL	TE Connectivity Ltd	52.29%	9.68%	12.90%	23.29	21.23	18.81	0.45	2.19	1.46
NVDA	NVIDIA Corp	65.34%	12.19%	15.56%	54.18	48.30	41.79	0.83	3.96	2.69
-	Industry Average	50.80%	11.72%	11.55%	32.90	28.94	25.73	0.71	2.38	2.75

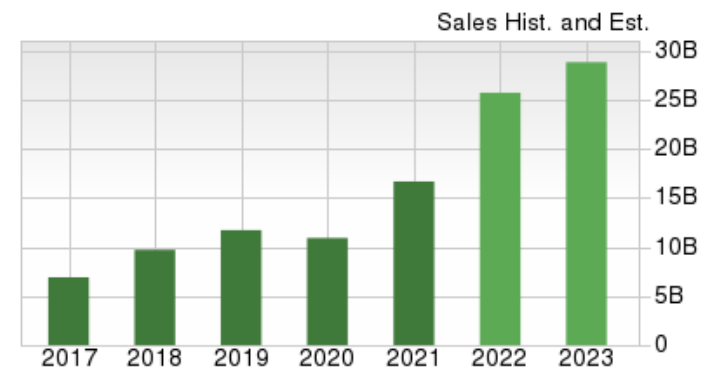
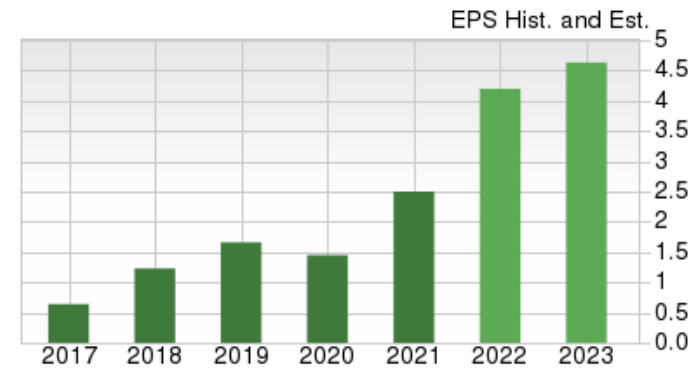
# Industry Top-Down

- The earnings and sales sequential growth depicts very attractive trend in their forward-looking numbers.


Valuation Multiples - NVDA					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	51.71	25.83	27.54	21.47
	5-Year High	77.58	26.40	28.31	23.87
	5-Year Low	19.02	12.86	16.99	15.29
	5-Year Median	39.57	16.92	20.44	18.44
P/S F12M	Current	20.09	6.82	4.91	4.55
	5-Year High	20.47	6.92	4.91	4.58
	5-Year Low	5.00	2.88	2.79	3.12
	5-Year Median	11.06	4.24	3.53	3.71
P/B TTM	Current	25.88	6.63	9.41	6.92
	5-Year High	27.48	7.11	10.34	6.98
	5-Year Low	6.84	2.75	4.59	3.67
	5-Year Median	16.03	4.29	5.87	4.93

As of 08/23/2021

Source: Zacks Investment Research



# Company Overview

**NVIDIA Corporation**  NasdaqGS

[★ In My Watchlists](#) [📄 My Notes](#) [✎ Quotebox](#)

**NVDA** **228.43** USD **+4.47 (+2.00%)** **228.71** USD **+0.28 (+0.12%)** **Thu Nov 18th 2021** **Information Technology** **Semiconductors and Semiconductor Equipment** **\$ 570.16<sub>B</sub>** **52.8x** **25,808,814** **36.20%** **59.39%**  
Last Updated • Fri Sep 03 4:00PM EDT After Market • Fri Sep 03 7:59PM EDT Next Earnings Date Sector Industry Market Cap Forward P/E Volume Total Return (3M) Total Return (1Y)



KEY DATA			
Dividend Yield	0.07%	Avg Volume (10D)	33.52M
Beta (5Y Monthly)	1.35	Volatility (1Y)	42.32
Shares Outstanding	2.50 <sub>B</sub>	Short Interest %	1.08%
Industry	Semiconductors and Semiconductor Equipment		
Competitors	MU AMD AVGO TXN QCOM		

PERFORMANCE RETURNS				
	1M	3M	YTD	1Y
Price	15.66%	36.15%	74.98%	59.22%
Total	15.68%	36.20%	75.11%	59.39%

VALUATION		
	LTM	NTM
P/E	81.8x	52.8x
EV/Sales	25.7x	20.7x
EV/EBITDA	65.2x	50.4x
Price/Book	27.0x	

CAPITAL STRUCTURE	
Market Cap	\$570.16 <sub>B</sub>
Total Debt	\$12.79 <sub>B</sub>
Cash & Inv.	\$19.65 <sub>B</sub>
Enterprise Value	\$563.30 <sub>B</sub>

