

WSB

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NVIDIA Buy Recommendation

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OVERVIEW



Part 1

**Business
Description**

Part 2

Tension Points

Part 3

**Investment
Thesis**

Part 4

Valuation

Part 5

Risks

Investment Overview

Recommendation: **Buy** with a 12–24 month horizon

Target Price: ~\$238–239 vs. current ~\$182

Framework: Scenario-weighted target using **P/E and EV/EBITDA**, cross-checked with a short-dated DCF

Upside: ~31% upside

Key message: AI infrastructure is a multi-year program, not a one-off bubble; NVIDIA is the choke point with a full-stack moat

NVIDIA End Markets

% of Rev.

89%

Data Centers

AI accelerators, systems, networking, and software; NVIDIA's economic engine

10%

Gaming & Professional Visualization

GeForce GPUs and RTX platform, plus workstations/creative workloads

~1%

Automotive

ADAS and autonomous driving platforms (Drive)

<.5%

OEM & Other

Legacy and smaller businesses

Economic/Competitive Environment

Breakdown of Revenue by Geography

Geography	% of Total
United States	47%
Singapore	18%
Taiwan	16%
China (incl. HK)	13%
Other	6%
Total	100%

Sub-Segment	NVIDIA Approx. Share	Key Competitors (Approx. Share)
High-end data-center GPUs (AI accelerators for training + inference)	~90% (range 85–95%) of data-center GPU units/revenue	AMD + others ~5–15% combined (AMD Instinct line plus Google TPU, AWS Trainium/Inferentia, etc.)
AI data-center chips overall (all AI chips, not just GPUs)	~65% of AI data-center chip revenue	Intel ~22%, AMD ~11%, others ~2%
InfiniBand networking hardware (HPC / AI cluster ports)	~80–85% of InfiniBand ports shipped by NVIDIA Networking (ex-Mellanox)	Others ~15–20% (Intel, Oracle, Cisco, IBM, etc.)
AI back-end network protocols (inside AI clusters – InfiniBand vs Ethernet)	InfiniBand 80% of AI back-end networks	Ethernet ~20% (Broadcom, Cisco, Arista...)
GPU compute software ecosystems (developers / workloads)	CUDA = clear majority of GPU-compute workloads	AMD ROCm, Intel oneAPI/SYCL and others = minority share
Customer	% of FY2025 Revenue	% of Q2 FY2026 Revenue
Microsoft (Azure / OpenAI)	~12% FY2025	~23% Q2 FY2026
Amazon (AWS)	~11% FY2025	~16% Q2 FY2026
Google (GCP)	~11% FY2025	est. 10–12% Q2 FY2026
Meta (Facebook)	≥10% indirectly	part of top 3 DC customers
Other (Tencent, Baidu, Oracle Cloud, etc.)	<10% individually	Smaller shares

DEFENSIBLE MOAT

Full-stack platform

- NVIDIA controls GPUs, systems, networking, and CUDA/software, not just chips.
- Tight integration across the stack delivers better time-to-train and time-to-deploy than piecemeal alternatives.

CUDA & software ecosystem

- CUDA and NVIDIA's libraries/frameworks are deeply embedded in AI workflows.
- Engineers emphasized high switching costs and "integration pain" in moving off CUDA or supporting multiple stacks.

Networking & systems

- NVIDIA's InfiniBand + NVLink + reference rack designs give it an edge at the rack/cluster level, not just at the chip.

Result: I treat NVIDIA as an AI infrastructure platform with a durable moat, which supports premium margins and slower-than-feared share erosion.

Tension Points of the Business

Supply Chain – HBM & CoWoS

Whether HBM and advanced packaging stay a hard cap on data-center growth or ease enough to unlock another leg of upside; faster ramps at SK hynix, Samsung, Micron, and TSMC would mean more Blackwell systems and a richer margin mix than the market models today.

Hyperscaler AI Capex & Buyer Power

If a handful of “AI factory” customers (MSFT, AMZN, GOOGL, META) keep AI capex structurally high or move into a sharper digestion as custom silicon and buyer power grow; my field work points to an elevated but lumpy, stair-step pattern rather than a near-term cliff.

