SEMICONDUCTORS · TECHNOLOGY

NVIDIA (NVDA)

Price at analysis **202.05 USD** · Market cap 4.88 tn USD

6.8/10

Positive

AI assessment

> **NVIDIA combines unmatched profitability and growth with an earnings multiple below the sector median, but weak cash conversion and high volatility hold back a stronger rating.**

Forward P/E	EV/EBITDA	Revenue growth
12.7x	**24.4x**	**105.9%**
Industry 18.6x	Industry 24.4x	Industry 21.3%

Operating margin	Return on equity	Free cash flow yield
66.2%	**117.2%**	**0.9%**
Industry 14.9%	Industry 7.7%	Industry 1.2%

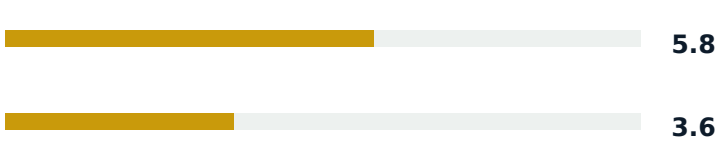
Summary

NVIDIA is the dominant supplier of accelerated computing for AI data centers, and its reported figures show it: 303.0 bn USD revenue, a 74.7% gross margin and a 63.7% net margin. On an earnings basis the stock trades at 12.7x forward earnings, below every listed peer except Micron, which implies the market expects earnings to roughly double from the trailing level. Our model calculations put fair value between 202.05 and 296.15 USD with a midpoint of 249.10 USD, about 23% above the current price of 202.05 USD. The cash flow picture is much weaker: an FCF yield of 0.9% and a DCF value of 46.30 USD mean the valuation rests on reported earnings, not on cash generated so far. With the price 8.9% below its 50-day line and a beta of 2.3, we see an attractive but volatile risk-reward profile.

We start from the data score of 7.1, which reflects top-tier quality (9.4) and growth (8.5). We deduct 0.3 points because free cash flow of 41.8 bn USD covers only about 22% of implied net income, and because price momentum is weak (3.6).

Score profile





Percentile vs. Semiconductors (40 companies).

Investment thesis

- Earnings power is exceptional. Revenue grew 105.9% and earnings 127.8%, with an operating margin of 66.2% and return on equity of 117.2%. All of these are at or near the top of the 40-company semiconductor group.
- On earnings, the shares look inexpensive. The forward P/E of 12.7x is well below the sector median of 18.6x, and the PEG ratio is 0.3x. Applying the industry forward multiple gives 296.15 USD per share.
- The main weakness is cash conversion. Free cash flow per share is 1.73 USD against trailing earnings of roughly 7.92 USD per share, so the FCF yield is only 0.9%, and a pure DCF lands far below the share price.

Business model & competition

NVIDIA designs GPUs, systems and networking hardware and outsources chip manufacturing to foundry partners, mainly TSMC. The Compute & Networking segment is the core business: it sells data center accelerators, complete rack-scale systems, high-speed networking and AI software to cloud providers, enterprises and governments, plus automotive computing platforms. The Graphics segment sells GeForce GPUs for gaming and PCs and RTX GPUs for professional workstations. NVIDIA earns money mainly from hardware sales at very high gross margins (74.7%), supported by its CUDA software ecosystem, which ties developers to its platform. Customers are OEMs, ODMs, system integrators and large cloud operators.

Drivers

The key revenue driver is capital spending on AI training and inference by hyperscalers, AI labs and enterprises, which pushed revenue growth to 105.9%. Profit growth (127.8%) outpaced revenue because of pricing power on leading-edge accelerators and operating leverage on a largely fixed cost base. Networking, full systems and software add revenue per customer beyond the GPU itself.

Moat Wide

NVIDIA's moat combines leading chip design, the CUDA software stack and libraries used by most AI developers, and the ability to deliver complete systems including networking. These switching costs explain why it earns a 66.2% operating margin while the sector median is 14.9%. The moat is durable but not permanent: large customers are developing their own chips, and Broadcom and AMD are

targeting the same budgets. We expect pricing power to narrow gradually rather than disappear.

Competition

AMD competes directly in data center GPUs but runs at a 17.3% operating margin versus NVIDIA's 66.2%, which shows how far behind it is in monetization. Broadcom (54.3% margin) benefits from custom AI chips for hyperscalers, the most credible structural alternative to NVIDIA's merchant GPUs. TSMC and Micron are mainly suppliers in the same value chain rather than direct rivals, while Intel (15.6% margin, negative ROE) is not currently a serious threat in AI accelerators.

Financial analysis

Growth Strong

Revenue grew 105.9% against a sector median of 21.3%, better than 94% of the peer group. Earnings rose 127.8% versus a median of 20.2%. The forward P/E of 12.7x against a trailing P/E of 25.5x implies the market expects earnings per share to roughly double again.

Profitability Strong

The gross margin is 74.7%, the operating margin 66.2% and the net margin 63.7%, versus sector medians of 53.6%, 14.9% and 8.6%. Return on equity of 117.2% is better than 99% of the group. Profitability is a clear strength and explains the quality score of 9.4.