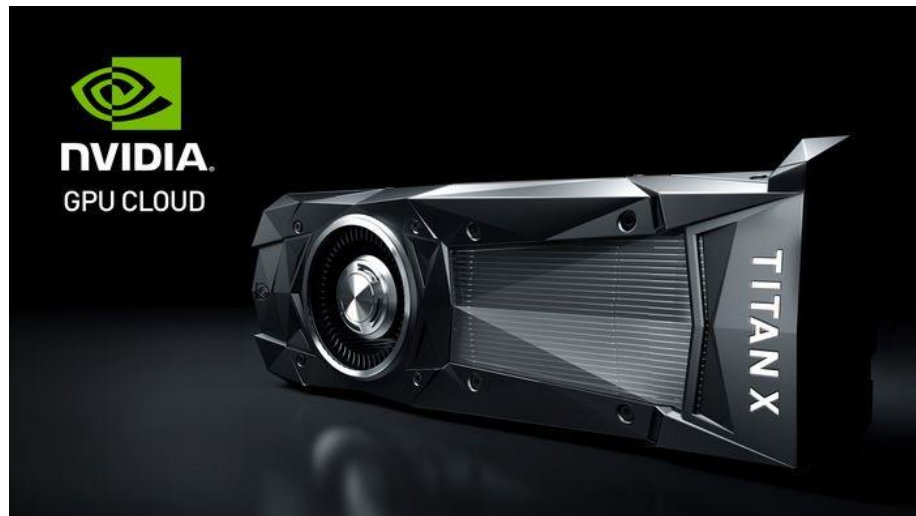
NEWS	
3 Tech Hardware Stocks to Buy After Earnings	Yahoo • Sep 05 21
Why Nvidia Stock Jumped 15% in August	Yahoo • Sep 04 21
Portfolio Management Rules Created An Investing Champion	Yahoo • Sep 04 21
Why Nvidia Shares Beat the Market Today	Yahoo • Sep 03 21
Moderna And Nvidia Lead The Nasdaq-100	Benzinga • Sep 03 21

ANALYST ESTIMATES			
	FY 2022	FY 2023	FY 2024
Sales	\$25.76 <sub>B</sub>	\$28.90 <sub>B</sub>	\$32.98 <sub>B</sub>
YoY Chg	54.45%	12.22%	14.11%
EPS	4.16	4.61	5.27
YoY Chg	66.42%	10.85%	14.26%

# Company Overview

## DESCRIPTION:

NVIDIA Corporation operates as a visual computing company worldwide. The company's products are used in gaming, professional visualization, datacenter, and automotive markets. NVIDIA Corporation sells its products to original equipment manufacturers, original device manufacturers, system builders, add-in board manufacturers, retailers/distributors, Internet and cloud service providers, automotive manufacturers and tier-1 automotive suppliers, mapping companies, start-ups, and other ecosystem participants. NVIDIA Corporation was founded in 1993 and is headquartered in Santa Clara, California.



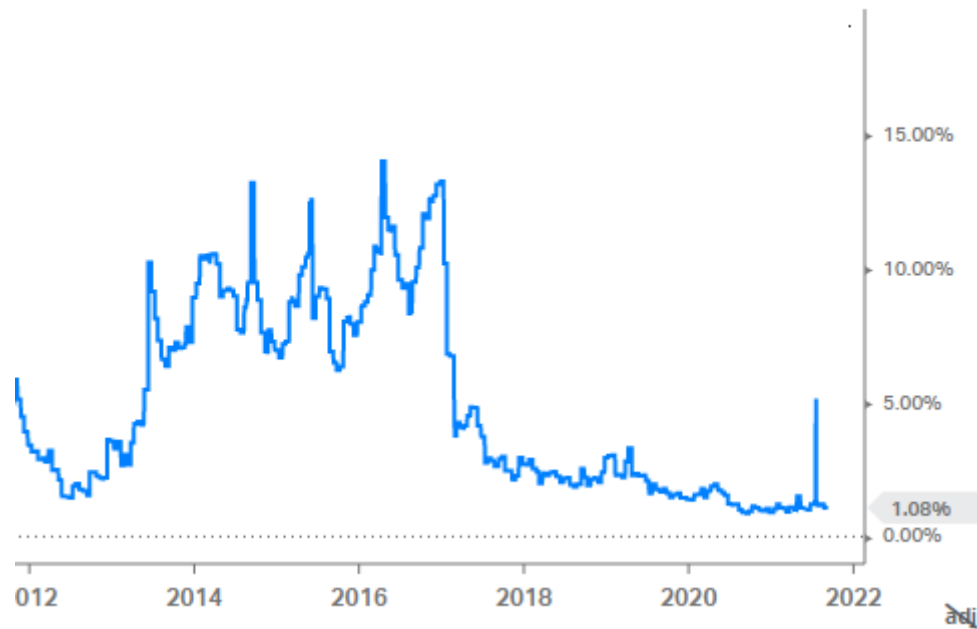


# Company Overview

- **Very low short interest and no anomalies in institutional holdings**

Short Interest %

[Open Graph](#)