Power Availability & Cooling

Whether power, grid, and liquid-cooling bottlenecks become a structural cap on AI build-outs or mainly push projects out by a few quarters; I treat power/cooling as phasing risk that adds volatility, not permanent demand destruction, over my 18–24 month horizon.

Competition & Policy

How quickly AMD and custom cloud chips can erode NVIDIA’s share and pricing, and whether export controls/AI policy simply reshape NVIDIA’s mix or materially cap TAM and margins; I view alternatives as taking pocket share while CUDA and full-stack integration keep a premium footprint, with regulation as a key asymmetric downside risk.

Investment Thesis

1) Durable AI infrastructure

AI infrastructure demand is a multi-year program, not a one-off spike; I underwrite a longer, bumpier AI infra cycle with digestion periods but no hard cliff.

2) Full-stack Moat supports premium economics

CUDA, software, systems, and networking give NVIDIA a defensible, full-stack platform, driving structurally high gross, EBIT, and FCF margins even as competitors ramp.

3) Bottlenecks stretch, rather than kill, the cycle

HBM/CoWoS and power/cooling are real constraints, but they mainly shift revenue to later years instead of destroying the 5-year cash-flow opportunity.

4) Second wave of enterprise/vertical demand

A second wave of enterprise and industry-specific demand (healthcare, finance, industrials) builds behind hyperscalers, helping backfill digestion and sustain growth.

Thesis 1: Durable AI Infrastructure Cycle

Cycle shape

- Street is torn between an “AI super-cycle” and a bubble that peaks then busts. I underwrite a longer, bumpier AI infra cycle—with digestion periods, but no hard cliff—based on what customers told me about multi-year build plans and follow-on orders.

Evidence from field work

- High conversion from pilots to production once use cases prove ROI.
- Follow-on orders that are often larger than the initial deployment.
- Roadmaps framed over 3–5+ years, not one-year experiments.

\$MM, unless otherwise noted		2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Data Center Revenue				Active	70.0%	45.0%	45.0%	25.0%	18.0%
				Base	58.0%	35.0%	15.0%	20.0%	15.0%
				Bear	50.0%	25.0%	30.0%	18.0%	12.0%
				Bull	70.0%	45.0%	45.0%	25.0%	18.0%
Street		15,005	47,525	115,186	182,241	237,531	267,531	294,284	323,712
			216.7%	142.4%	58.2%	30.3%	12.6%	10.0%	10.0%
Management					182,241	255,138	357,193	464,350	557,220
					58.2%	40.0%	40.0%	30.0%	20.0%

Thesis 2: Full-Stack Moat & Premium Margins

Moat & competition

- Many models assume fast share loss and margin compression as AMD/custom ASICs ramp. I assume modest share loss but sustained premium margins, because of what users told me about CUDA, integration pain, and networking lock-in.

Field feedback

- CUDA and NVIDIA's software stack are deeply integrated into production workflows.
- Teams see NVIDIA systems + networking as the "safe default" for mission-critical AI.

\$MM, unless otherwise noted		2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Cost of Revenue Margin			Active		(28.0%)	(25.0%)	(24.0%)	(23.5%)	(23.0%)
			Base		(29.3%)	(26.7%)	(25.5%)	(25.3%)	(25.0%)
			Bear		(32.0%)	(29.5%)	(28.5%)	(28.0%)	(27.5%)
			Bull		(28.0%)	(25.0%)	(24.0%)	(23.5%)	(23.0%)
Street		(11,618)	(16,621)	(32,639)	(59,673)	(71,425)	(75,462)	(83,181)	(91,664)
		(43.1%)	(27.3%)	(25.0%)	(29.3%)	(27.3%)	(25.5%)	(25.5%)	(25.5%)
Management					(59,673)	(73,242)	(98,684)	(124,768)	(146,417)
					(29.3%)	(26.1%)	(25.5%)	(25.0%)	(24.5%)
Gross Profit		15,356	44,301	97,858	157,185	233,129	337,269	422,589	501,166
% margin		56.9%	72.7%	75.0%	72.0%	75.0%	76.0%	76.5%	77.0%

Thesis 3: Bottlenecks Stretch the Cycle

Constraints

- Many models treat HBM/packaging and power as cap-exhaustion risks. I mostly treat them as timing risks that stretch revenue into later years.

