



NVIDIA Corporation

NVDA

EQUITY RESEARCH REPORT

June 05, 2026

NVDA — NVIDIA Corporation

Report Date: 2026-06-05

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EXECUTIVE SUMMARY

Metric	Value
Recommendation	AVOID
Current Price	EUR 187.81 (\$218.66)
Fair Value (Base Case)	EUR 175–195 (wide band; see Stage 5)
Margin of Safety	Negative to neutral (~0% to -5%)
Target Entry (if reconsidered)	EUR 120–135

Return Profile	Value
Dividend Yield	~0.02% (negligible)
Expected Dividend Growth	Immaterial
Expected Price Appreciation	Highly scenario-dependent
Total Expected Return (Base)	~7–9% CAGR
Bear Case Total Return	-12% to -18% CAGR
Bull Case Total Return	+18% to +22% CAGR
Probability-Weighted Return	~4–6% CAGR

Risk Assessment	Value
Wealth Preservation Score	52 / 100
Downside Protection Score	40 / 100
Quality Score	68 / 100
Risk Level	ELEVATED
Probability of >50% Loss	~20–25%
Recession Profile	SENSITIVE-to-VULNERABLE

One-Line Thesis:

NVIDIA owns the best balance sheet and competitive position in the AI buildout, but the price already discounts a decade of flawless execution, and the bear case shows unacceptable permanent-loss risk for a capital-preservation mandate.

INVESTMENT THESIS

You are looking at the highest-quality business in the semiconductor industry, and it still fails this framework. That tension defines the entire report.

NVIDIA earns roughly 71% gross margins, generates free cash flow margins above 30%, carries almost no net debt (debt-to-equity near 0.07x), and dominates AI data-center compute through CUDA, a software ecosystem that locks in 7.5 million developers. The company survived no recession in its current form because its current form did not exist before 2023. That is the problem. The business that trades today at a \$5.2 trillion market cap derived 88% of its revenue from one segment (data center) that did not exist at this scale 30 months ago. You are not buying a fortress utility. You are buying the single most cyclically exposed earnings stream in the market, dressed in fortress balance-sheet clothing.

The framework's first question is "How much can I lose?" The answer disqualifies NVDA before upside enters the conversation. Revenue is concentrated in a handful of hyperscaler customers (Microsoft, Meta, Google, Amazon, Oracle) who are simultaneously NVIDIA's largest buyers and its most credible future competitors through custom silicon. AI capex runs on a cycle, and cycles turn. If hyperscaler AI spending decelerates, order growth can collapse within two quarters even while AI remains strategically important long-term. The 2026 filings already flag margins that "peaked and then declined." Layer on export controls that now reach beyond China, and you have an earnings base that can compress violently. A company earning \$4.90 GAAP EPS at a 33x multiple has no valuation floor if forward estimates roll over, because the entire price rests on growth continuing.

The counterargument is real and I weight it. Forward P/E around 26-32x sits below NVIDIA's own 5-year average of 43x, and well below AI peers (AMD at 179x, AVGO at 91x). On its own history, the stock is not stretched. Earnings have outgrown the price. But that is precisely the trap a preservation investor must avoid: a multiple looks reasonable only against forward estimates that assume the AI capex supercycle persists. If those estimates are wrong by even 30%, the "cheap" multiple was an illusion built on a peak-earnings denominator. This is the textbook setup the framework calls a 50/50 risk profile — open-ended upside paired with severe, non-quantifiable downside. We reject those regardless of upside magnitude.

NVIDIA is a magnificent company and a poor fit for a capital-preservation mandate at this price. It pays no meaningful dividend, so there is zero income cushion to offset a drawdown. Its bear case shows negative returns and a credible path to a >50% decline that may not recover within five years. Against a 4% HYSA with zero permanent-loss risk, the risk-adjusted case does not clear our hurdle.

1. BUSINESS QUALITY ASSESSMENT

Sector: Semiconductors / AI infrastructure. Understandable at a high level, though the durability of current economics is genuinely hard to forecast.

Sector classification: Highly cyclical. Semiconductors are textbook cyclical, and AI accelerator demand layered on a capex cycle amplifies this. Under the framework, highly cyclical sectors require an exceptional balance sheet AND a valuation discount to proceed. NVIDIA has the first and lacks the second.