2,585 Institutional Holders

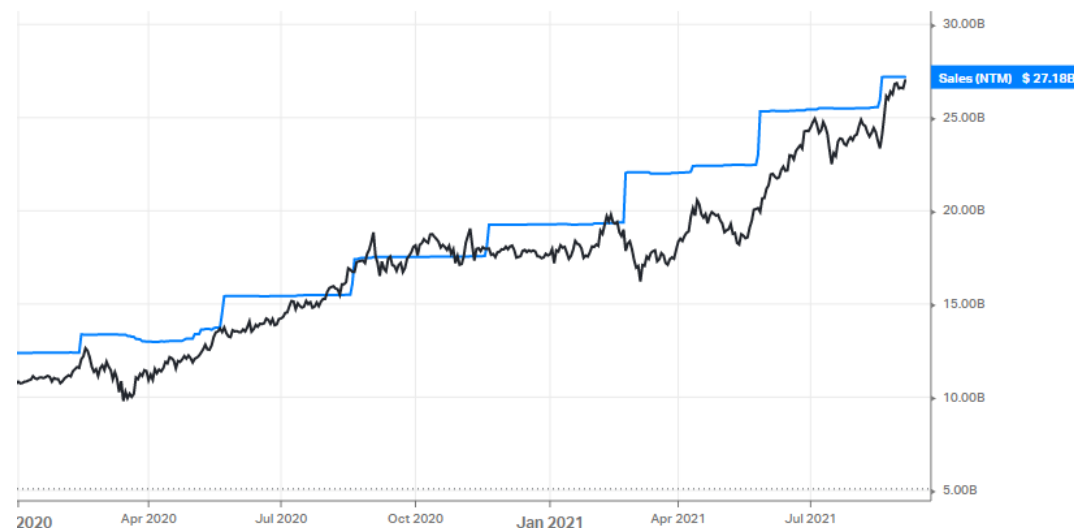
1,638,795,068 Total Shares Held

OWNER NAME	DATE	SHARES HELD	CHANGE (SHARES)	CHANGE (%)	VALUE (IN 1,000S)
VANGUARD GROUP INC	06/30/2021	193,272,804	1,331,968	0.694%	\$44,149,307
FMR LLC	06/30/2021	182,040,700	240,868	0.132%	\$41,583,557
BLACKROCK INC.	06/30/2021	172,398,256	-5,723,224	-3.213%	\$39,380,934
STATE STREET CORP	06/30/2021	97,607,416	726,548	0.75%	\$22,296,462
GEODE CAPITAL MANAGEMENT, LLC	06/30/2021	39,401,940	695,292	1.796%	\$9,000,585
JENNISON ASSOCIATES LLC	06/30/2021	29,809,276	1,209,084	4.228%	\$6,809,333
NORTHERN TRUST CORP	06/30/2021	27,911,040	-343,916	-1.217%	\$6,375,719
PRICE T ROWE ASSOCIATES INC /MD/	06/30/2021	26,696,288	-1,871,888	-6.552%	\$6,098,233
BANK OF AMERICA CORP /DE/	06/30/2021	25,524,672	-1,320,060	-4.917%	\$5,830,601
BANK OF NEW YORK MELLON CORP	06/30/2021	24,796,580	593,940	2.454%	\$5,664,283
NORGES BANK	12/31/2020	23,563,600	-384,464	-1.605%	\$5,382,633
BAILLIE GIFFORD & CO	06/30/2021	21,163,688	-483,900	-2.235%	\$4,834,421
LOOMIS SAYLES & CO L P	06/30/2021	20,366,000	575,444	2.908%	\$4,652,205
NUVEEN ASSET MANAGEMENT, LLC	06/30/2021	19,229,816	2,465,668	14.708%	\$4,392,667
MORGAN STANLEY	06/30/2021	18,707,172	-1,205,376	-6.053%	\$4,273,279

# Quantitative analysis- Top-line

- Their sales are expected to increase 54% this year and 12% the next.

	FY 2021	FY 2022	FY 2023	FY 2024
1Q Apr	\$3.08 <sub>B</sub>	\$5.66 <sub>B</sub>	\$6.55 <sub>B</sub>	\$7.55 <sub>B</sub>
2Q Jul	\$3.87 <sub>B</sub>	\$6.51 <sub>B</sub>	\$7.00 <sub>B</sub>	\$8.12 <sub>B</sub>
3Q Oct	\$4.73 <sub>B</sub>	\$6.81 <sub>B</sub>	\$7.61 <sub>B</sub>	-
4Q Jan	\$5.00 <sub>B</sub>	\$6.81 <sub>B</sub>	\$7.74 <sub>B</sub>	-
Year	\$16.68 <sub>B</sub>	\$25.76 <sub>B</sub>	\$28.90 <sub>B</sub>	\$32.98 <sub>B</sub>
Growth	67.60%	54.45%	12.22%	14.11%



# Quantitative analysis - Bottom-line

	FY 2021	FY 2022	FY 2023	FY 2024
1Q Apr	0.45	0.92	1.02	1.17
2Q Jul	0.55	1.04	1.12	1.29
3Q Oct	0.73	1.10	1.24	-
4Q Jan	0.78	1.08	1.27	-
Year	2.50	4.16	4.61	5.27
Growth	80.78%	66.42%	10.85%	14.26%