Field feedback

- Data-center planners framed GPUs, HBM, packaging and power/cooling as gates in the queue, not reasons to cancel projects.
- Projects are often reprioritized or delayed by a few quarters, but the multi-year AI roadmap remains intact.

\$MM, unless otherwise noted		2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Capital Expenditures				Active	2.2%	2.2%	2.0%	1.9%	1.9%
				Base	2.5%	2.4%	2.1%	2.0%	2.0%
				Bear	3.0%	2.8%	2.5%	2.4%	2.4%
				Bull	2.2%	2.2%	2.0%	1.9%	1.9%
Street		1,833	1,069	3,236	4,827	6,000	7,200	7,829	8,627
		6.8%	1.8%	2.5%	2.4%	2.3%	2.4%	2.4%	2.4%
Management					4,827	5,332	6,579	7,985	9,562
					2.4%	1.9%	1.7%	1.6%	1.6%

Thesis 4: Second Wave of Enterprise/Vertical Demand

Demand mix

- Street focus is still heavily on the hyperscaler AI “arms race.” I give more weight to the second wave of enterprise/vertical demand (healthcare, finance, industrials), which is early but showing up in my calls.

Field feedback

- Enterprises are moving from lab pilots to production workflows (claims, risk, R&D, back-office automation).
- Many plan hybrid or on-prem deployments for data-sensitive workloads, where NVIDIA captures most of the stack.

** Represented in increased revenue projections shown in Thesis 1

Valuation

1

I started with my key drivers, anchored in field research and the core debates around the cycle. My field work points to an AI buildout that's elevated but lumpy and a longer, bumpier AI infra cycle with digestion periods but no hard cliff, rather than a one-off spike.

2

I then pulled those drivers through my operating model to translate my view on cycle shape, supply/power gating, and competitive dynamics into base/bear/bull financial outcomes. Consistent with my thesis, I treat HBM/packaging and power/cooling primarily as timing risks that stretch revenue into later years, not as permanent demand destruction.

3

Finally, I converted the operating model outputs into valuation using a scenario-weighted P/E and EV/EBITDA, cross-checked with a short-dated DCF. Because I treat NVIDIA as the choke point with a full-stack moat, I believe premium economics can persist even as alternatives scale. This framework supports a Buy with a 12–24 month horizon and a ~\$238–239 target vs. ~\$182 (~31% upside).

Nvidia Operating Model								
Income Statement								
Fiscal Year Ending January								
\$MM, unless otherwise noted	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Data Center Revenue	15,005	47,525	115,186	195,816	283,933	411,704	514,629	607,263
% growth		216.7%	142.4%	70.0%	45.0%	45.0%	25.0%	18.0%
Gaming Revenue	9,067	10,447	11,350	17,025	19,579	22,320	24,998	27,498
% growth		15.2%	8.6%	50.0%	15.0%	14.0%	12.0%	10.0%
Professional Visualization Revenue	1,544	1,553	1,878	2,348	2,770	3,102	3,351	3,585
% growth		0.6%	20.9%	25.0%	18.0%	12.0%	8.0%	7.0%
Automotive Revenue	903	1,091	1,694	2,626	3,939	5,908	8,566	11,565
% growth		20.8%	55.3%	55.0%	50.0%	50.0%	45.0%	35.0%
OEM and Other Revenue	455	306	389	498	617	741	859	954
% growth		(32.7%)	27.1%	28.0%	24.0%	20.0%	16.0%	11.0%
Total Revenue	26,974	60,922	130,497	218,312	310,838	443,775	552,404	650,864
% growth		125.9%	114.2%	67.3%	42.4%	42.8%	24.5%	17.8%
Cost of Revenue	(11,618)	(16,621)	(32,639)	(61,127)	(77,710)	(106,506)	(129,815)	(149,699)
% margin	(43.1%)	(27.3%)	(25.0%)	(28.0%)	(25.0%)	(24.0%)	(23.5%)	(23.0%)
Gross Profit	15,356	44,301	97,858	157,185	233,129	337,269	422,589	501,166
% margin	56.9%	72.7%	75.0%	72.0%	75.0%	76.0%	76.5%	77.0%
Research and Development Costs	(7,339)	(8,675)	(12,914)	(17,902)	(21,759)	(30,177)	(37,563)	(44,259)
% margin	(27.2%)	(14.2%)	(9.9%)	(8.2%)	(7.0%)	(6.8%)	(6.8%)	(6.8%)
Sales, General and Administrative Costs	(2,440)	(2,654)	(3,491)	(4,366)	(4,973)	(6,213)	(7,734)	(8,461)
% margin	(9.0%)	(4.4%)	(2.7%)	(2.0%)	(1.6%)	(1.4%)	(1.4%)	(1.3%)
Acquisition Termination Costs	(1,353)	0	0	0	0	0	0	0
% margin	(5.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Expenses	(11,132)	(11,329)	(16,405)	(22,268)	(26,732)	(36,390)	(45,297)	(52,720)
% margin	(41.3%)	(18.6%)	(12.6%)	(10.2%)	(8.6%)	(8.2%)	(8.2%)	(8.1%)
Operating Income (EBIT)	4,224	32,972	81,453	134,917	206,397	300,879	377,292	448,446
% margin	15.7%	54.1%	62.4%	61.8%	66.4%	67.8%	68.3%	68.9%
EBITDA	5,768	34,480	83,317	137,261	209,194	304,873	381,711	453,653
% margin	21.4%	56.6%	63.8%	62.9%	67.3%	68.7%	69.1%	69.7%