Secular tailwinds (real): AI training and inference compute demand, accelerated computing replacing general-purpose CPUs, sovereign AI buildouts, networking attach (post-Mellanox). These are genuine and large. They are also extensively priced in.

Sector valuation vs history: The semiconductor group trades well above historical EV/EBITDA norms. NVIDIA sits at ~31x EV/EBITDA versus traditional semis in the low-to-mid teens during normal conditions. Elevated

valuation risk at the sector level.

Business quality verdict: Premium business, world-class moat (CUDA ecosystem lock-in, full-stack integration, scale advantages with TSMC/CoWoS). Moat width is exceptional. Moat durability over 10 years faces real threats from hyperscaler custom ASICs and the possibility that inference workloads commoditize.

2. FINANCIAL FORTRESS ANALYSIS

Metric	Value	Threshold	Assessment
Debt-to-Equity	~0.07x	<0.5x	FORTRESS
Interest Coverage	>50x (negligible debt)	>8x	FORTRESS
Current Ratio	~3.44x	>1.5x	FORTRESS
Free Cash Flow	Positive, FCF margin >30%	Positive 4/5 yrs	STRONG
Cash vs Debt	Cash far exceeds debt	>20%	FORTRESS
Debt Maturity	No cliffs, minimal debt	No 30% cliff	CLEAR

Solvency Assessment: FORTRESS (balance sheet only)

The balance sheet is unambiguously elite. This is the strongest part of the case. NVIDIA could survive any conceivable revenue shock from a liquidity standpoint without raising dilutive equity or cutting essential operations.

The critical caveat the framework demands: solvency is not the same as capital preservation for the equity holder. A balance sheet that survives a 50% revenue decline does not prevent the stock from falling 60%+ when peak earnings normalize against a peak multiple. The fortress protects the company, not your entry price.

Stress test (revenue down 30% for 2 years): The company remains solvent with ease. The dividend is immaterial, so no dividend stress. No equity raise needed. But GAAP EPS would likely fall 40-60% given operating leverage, and the stock would re-rate down hard on both earnings and multiple.

3. DIVIDEND ANALYSIS

NVIDIA pays a token quarterly dividend yielding roughly 0.02%. For a wealth-preservation mandate, this provides no income cushion. Total return depends almost entirely on price appreciation, which removes the single most reliable protective element this framework relies on.

Dividend Sustainability: ROCK SOLID (because it is trivially small) — but irrelevant to the thesis.

The absence of a meaningful dividend is a structural negative here. The framework prizes income because it returns capital regardless of price action. NVDA offers none.

4. VALUATION ANALYSIS

Metric	Current	5Y Avg	vs History	Assessment
Trailing P/E	~33–34x	—	High absolute	FULL
Forward P/E	~26–32x	~43x	~39% below avg	Below own history
P/FCF	~43–44x	higher	~24% below avg	Below own history
P/B	~28–34x	~34x	In line	FULL
EV/EBITDA	~31x	—	Premium to sector	FULL
P/S	~21x	—	~68% premium to sector	FULL
Div Yield	~0.02%	—	N/A	No cushion

The valuation story is genuinely two-sided. Against NVIDIA's own recent history, forward multiples look reasonable because earnings outgrew the price. Against the broader semiconductor universe and against any normalized-earnings framework, the stock is expensive.

Margin of Safety calculation: The framework requires normalized earnings (5Y average margin × current revenue), then a historical multiple. The problem is acute here: NVIDIA's 5-year revenue and margin history spans a period where revenue went from \$27B (FY23) to \$216B (FY26). There is no stable "normalized" earnings base to anchor to. Margins ranged from 14.9% operating (FY23 trough) to ~65% (FY26 peak). Applying a trough-margin scenario to current revenue produces a fair value far below the current price; applying peak margins justifies the current price. This dispersion is itself the disqualifying signal.

Valuation verdict: FULL. Margin of safety: approximately neutral to negative against any normalized framework. The stock is fairly priced only if you accept current peak margins as durable.

5. SCENARIO ANALYSIS (10-Year, Total Return)

The dividend contributes essentially zero, so total return ≈ price appreciation.

BEAR CASE (25% weight) — AI capex cycle turns, hyperscalers shift meaningful share to custom silicon, margins normalize toward 50%, multiple compresses to 15-18x on lower earnings, export controls bite harder.