# Quantitative analysis - Margins and focus on operational leverage

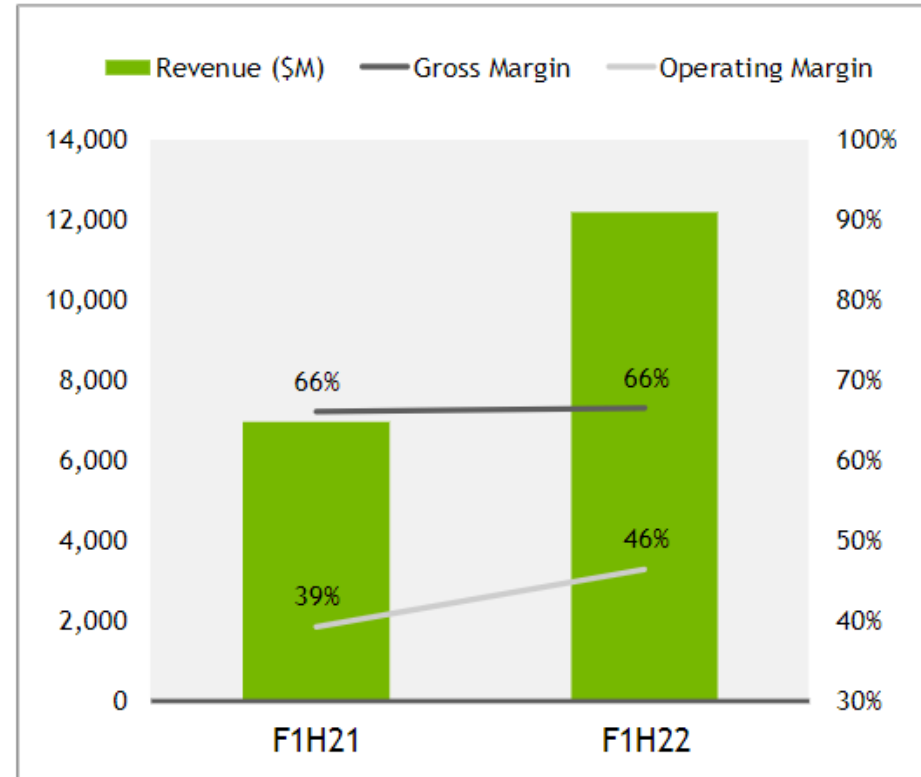
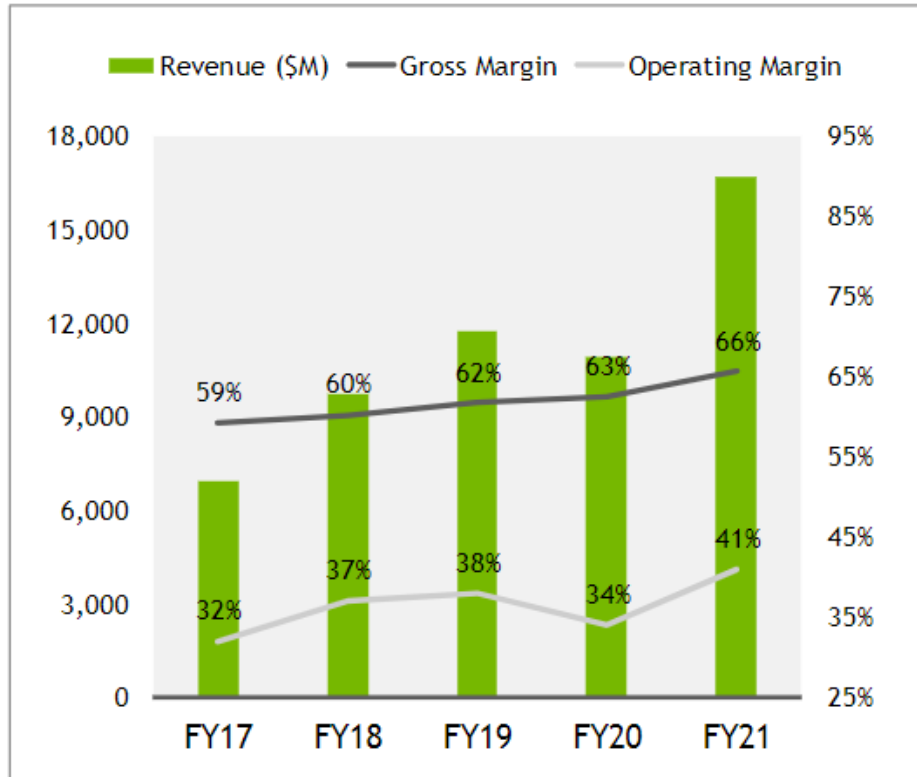
- Their margins have expanded consistently , especially since they started moving into the data center business

	GAAP			Non-GAAP		
	Q2 FY22	Y/Y	Q/Q	Q2 FY22	Y/Y	Q/Q
Revenue	\$6,507	+68%	+15%	\$6,507	+68%	+15%
Gross Margin	64.8%	+600 bps	+70 bps	66.7%	+70 bps	+50 bps
Operating Income	\$2,444	+275%	+25%	\$3,071	+103%	+20%
Net Income	\$2,374	+282%	+24%	\$2,623	+92%	+13%
Diluted EPS	\$0.94	+276%	+24%	\$1.04	+89%	+14%
Cash Flow from Ops	\$2,682	+71%	+43%	\$2,682	+71%	+43%