Post Tax Reform						
Company X - Income Statement	YR 0	YR 1	YR 2	YR 3	YR 4	YR 5
Sales	130,497	218,312	310,838	443,775	552,404	650,864
		67.3%	42.4%	42.8%	24.5%	17.8%
EBITDA	83,317	137,261	209,194	304,873	381,711	453,653
D&A % of sales	1.4%	1.1%	0.9%	0.9%	0.8%	0.8%
D&A	1864	2344	2798	3994	4419	5207
EBIT Margin	63.8%	62.9%	67.3%	68.7%	69.1%	69.7%
EBIT	83,317	137,261	209,194	304,873	381,711	453,653
Interest Expense	1,494.0	1,494.0	1,494.0	1,494.0	1,494.0	1,494.0
EBT	84,811	138,755	210,688	306,367	383,205	455,147
Tax Rate	13.3%	16.6%	16.5%	16.5%	16.5%	16.5%
Net Income	73,560.9	115,722.0	175,924.6	255,816.5	319,976.3	380,047.4
Growth Rate		57.3%	52.0%	45.4%	25.1%	18.8%
NOPAT [EBIT*(1-tax)]	72,265.05	114,476.01	174,677.12	254,569.04	318,728.85	378,799.87
Net Working Capital % of Sales	-8.4%	-4.4%	-2.2%	-2.4%	-2.4%	-2.7%
Δ NWC		1,403.41	2,813.55	(3,745.68)	(2,552.79)	(4,266.41)
CapEx % of sales	1.8%	2.5%	2.2%	2.2%	2.0%	1.9%
CapEx	2290	5414	6838	9763	11048	12366
FCFF [NOPAT+D&A-CapEx-ΔNWC]	71,839.2	110,003.4	167,822.7	252,545.6	314,652.8	375,906.8
Terminal Value						7,818,860.8
FCFF + Terminal Value		110,003.4	167,822.7	252,545.6	314,652.8	8,194,767.6
NPV = Justified Enterprise Value [Firm Value]	\$5,986,130					
NPV-NetDebt = Justified Mkt Cap [Equity Value]	\$6,035,930					

Justified Multiples - From FCFF-based DCF	Year 0	Year 1	Year 2	Year 3
P/E	82.1x	52.2x	34.3x	23.6x
Price/Sales	46.3x	27.6x	19.4x	13.6x
EV/Sales	45.9x	27.4x	19.3x	13.5x
EV/EBITDA	71.8x	43.6x	28.6x	19.6x
EV/EBIT	71.8x	43.6x	28.6x	19.6x
EV/NOPAT	82.8x	52.3x	34.3x	23.5x
EV/FCFF	83.3x	54.4x	35.7x	23.7x