- Revenue: flat-to-declining for a multi-year stretch as the buildout digests
- EPS: declines 40-55% from current peak before stabilizing
- Terminal multiple: ~15x on normalized earnings
- 10-Year implied price: meaningfully below current
- Total Return CAGR: approximately -12% to -18%

Critical question — is the bear case return positive? No. It is sharply negative. This fails the framework's absolute requirement that bear-case total return be ≥ 0%.

BASE CASE (50% weight) — AI demand grows but decelerates from current pace, NVIDIA retains leadership but cedes some share, margins drift from ~65% toward high-50s, multiple compresses gradually toward 22-25x as growth slows.

- Revenue CAGR: low-to-mid teens, decelerating
- EPS CAGR: ~10-12%
- Multiple change: modest annual compression

- Total Return CAGR: approximately +7% to +9%

BULL CASE (25% weight) — AI buildout extends, inference demand sustains, software/services (AI Enterprise, Omniverse, DGX Cloud) monetizes into recurring revenue, NVIDIA holds margins and re-rates.

- Revenue CAGR: 20%+
- Margin: sustained
- Total Return CAGR: approximately +18% to +22%

Probability-Weighted Return:

$$(25\% \times -15\%) + (50\% \times +8\%) + (25\% \times +20\%) \approx -3.75\% + 4.0\% + 5.0\% \approx +5.25\% \text{ CAGR}$$

The probability-weighted return sits below the ~7% hurdle, and the entire positive contribution comes from the bull and base cases while the bear case inflicts unacceptable damage.

Scenario	Total CAGR	Weight	Contribution
Bear	-15%	25%	-3.75%
Base	+8%	50%	+4.0%
Bull	+20%	25%	+5.0%
Expected	~+5.25%		

Downside Protection Analysis:

- Probability of permanent capital loss (>50% decline not recovered in 5 years): estimated 20-25%. NVIDIA fell roughly 65% peak-to-trough in 2022 on a far smaller and more diversified earnings base. A peak-earnings, single-segment-concentration unwind could be deeper.
- This exceeds the framework's <10% threshold for the standard mandate by a wide margin.

6. RISK ASSESSMENT

Customer concentration: A handful of hyperscalers drive the majority of data-center revenue. These same customers fund and deploy competing custom silicon. This is the central structural risk.

AI capex cyclicality: The earnings base depends on a capital-spending cycle that has historically turned hard in semiconductors. Order growth can reverse within two quarters.

Margin compression: Filings already note margins peaked and declined. Competition and mix normalization threaten the 70%+ gross margin.

Regulatory/geopolitical: Export controls have broadened beyond China and now touch services and downstream use. This is an expanding, not contracting, risk surface.

Valuation/multiple risk: At a \$5.2T market cap, even modest disappointment compresses the multiple violently. There is no income or value floor.

Security/product risk: CVE-2024-0132 container-toolkit vulnerability with an incomplete patch creates reputational and enterprise-adoption tail risk in mission-critical deployments.

Recession profile: Genuinely untested in current form. The 2022 drawdown of ~65% on a more diversified business is the closest analog and it argues for SENSITIVE-to-VULNERABLE.

7. MANAGEMENT & GOVERNANCE

Management Quality: EXCELLENT. Founder-led by Jensen Huang since 1993, with a track record of correctly anticipating multiple platform shifts (gaming → professional viz → data center AI → full-stack). Early CUDA investment before deep learning was mainstream reflects rare foresight. Disciplined walk-away from the Arm acquisition when regulators resisted.

Capital Allocation: STRONG. Net buybacks reduced share count ~1.11% YoY (offsetting SBC). Reinvestment into R&D and supply commitments at very high incremental ROIC is rational given current opportunity set. Insider ownership near 3.92% provides meaningful alignment for a mega-cap.

Governance: No going-concern, no restatement, no acute governance event in the surfaced filings. Routine securities class action tied to historical channel-inventory statements.

Management is not the problem. Price and cyclical exposure are.

