Nvidia

Investment Thesis 2026 03 06

NVIDIA pioneered (and continues to pioneer) accelerated computing. Transitioning from PC graphics to fields like AI, robotics, autonomous vehicles, and scientific computing, NVIDIA has focused on leveraging accelerated computing for a wide array of computational challenges. The company operates through two segments: **Compute & Networking** and **Graphics**. The company's astonishing growth over the last couple years has come in the Compute & Networking segment and has been driven by the use of Nvidia's products in databases. In the last five years, the company's sales grew from $28.7 billion in fiscal 2022 to $216.0 billion in fiscal 2025 (653% total, an average of 66%/year). During the same time period, their operating margins increased from 37.3% to 60.4%. Again, astonishing. No other company provides chip stacks and systems with the compute power of Nvidia's. Even Broadcom, a key competitor that works with companies like Alphabet to design and produce their own chips, said the day before I'm writing this that the complexity in design and in the workloads NVDA chips can handle will take years for others to duplicate. And NVDA will of course continue to innovate.

NVDA has gone from developing chips to developing software and chip stacks that scale this power. The company now offers enterprise customers NVIDIA DGX cloud services directly and through a network of partners. DGX cloud services include cloud-based infrastructure and software and services for training and deploying AI models. The company also offers NVIDIA AI Foundations for customizable pretrained AI models. NVIDIA describes itself as a data center scale AI infrastructure company. It is an accurate description. Moreover, the company is focused on extending AI into robotics, autonomous driving, professional visualization, and pharmaceuticals. The company's sales in each of these areas grew substantially this past fiscal year. Given Nvidia's lead in advanced computing and its constant innovation, the company should continue its revenue and earnings growth for years.

Prospects over the next 9 to 12 months

My near-term fair value for NVDA is $233.94. This is based on an EPS of $4.90, a growth rate of 20%, and a PE of 20. Though I expect Nvidia to continue to grow at a rate that outstrips the growth rates of most companies, I don't expect its sales and earnings to perpetually grow at the extraordinary rates they have over the last couple years. That's why I am using a growth rate of 20%. Based on 38 analysts covering the stock, the consensus rating is "Strong Buy" with an average 12-month price target of $263.29, a low target of $100, and a high of $360. This implies an upside of 45-50%. Nvidia is our largest holding, and though I don't feel I can add more, I am certainly not worried about holding it, even though the stock price seems stuck in a range of $175 to $195.

NVIDIA CORPORATION (XNAS:NVDA)	$ 176.98	79.08%													
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	TTM	10 year	5 year	1 year	
Revenue USD Mil	6,138	8,976	12,422	10,018	14,777	24,274	28,566	44,870	113,269	187,142	187,142	46%	67%	65%	0.00%
Net Income	1,220	2,582	4,694	2,411	3,826	8,206	5,957	18,889	63,074	99,198	99,198	#NUM!	86%	57%	0.00%
Earnings Per Share USD	0.03	0.06	0.12	0.17	0.11	0.17	0.39	0.17	1.19	2.94	4.04	#NUM!	104%	147%	37.41%
Operating Income	1,490	2,870	4,583	2,150	4,015	8,578	7,291	20,614	71,033	110,122	110,122	#NUM!	89%	55%	0.00%
Operating Income Per Share	0.07	0.11	0.18	0.09	0.16	0.34	0.29	0.82	2.85	4.44	4.48	60%	90%	56%	0.90%
Book Value Per Share USD	0.25	0.26	0.39	0.46	0.62	0.95	0.87	1.35	2.69	4.12	4.89	37%	44%	53%	18.69%
Free Cash Flow USD Mil	1,322	2,637	3,390	3,647	4,230	7,156	4,829	17,515	56,546	77,324	77,324	57%	81%	37%	0.00%
Free Cash Flow Per Share	0.06	0.10	0.13	0.15	0.17	0.28	0.19	0.70	2.27	3.12	3.15	56%	82%	37%	0.90%
Working Capital	3,615	6,717	8,102	9,228	11,906	12,130	24,494	16,510	33,714	62,079	90,417	37%	50%	84%	45.65%
Return on Assets %	8.4	19.4	28.9	33.8	18.3	18.8	26.7	10.2	55.7	82.2	77.2	30.2	38.7	69.0	79.7
Return on Equity %	13.8	32.6	46.1	49.3	26.0	29.8	44.8	17.9	91.5	119.2	107.4	47.1	60.6	105.3	113.3
Operating Margin %	17.5	28.0	33.1	32.5	26.1	27.2	37.3	20.7	54.1	62.4	58.8	33.9	40.3	58.3	60.6
Shares	22,760	25,960	25,280	25,000	24,720	25,120	25,350	25,070	24,940	24,804	24,583	1%	0%	-1%	-0.89%
$23.22	Future EPS														
$580.48	Future price														
$223.80	Sticker price														
$134.28	40% discount														