



NVIDIA (NVDA) produces and distributes graphical processing units (GPU's) that are utilized in a variety of end markets. NVDA also creates machine learning, artificial intelligence, cloud computing, virtual/augmented reality software and hardware. NVDA has exposure to multiple fields of innovation, and the stock has appreciated massively over the past year, having rallied by over 6X to the upside since the COVID lows in March of 2020. Although NVDA is exposed to the semiconductor shortage, it reported better than expected sales and EPS while also raising guidance. Thus, NVDA reported a triple play this quarter. The stock rallied by nearly 10% in reaction to its report, adding to a massive bull run. CEO Jensen Huang stated. "Demand for NVIDIA AI is surging, driven by hyperscale and cloud scale-out, and broadening adoption by more than 25,000 companies."

Looking Forward

- Management is guiding for \$7.4B revenues at the midpoint for Q4. Gross margins are expected to be 65.3%, thus bringing total fiscal year 2022 margins to 67.0%.
- NVDA is investing in growth and unveiling new abilities in both its hardware and software segments on a continuous basis.
- NVDA is aiming to break barriers between the physical and digital world. The company has been developing computerized avatars to replace redundant human labor, such as chauffeurs and fast-food operators. The word "avatar" was mentioned 28 times during the call.
- Microsoft Teams now uses "NVIDIA AI to convert speech to text in real time," according to CFO Colette Kress.
- In the gaming segment, an increasing number of titles are becoming compatible with NVDA's RTX (Ray Tracing Texel eXtreme). Additionally, NVDA announced "new RTX-accelerated AI features in Adobe applications" and new partnerships with Microsoft, HP, and Asus, according to the press release.
- In the autos segment, NVDA saw increasing adoption of its autonomous driving platform DRIVE Orin. Companies like Kodiak Robotics and Lotus have begun to implement NVDA technology.
- In the data center segment, management announced "plans to build Earth-2, an AI super-computer dedicated to addressing the global climate change crisis," according to the investor presentation. NVDA also announced "the general availability of NVIDIA AI Enterprise."
- In the professional visualization segment, management announced that Omniverse Enterprise is generally available, which involves "AR, VR, and multi-GPU rendering," according to the press release. Kress added "Last week, we announced general availability of Omniverse Enterprise, a platform for simulating physically accurate 3D world and digital twins. Initial market reception to Omniverse has been incredible."



An investment in NVDA is an investment in the future of technology. Not only does NVDA make chips that are essential to the gaming, computer, and smart phone industries, but the company is also building out and successfully innovating cutting-edge technology. In terms of metaverse development, NVDA seems to be at the forefront. Management appears especially focused on the omniverse, mentioning the term 43 times during the conference call. A beta of the omniverse was launched last December and has since been downloaded by over 70,000 individual creators. All-in-all, NVDA has exposure to multiple growing and emerging branches of the economy, and will likely be a prominent player as widespread digitalization of the economy continues.



Financials Overview

- Describing the quarter, CFO Kress said it “was an outstanding quarter.”
- Gross margins improved by 260 bps y/y, operating margins improved by 802 bps y/y, and net income margins improved by 642 bps y/y.
- Sequentially, revenues increased by 9.2%, gross profit increased by 9.8%, operating income grew by 9.3%, net income increased by 3.8%, and diluted EPS grew by 3.2%.
- On a YTD basis, revenues increased by 65.1% y/y and net income rose by 134.7% y/y.
- NVDA is committed to continuous development, spending \$1.4B on research and development during the quarter, which accounted for 19.8% of revenues.
- NVDA spends little on SG&A, with it only accounting for 7.8% of revenues in the quarter.

NVIDIA (NVDA) Q3 Earnings Data

	Reported Figure*	Y/Y Change (%)
Revenue	7,103	50.3
Gross Profit	4,631	56.5
Operating Income	2,671	91.1
Net Income	2,464	84.4
Diluted EPS	0.97	83.0

* All data in millions apart from diluted EPS

NVIDIA (NVDA) Q3 Revenue by Segment

Segment	Revenue (\$ mm)	Percent of Revenue	Y/Y Change (%)
Gaming	3,221	45.3	41.8
Data Center	2,936	41.3	54.5
Professional Visualization	577	8.1	144.5
Auto	135	1.9	8.0
OEM & Other	234	3.3	20.6

Segment Performance

- In terms of sequential improvement, the gaming segment saw revenues increase by 5%, data centers saw a 24% increase, professional visualization saw an 11% increase, and autos saw a 11% decrease.
- In regards to the gaming segment, Kress added, “Demand was strong across the board. While we continued to increase desktop GPU supply, we believe channel inventories remain low.”
- Kress continued, “Crypto mining processor revenue was \$105 million, which is included in our OEM and other.”
- In reference to the professional visualization segment, Kress commented, “The sequential rise was led by mobile workstations with desktop workstations also growing, as enterprises deployed systems to support a hybrid work environment.”

Financial Health Overview

- Cash & equivalents increased by 66.9% y/y, reaching \$19.3B at the end of the quarter. Current assets rose by 60.7%, bringing the current ratio to 7.1—marking a significant improvement from last year’s level of 4.1.
- Current assets are currently higher than total liabilities, so NVDA is in a solid financial position, thus allowing for the company to continue investing in innovation.
- Total long-term debt is \$10.9B, which is nearly double the balance at the end of Q3 2021. Nonetheless, NVDA had cash outflows of \$1.0B to repay debts in the quarter. Earlier this year, NVDA issued \$5.0B of debt to fund research & development, as well as the Arm acquisition (still waiting on approval), without impacting the company’s cash position.