Balance sheet Solid

Debt to equity is a low 17.0%, below the sector median of 28.8%, and the current ratio of 4.6x signals ample liquidity. The financial-strength score is only 5.8, which partly reflects the weaker cash conversion. The balance sheet itself carries no meaningful solvency risk.

Cash flow Weak

Free cash flow is 41.8 bn USD, or 1.73 USD per share. With a net margin of 63.7% on 303.0 bn USD revenue, this implies FCF of only about 22% of net income. The FCF yield of 0.9% trails the sector median of 1.2%, so investors should track whether reported profits turn into cash.

Industry comparison (Semiconductors, 40 companies)

METRIC	AKTIE	MEDIAN	BETTER THAN
Forward P/E	12.7x	18.6x	93 %
Trailing P/E	25.5x	44.7x	77 %
PEG ratio	0.3x	0.9x	89 %
EV/EBITDA	24.4x	24.4x	50 %

Price/sales	16.1x	6.4x	21 %
Price/book	21.3x	5.4x	4 %
Revenue growth	105.9%	21.3%	94 %
Earnings growth	127.8%	20.2%	76 %
Gross margin	74.7%	53.6%	86 %
Operating margin	66.2%	14.9%	96 %
Net margin	63.7%	8.6%	96 %
Return on equity	117.2%	7.7%	99 %
Debt/equity	17.0%	28.8%	61 %
Current ratio	4.6x	3.2x	71 %
Free cash flow yield	0.9%	1.2%	42 %
Dividend yield	0.5%	1.1%	–
Payout ratio	3.5%	41.6%	–
Beta	2.25	1.92	–

Comparable companies

COMPANY	MARKET CAP	FWD P/E	EV/EBITDA	REV. GROWTH	OP. MARGIN	ROE
NVIDIA	**4.88 tn USD**	**12.7x**	**24.4x**	**105.9%**	**66.2%**	**117.2%**
TSMC	2.07 tn USD	17.0x	3.8x	50.9%	58.7%	41.9%
Broadcom	1.54 tn USD	16.6x	30.5x	85.5%	54.3%	44.3%
Micron Technology	942.7 bn USD	4.0x	8.9x	379.3%	80.7%	88.3%
AMD	761.2 bn USD	29.1x	85.3x	50.1%	17.3%	10.2%
Intel	318.6 bn USD	33.2x	18.9x	20.9%	15.6%	-9.6%

Among large peers, NVIDIA has the highest return on equity (117.2% versus 88.3% for Micron and 44.3% for Broadcom) and the second-highest operating margin after Micron (80.7%). Despite this, its forward P/E of 12.7x is lower than TSMC, Broadcom, AMD and Intel, so the market prices it more cheaply than peers with weaker margins. Micron's 4.0x forward P/E and 379.3% revenue growth reflect a cyclical memory upswing that investors typically discount, while AMD (85.3x EV/EBITDA) and Intel (33.2x forward P/E) look expensive relative to their profitability. Overall, NVIDIA offers the best combination of quality and earnings valuation in the group, but its EV/EBITDA of 24.4x is far above TSMC's 3.8x.

Valuation

On earnings, NVIDIA looks cheap. The forward P/E of 12.7x is below the sector median of 18.6x and below TSMC (17.0x), Broadcom (16.6x), AMD (29.1x) and Intel (33.2x); only Micron (4.0x) is lower. On EV/EBITDA, NVIDIA trades exactly at the sector median of 24.4x, which sets the lower end of our model range at 202.05 USD. Applying the industry forward P/E gives 296.15 USD, so our model calculations put fair value at 202.05 to 296.15 USD with a midpoint of 249.10 USD. We exclude the DCF (base case 46.30 USD; 33.67 to 64.70 USD across the sensitivity matrix) from the range, because it starts from a free cash flow per share far below current earnings. On sales and book value the stock is expensive, at 16.1x sales (median 6.4x) and 21.3x book (median 5.4x), which is typical for an asset-light, very high-margin business. The price therefore assumes that the high forward earnings estimates are delivered and are eventually backed by cash. The analyst consensus target of 328.95 USD is above our range and looks optimistic to us.

Fair value range	Midpoint / vs. price	Price at analysis	Analyst avg.
202.05 USD – 296.15 USD	**249.10 USD** (+23.3%)	**202.05 USD**	**328.95 USD**

At a 12% discount rate, the current price implies free cash flow growth of 50.8% per year for five years. That is far above the 20% base case and only plausible if cash conversion moves much closer to reported earnings.

DCF model (value per share in USD; rows growth yrs 1–5, columns discount rate)

G \ R	11 %	12 %	13 %
16 %	42.84	37.76	33.67
20 %	52.72	**46.30**	41.15
24 %	64.70	56.64	50.17

Reverse DCF: The price of 202.05 USD implies about 50.8% annual free cash flow growth over five years (discount rate 12 %).