0	bps	Margin Expansion
18.5%		
18.3%	= CAGR	
17.8%	= CAGR	

Company X - Debt Position	
Net Debt/EBITDA	0.5
Net Debt	(49,800)
Interest Rate	3.0%
Interest Expense	1494.0

DCF Inputs	
Terminal Growth	4.0%
Discount Rate	9.0%
Terminal Multiple	20.80

Implied Value	
Implied Equity Value	\$6,035,930
Diluted shares outstanding	24483
Implied Equity Value per Sha	\$246.54

	7.0%	8.0%	9.0%	10.0%	11.0%	Growth Rate
2.0%	\$265	\$218	\$184	\$159	\$140	
3.0%	\$323	\$255	\$210	\$178	\$154	
4.0%	\$421	\$312	\$247	\$203	\$172	
5.0%	\$616	\$406	\$301	\$238	\$196	
6.0%	\$1,202	\$594	\$392	\$290	\$230	
WACC						

Note: I use a short-dated DCF as a sanity check on the multiples output.

Note: The DCF is directionally consistent with my scenario view and helps avoid over-relying on terminal assumptions.

Implied Multiples						
Base						
Justified Mult	Year 0	Year 1	Year 2	Year 3	Implied Equity Value	\$ 4,650,062.42
P/E	63.2x	44.3x	31.3x	22.3x	Diluted shares outstanding	24,483.00
Price/Sales	35.6x	22.9x	17.2x	12.5x	Implied Equity Value per Share	\$ 189.93
EV/Sales	35.3x	22.6x	17.0x	12.3x		
EV/EBITDA	55.2x	37.0x	26.1x	18.5x		
EV/EBIT	55.2x	37.0x	26.1x	18.5x		
EV/NOPAT	63.7x	44.3x	31.2x	22.1x		
EV/FCFF	64.0x	45.3x	32.9x	22.3x		
Bear						
Justified Mult	Year 0	Year 1	Year 2	Year 3	Implied Equity Value	\$ 3,498,819.54
P/E	47.6x	37.1x	28.3x	21.6x	Diluted shares outstanding	24,483.00
Price/Sales	26.8x	18.2x	14.7x	11.5x	Implied Equity Value per Share	\$ 142.91
EV/Sales	26.4x	17.9x	14.5x	11.3x		
EV/EBITDA	41.4x	30.9x	23.6x	18.0x		
EV/EBIT	41.4x	30.9x	23.6x	18.0x		
EV/NOPAT	47.7x	37.1x	28.2x	21.5x		
EV/FCFF	48.0x	36.9x	30.3x	21.8x		
Bull						
Justified Mult	Year 0	Year 1	Year 2	Year 3	Implied Equity Value	\$ 6,035,929.71
P/E	82.1x	52.2x	34.3x	23.6x	Diluted shares outstanding	24,483.00
Price/Sales	46.3x	27.6x	19.4x	13.6x	Implied Equity Value per Share	\$ 246.54
EV/Sales	45.9x	27.4x	19.3x	13.5x		
EV/EBITDA	71.8x	43.6x	28.6x	19.6x		
EV/EBIT	71.8x	43.6x	28.6x	19.6x		
EV/NOPAT	82.8x	52.3x	34.3x	23.5x		
EV/FCFF	83.3x	54.4x	35.7x	23.7x		

Base: modest share loss, sustained premium margins due to CUDA + systems/networking lock-in.

Bear: faster AMD/custom ASIC penetration and/or policy/supply pressure compresses growth/multiples.

Bull: easing supply and gating unlocks another leg of upside.