Income growth is 4x revenue growth

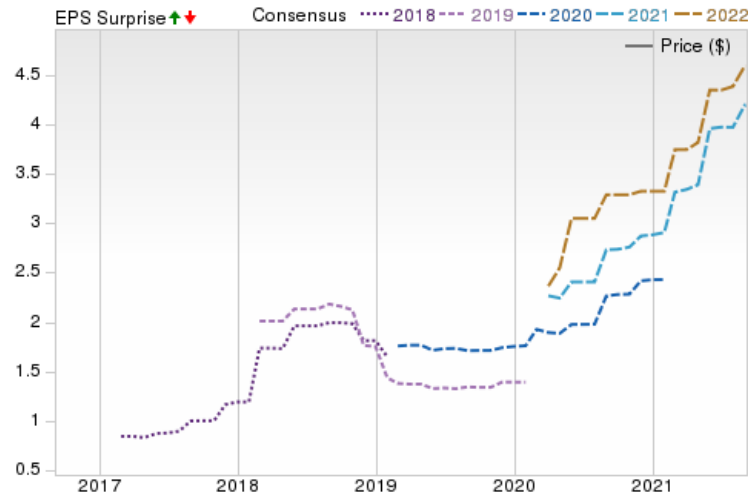
All dollar figures are in millions (\$) other than EPS. Diluted EPS y/y and q/q calculations adjusted to reflect 4:1 stock split on July 19, 2021.

# Quantitative analysis - Margins and focus on operational leverage



**Sustained Profitability**  
(showing non-GAAP margins)

# Quantitative analysis - Last Quarter and Estimates



Agreement Estimate Revisions (60 Days)				
	Q1	Q2	F1	F2
# of Analysts	12	10	13	12
# of Revisions	10	10	13	12
# Up	10	10	13	11
# Down	0	0	0	1
% Revision Agreement:	100%	100%	100%	92%

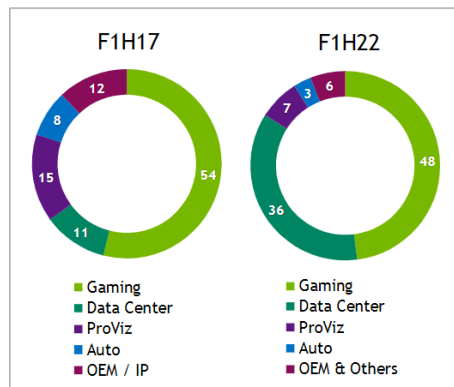
## LAST QUARTER

- Record revenue of \$6.51 billion, up 68% from a year earlier
- Record Gaming revenue of \$3.06 billion, up 85% from a year earlier
- Record Data Center revenue of \$2.37 billion, up 35% from a year earlier
- There was also a Stock Split recently.

• This company **NEVER misses estimates** and always provides **guidance**, that's where the risk-reward is.

# Qualitative analysis – Revenue

- Beginning first-quarter fiscal 2021, NVIDIA started reporting revenues under two segments – **Graphics and Compute & Networking**.
  - Graphics** include GeForce GPUs for gaming and PCs, the GeForce NOW game streaming service and related infrastructure, and solutions for gaming platforms; Quadro GPUs for enterprise design; GRID software for cloud-based visual and virtual computing; and automotive platforms for infotainment systems. **Graphics accounted for 60% of the fiscal second-quarter revenues**. The segment's top-line figure **surged 87% year over year and 13%, sequentially**, to \$3.91 billion.
  - Compute & Networking** represented **40% of the fiscal second-quarter revenues**. The segment comprises **Data-Center** platforms and systems for AI, HPC, and accelerated computing; DRIVE for autonomous vehicles; and Jetson for robotics and other embedded platforms. **Compute & Networking revenues climbed 46% year over year and 18%, sequentially**, to \$2.60 billion.

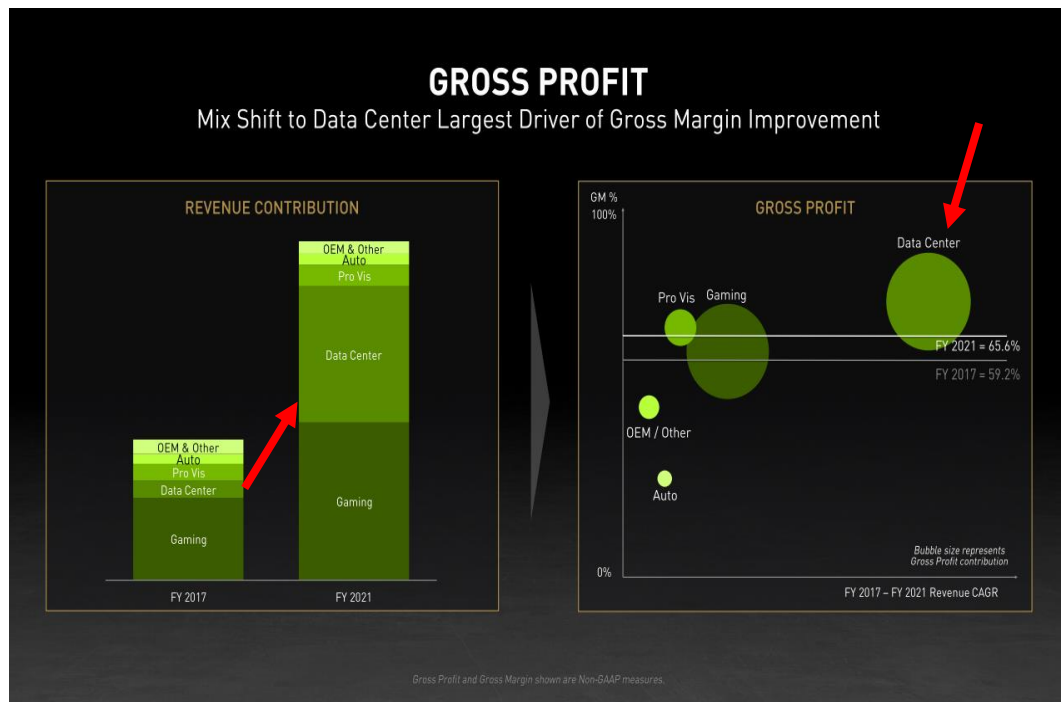


Business Mix (%)