Multiples at industry level

METHOD	FAIR MULTIPLE	VALUE PER SHARE
Forward P/E at industry level	18.6x	296.15 USD
EV/EBITDA at industry level	24.4x	202.05 USD

Analyst consensus: 58 analysts, rating “Strong buy”, avg. target 328.95 USD (180.00 USD – 515.00 USD). Analyst targets are not part of the fair value range.

The DCF value differs strongly from the share price: the market is pricing in a very different growth rate than the base model (see reverse DCF).

Technical picture

At 202.05 USD the shares are 8.9% below the 50-day line (221.75 USD) and about 1.1% below the 200-day line (204.38 USD), so the short-term trend is negative and the long-term trend is being tested. The stock sits at 48% of its 52-week range of 164.27 to 243.37 USD. A beta of 2.25 means price swings are larger than for the sector, while low short interest of 1.3% points to little speculative pressure against the stock.

Dividend

NVIDIA pays 1.00 USD per share, a yield of 0.49% versus a sector median of 1.1%. With a payout ratio of 3.5%, the dividend is easily covered and is not a meaningful part of the investment case.

Catalysts

CATALYST	TIME FRAME	DIRECTION
Next quarterly results and guidance The forward P/E of 12.7x already assumes a large jump in earnings, so guidance must confirm it. Investors will also look closely at the cash flow statement.	Short term	Open
Hyperscaler capital spending plans Continued or rising AI infrastructure budgets from large cloud providers would support revenue growth well above the 21.3% sector median.	Medium term	Positive
Improvement in free cash flow conversion If FCF moves closer to net income, the gap between the DCF value and the multiple-based values would narrow and support a re-rating toward the top of our 296.15 USD range.	Medium term	Positive
Export rules and trade policy Restrictions on selling advanced chips to China and other regions can cut addressable demand and add uncertainty to forecasts.	Long term	Negative

Risk matrix

RISK	LIKELIHOOD	IMPACT
AI spending slowdown Revenue is highly concentrated in data center AI. A pause in customer capex would hit growth and margins at the same time, magnified by the beta of 2.3.	Medium	High
Weak cash conversion FCF of 41.8 bn USD is only about 22% of implied net income. If this gap persists, the valuation will gravitate toward cash-based measures such as the DCF value of 46.30 USD.	Medium	High

Custom chips and competition Custom accelerators from hyperscalers, often designed with Broadcom, and AMD's GPUs could take share and pressure the 74.7% gross margin.	Medium	Medium
Supply chain concentration Heavy reliance on TSMC for leading-edge manufacturing and advanced packaging creates exposure to capacity bottlenecks and geopolitical risk around Taiwan.	Low	High
Regulation and export controls Changes in export rules or antitrust scrutiny could limit sales in certain markets or constrain bundling of hardware and software.	Medium	Medium

Scenarios

Bull scenario · 25 %

296.15 USD

+46.6% vs. price

AI demand stays strong, the high forward earnings estimates are met, and free cash flow conversion improves clearly. The market then pays the industry forward P/E of 18.6x, giving the top of our model range.

Base scenario · 50 %

249.10 USD

+23.3% vs. price

Growth slows from triple digits but stays well above the sector, while margins remain near current levels. Cash conversion improves only gradually, so the stock moves toward the midpoint of our model range.

Bear scenario · 25 %

160.00 USD

−20.8% vs. price

Customers cut AI spending or shift to custom chips, forward estimates fall and the gap between profits and cash flow persists. The stock revisits the 52-week low of 164.27 USD or falls slightly below it.

Expected value (12 months): 238.59 USD (+18.1% vs. price).

Suits …

Growth-oriented investors with a horizon of three years or more who want exposure to AI infrastructure through the market leader. It also suits investors who can tolerate sharp price swings in exchange for exceptional profitability.

Does not suit …

Income investors, given a yield of 0.49%, and investors who rely on cash-flow-based valuation or cannot tolerate drawdowns typical of a stock with a beta above 2.

Watch checklist

- Free cash flow rises to at least 50% of net income, from about 22% now

- Gross margin stays above 70%, from 74.7% now
- Revenue growth stays above 50% year over year, from 105.9% now
- Share price recovers above the 50-day line at 221.75 USD and holds above the 200-day line at 204.38 USD
- Forward P/E stays below the sector median of 18.6x while earnings estimates are not cut

Conclusion

NVIDIA is the most profitable large company in the semiconductor sector, with a 66.2% operating margin, 117.2% return on equity and revenue growth of 105.9%. At 12.7x forward earnings the stock is cheaper than most peers, and our model calculations point to a fair value midpoint of 249.10 USD, about 23% above the current price. The main caveat is that free cash flow of 1.73 USD per share lags far behind reported earnings, which is why the DCF and reverse DCF look so stretched. We therefore rate the stock positive, with a score of 6.8 that is slightly below the data score of 7.1. The trend is currently weak, with the price below both moving averages. The most important checkpoints are cash conversion and the next guidance, which must confirm the steep earnings path the forward multiple implies.

This analysis was generated automatically by an AI from publicly available market data (data as of 02.11.2026). It is information, not investment advice, and not a solicitation to buy or sell securities. Model values are based on assumptions. Stocks can lose their entire value.
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