Company	Headquarters	Current Trading Value			Price / Earnings			Enterprise Value / EBITDA		
		Share Price	Market Cap	Enterprise Value	NTM	CY 2026E	CY 2027E	NTM	CY 2026E	CY 2027E
AI Focused Semiconductor Peers										
Broadcom Inc.	United States	309.09	1,453,796	1,511,606	20.0x	18.8x	16.2x	30.3x	28.3x	24.7x
Advanced Micro Devices, Inc.	United States	184.42	299,285	297,304	7.9x	7.5x	6.4x	32.3x	28.6x	22.2x
Marvell Technology, Inc.	United States	79.32	68,390	72,016	7.8x	7.3x	6.4x	19.5x	18.4x	16.2x
Mean			607,157	626,975	11.9x	11.2x	9.7x	27.4x	25.1x	21.0x
Median			299,285	297,304	7.9x	7.5x	6.4x	30.3x	28.3x	22.2x
Digital Semiconductor Peers										
TSMC	Taiwan	40.09087	1,039,661	984,332	7.3x	7.0x	5.9x	10.8x	10.3x	8.9x
ASML Holding N.V.	Netherlands	750.4686	290,663	286,504	7.4x	7.3x	6.4x	20.1x	19.9x	16.7x
QUALCOMM Incorporated	United States	156.59	168,738	173,515	3.9x	3.9x	3.8x	10.8x	11.0x	10.1x
Texas Instruments Incorporated	United States	193.29	175,727	184,411	9.8x	9.5x	8.7x	20.3x	19.3x	16.9x
Arm Holdings plc	United Kingdom	141.6	149,954	147,444	28.3x	26.3x	23.1x	54.4x	48.2x	38.6x
Intel Corporation	United States	22.22	97,257	134,209	2.5x	2.5x	2.4x	8.4x	7.6x	5.8x
Analog Devices, Inc.	United States	237.63	117,923	122,766	10.5x	10.2x	9.2x	23.4x	22.4x	18.7x
Mean			291,418	290,455	10.0x	9.5x	8.5x	21.2x	19.8x	16.5x
Median			168,738	173,515	7.4x	7.3x	6.4x	20.1x	19.3x	16.7x
Leading Tech Companies										
Microsoft Corporation	United States	520.58	3,869,558	3,887,177	11.8x	11.2x	9.8x	20.2x	18.9x	16.4x
Alphabet Inc.	United States	203.03	2,448,314	2,394,834	5.6x	5.5x	4.9x	12.2x	11.7x	10.2x
Amazon.com, Inc.	United States	224.56	2,394,913	2,461,303	3.3x	3.2x	2.9x	13.1x	12.4x	10.6x
Meta Platforms, Inc.	United States	780.08	1,959,671	1,962,160	9.0x	8.6x	7.6x	14.8x	14.1x	12.2x
Mean			2,668,114	2,676,369	7.4x	7.1x	6.3x	15.1x	14.3x	12.3x
Median			2,267,633	2,272,766	6.0x	5.7x	5.1x	13.4x	12.7x	11.0x
NVIDIA										
NVIDIA	United States	\$181.59	4,481,096	4,432,665						
Base		\$189.93		4,650,062	3.0x	44.3x	31.3x	55.2x	37.0x	26.1x
Bear		\$142.91		3,498,820	47.6x	37.1x	28.3x	41.4x	30.9x	23.6x
Bull		\$246.54		6,035,930	82.1x	52.2x	34.3x	71.8x	43.6x	28.6x

Note: NVIDIA deserves a premium footprint as the full-stack choke point (GPUs, systems, networking, CUDA/software).

Note: My view assumes slower-than-feared share erosion versus consensus because of integration pain and ecosystem depth.

Key Risks

1) Export controls & China exposure

Tighter U.S. rules could limit high-end GPU sales to China or force lower-ASP compliant mix, trimming a meaningful slice of bull-case upside.

Monitor: NVIDIA China mix/commentary and U.S. policy updates.

2) Supply chain shocks – HBM, CoWoS, substrates

HBM or CoWoS bottlenecks could delay Blackwell ramps and turn “phasing risk” into a 1–2 year growth/valuation timing hit.

Monitor: SK hynix/Samsung/Micron/TSMC capacity, CoWoS yields/lead times.

3) Power & grid constraints

Power/cooling shortages could push AI data-center buildouts beyond my 18–24 month horizon, pressuring near-term revenue/FCF vs. base.

Monitor: Interconnect queues, permitting, hyperscaler power updates.

4) Competition & buyer power

Greater AMD and hyperscaler ASIC penetration could compress pricing/share and pull premium multiples down.

Monitor: Hyperscaler accelerator mix signals and AMD DC momentum.

Questions?