→ Data center becoming a bigger part of the business

# Qualitative analysis - Revenue - Data Center expansion

- As you can see, the Data Center contribution to earnings has grown substantially and is becoming an important part of the business, while helping expand profit margins. Market loves this so it provides opportunity.





# Qualitative analysis - Gaming

This has been the **main line of business** for the company for many years and they remain a market leader. They are very well-diversified with a variety of high-quality products:

- GpU's ( main business)
- Gaming Laptops (rapidly growing)
- Gaming PC monitors
- A cloud gaming service, subscription based
- Virtual Reality hardware.

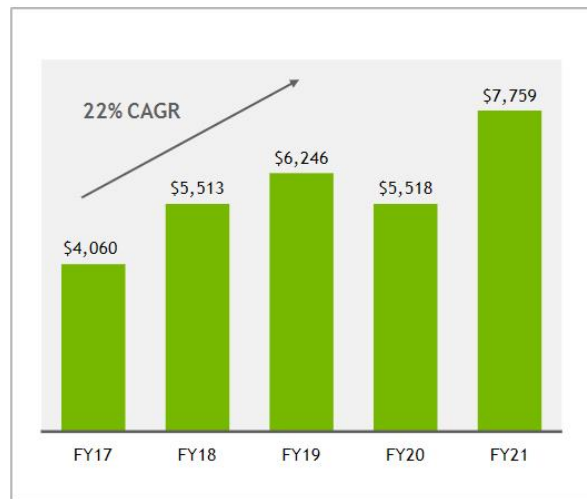
They also have a presence in the E-sports and gaming livestreaming atmosphere.

Very good growth trends in this line of business, and with the **new generation of consoles** (PS5 and Xbox in 2020 ) arriving last year, we usually see a **new generation of games**, which **will require better hardware to be played at the highest quality.**

# Qualitative analysis - Gaming

## GAMING

GeForce – The World's Largest Gaming Platform



Revenue (\$M)

- ▶ #1 in PC gaming with more than 3X the revenue of the other major GPU vendor
- ▶ Expanding the market with gaming laptops and cloud gaming
- ▶ Powering the Nintendo Switch console

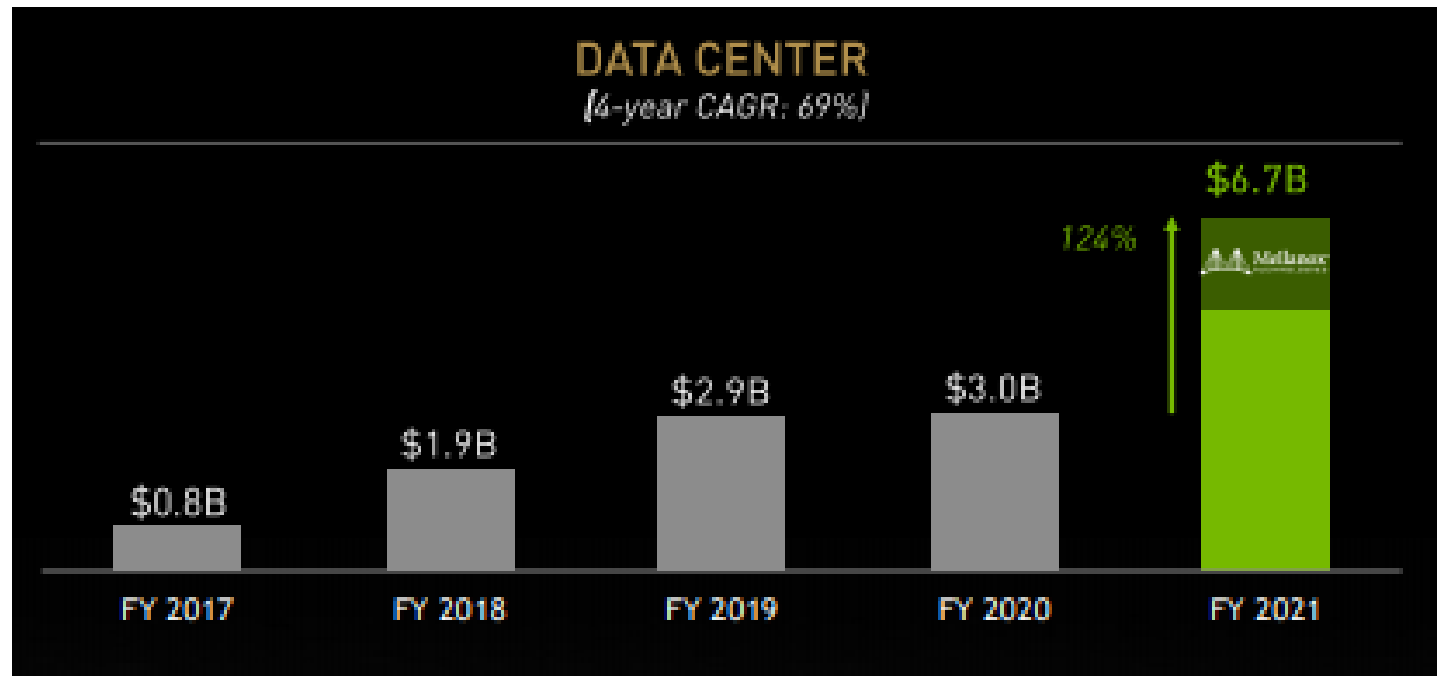
Highlights



200M+ Gamers on GeForce

# Qualitative analysis - Data Center

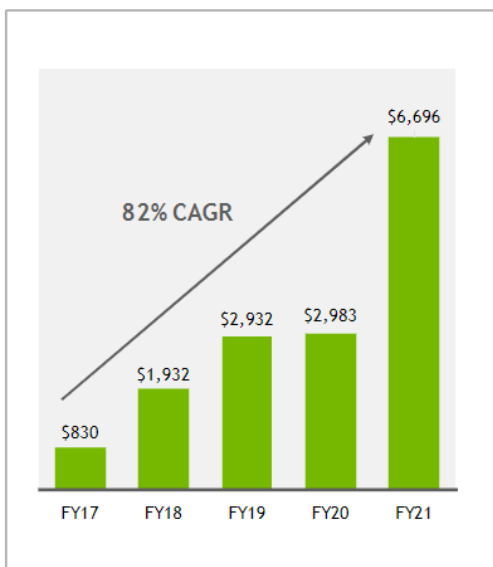
- Nvidia's **acquisition of Mellanox** closed this year, which bumped the company's data center revenue up, but it **would have been a record quarter no matter what**. Mellanox is a technology company provides solutions to increase datacenter efficiency by providing higher throughput and lower latency, delivering data faster to applications.



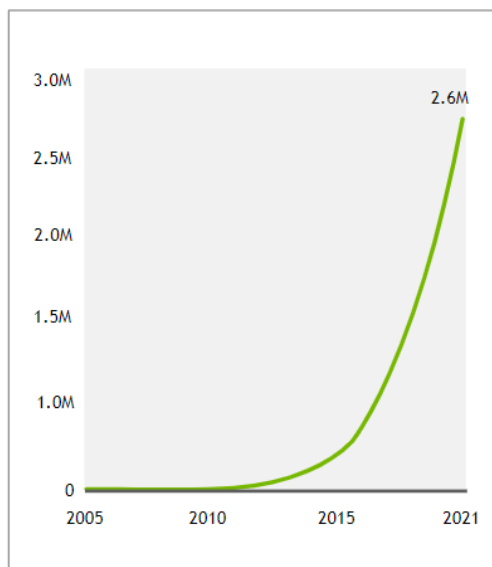
# Qualitative analysis - Data Center

## DATA CENTER

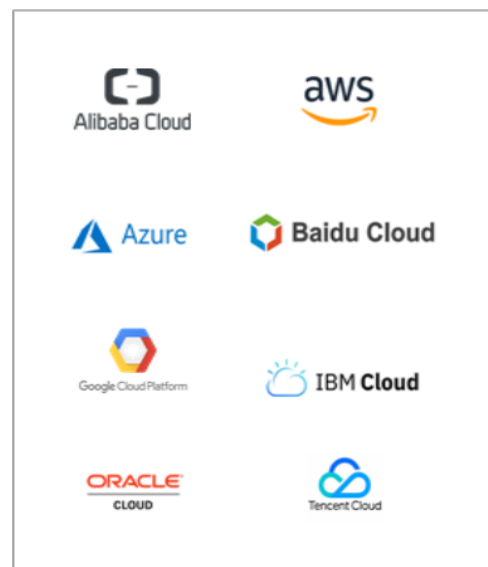
High Performance Computing (HPC) and AI



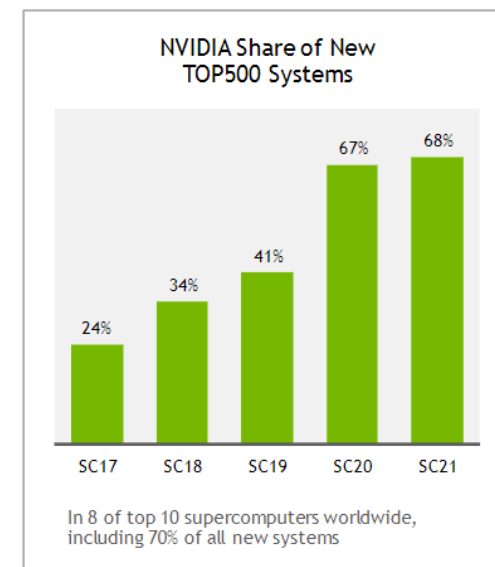
Revenue (\$M)



Registered NVIDIA Developers



Every Major Cloud Provider



90%+ Share of Accelerators in Supercomputing

# Qualitative analysis – Growth prospects: Cloud

- As cloud-focused industries keep growing, they will need data center efficiency in order to sustain this growth, which bodes well for GPU and data processing hardware in the future. NVIDIA is very well positioned within this sector to take advantage of that



# Catalysts

- Earnings Call Nov 17<sup>th</sup> ( estimated )

## CATALYSTS EXCLUDING EARNINGS:

- **Crypto trend:** Since their GPUs are sold to graphics card manufacturers and then onto distribution, they do not have the ability to accurately track or quantify their end use, but their estimates suggest that crypto mining contributed \$100 million to \$300 million to Q4 revenue, a relatively small portion of their Gaming revenue in Q4. So, what they did is lower their GPU's capability to mine crypto. But, to address industrial Ethereum mining demand, last week, they have announced a new line of NVIDIA CMPs or crypto mining processors. Shipments started in March, so next earnings will be the second time we see results in this regard.
- **New games generation:** As previously stated, the new generation of consoles will increase the hardware standards for new games, opening the necessity for gamers to get new hardware to play at the highest quality as new titles come out.
- **Chip Shortage management:** The market is probably wary of companies that are so dependent on chip supply (especially fables), but management has stated that, even though they will be supply constrained, it will not be a problem for sustaining growth. They are also partially in the supply side of the chip shortage, which is bullish:

" We usually have **enough supply to achieve better than the outlook**. And we had that situation in Q4. We expect that situation in Q1. And we **have enough supply to grow through the year.**"

"we have enough supply to do better than the outlook. And we have enough supply to grow each quarter throughout the year." They have also stated that they do not even have a shortage problem in the data center business line.

"at the company level, we're supply-constrained. Our demand is greater than our supply. And however, **for Data Center**, so long as the customers work closely with us and we do a good job planning between our companies, there should be a supply -- **there should not be a supply issue for Data Centers.** We just have to do a good job planning."

# Catalysts

- **ARM ACQUISITION**

This is very important for the company ( and the sector in general ) but faced UK government intervention. It seems it probably won't go through because there's too many conflicts of interest involved. This makes it so that if the deal happens it is actually a surprise that the market has not priced in.

The whole story around the acquisition and what it means to the company is very interesting, it is essentially facing opposition because it is perceived as giving NVIDIA too much power in this industry.

<https://www.gov.uk/government/publications/proposed-acquisition-of-arm-limited-by-nvidia-corporation-public-interest-intervention>

This is our strongest catalyst if it goes through or is said it will go through before the end of the year

# Catalysts

- Many events too, very active company in communicating to the market

## EVENTS


SEPTEMBER 21, 2021 8:45 AM PT

Evercore ISI Autotech & AI Forum

[LISTEN TO WEBCAST](#) 

SEPTEMBER 14, 2021 11:00 AM PT

Piper Sandler Global Technology Conference

[LISTEN TO WEBCAST](#) 

SEPTEMBER 13, 2021 2:10 PM PT

Citi 2021 Global Technology Conference

[LISTEN TO WEBCAST](#) 

SEPTEMBER 09, 2021 10:15 AM PT

New Street "Big Ideas - in Semiconductors" Conference



# Trade Structure

- As there are many catalysts very soon, we have two options. We can do a vertical or we can do a Calendar Spread but further OTM so that we can profit if the move is short-term. Price target is 310

	Strategy	Calendar	Calendar	Vertical
	Expiry	Oct and Dec	Oct and Dec	Dec
	strikes	260	260	245 and 300
	prices	1.9 and 7.2	1.9 and 7.2	11.25 and 2.1
	contracts	(1) and 2	(1) and 2	1 and (1)
	Calc Date	Oct	Dec	Dec
	cost	\$ (1,250.00)	\$ (1,250.00)	\$ (975.00)
	\$ 200.00	\$ (1,250.00)	\$ (1,250.00)	\$ (975.00)
	\$ 210.00	\$ (1,000.00)	\$ (1,250.00)	\$ (975.00)
Price Points	\$ 220.00	\$ (776.00)	\$ (1,250.00)	\$ (975.00)
Profit and Loss	\$ 230.00	\$ (402.00)	\$ (1,250.00)	\$ (975.00)
	\$ 240.00	\$ 146.00	\$ (1,250.00)	\$ (975.00)
	\$ 250.00	\$ 893.00	\$ (1,250.00)	\$ (475.00)
	\$ 260.00	\$ 1,849.00	\$ (1,250.00)	\$ 525.00
	\$ 270.00	\$ 2,009.00	\$ 750.00	\$ 1,525.00
	\$ 290.00	\$ 2,863.00	\$ 4,750.00	\$ 3,525.00
	\$ 300.00	\$ 3,504.00	\$ 6,750.00	\$ 4,525.00
	\$ 310.00	\$ 4,250.00	\$ 8,750.00	\$ 5,525.00
	\$ 320.00	\$ 5,075.00	\$ 10,750.00	\$ 5,525.00
	\$ 330.00	\$ 5,957.00	\$ 12,750.00	\$ 5,525.00

Vertical has lower breakeven, calendar provides more flexibility and better risk-reward ratio, we will stick with the calendar.

3x ; 7x and 5x risk/reward ratios respectively