8. PEER COMPARISON

Dimension	NVDA	AMD	AVGO	QCOM
Forward P/E	~32x	~179x	~91x	~27x
Debt/Equity	~0.07x (best)	low	higher (M&A)	moderate
Gross margin	~71% (best)	lower	high	moderate
Growth	~65% rev (highest)	high	high	mature
Dividend	negligible	none	meaningful	meaningful

NVIDIA screens cheaper than AMD and AVGO on forward P/E and carries the cleanest balance sheet and highest margins. Within the AI-leveraged cohort, it is the highest-quality name. That does not rescue it for a preservation mandate, because the entire cohort carries the same cyclical and valuation risk, and the preservation question is about absolute downside, not relative attractiveness.

9. KEY METRICS SUMMARY

Metric	Value
Current Price	EUR 187.81 / \$218.66
Market Cap	~\$5.2T
FY26 Revenue	\$215.9B (+65% YoY)
FY26 GAAP EPS	\$4.90

Metric	Value
Gross Margin	~71%
Debt/Equity	~0.07x
Current Ratio	~3.44x
Dividend Yield	~0.02%
WP Score	52 / 100

WP Score derivation:

- Downside Protection (40): bear case negative (no +15), D/E <0.5x (+10), no 2008/2020 dividend test relevant, max drawdown >40% historically (no +10), yield <3% (no +5), FCF positive (no penalty). Net ≈ 40.
- Return Adequacy (base CAGR ~8%): 70.
- Quality Score: 68.
- WP = $(40 \times 0.45) + (70 \times 0.30) + (68 \times 0.25) = 18 + 21 + 17 = 56$.

Using the more conservative Downside Protection input (penalizing the bear-case >20% decline), the score lands in the low 50s. Either way, below the 65 BUY threshold and failing absolute requirements.

10. MONITORING CHECKLIST

Item	Trigger	Action
Price	Decline to EUR 120–135	Re-run full analysis; margin of safety may open
AI capex	Hyperscaler capex guidance cuts	Confirms bear thesis; stay away
Custom silicon	Material share loss to in-house ASICs	Structural moat erosion; avoid
Gross margin	Sustained drop below 60%	Margin-normalization underway
Export controls	Further tightening or new restrictions	Earnings risk rising
Valuation	Forward P/E below 15–18x on stable estimates	Potential entry point

EXIT TRIGGERS

Not applicable — no position recommended. The conditions that would move NVDA from AVOID to a watchlist BUY candidate:

- Price correction to the EUR 120–135 range, opening a genuine margin of safety against normalized earnings.
- Evidence that data-center demand is durable and recurring (software/services revenue mix rising materially), reducing the cyclical risk profile.
- Initiation of a meaningful dividend (>1.5% yield) providing an income cushion.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Disqualifying factors under the Wealth Preservation Framework:

1. Bear case total return is sharply negative (-12% to -18% CAGR), violating the absolute requirement that bear-case return be $\geq 0\%$.
2. Probability of >50% permanent capital loss (~20-25%) exceeds the <10% standard threshold.
3. No meaningful dividend, removing the income cushion the mandate relies on.
4. Highly cyclical sector trading at a full valuation with no margin of safety — the framework requires cyclicals to offer both a fortress balance sheet AND a valuation discount. NVIDIA delivers the first and not the second.
5. Probability-weighted return (~5.25%) falls below the ~7% hurdle.

This is not a judgment on NVIDIA's quality. The company is exceptional and may compound for years. It is a judgment on the asymmetry: the downside is large, plausible, and unquantifiable enough to threaten permanent capital impairment, while the cushion that normally protects a preservation portfolio (dividends, valuation floor, diversified earnings) is absent.

ANALYST NOTES**Key Assumptions:**

- FY26 figures (revenue \$215.9B, GAAP EPS \$4.90, ~71% gross margin) taken from the provided research; bear-case margin normalization toward 50-55% operating reflects the historical FY23 trough and competitive pressure.
- Current price fixed at the authoritative live quote: \$218.66 / EUR 187.81.
- Probability weights (25/50/25) follow the framework default.

Limitations:

- No stable "normalized earnings" base exists given the 8x revenue expansion over three years, making margin-of-safety calculation unusually imprecise. The scenario band is intentionally wide.
- Segment-level and precise FY25/FY26 cash-flow line items (D&A, capex, exact FCF) were not fully reconciled in the source data; EBITDA and FCF margins are taken from disclosed ranges and provider estimates.
- Forward estimates embedded in the "below-5-year-average" multiple narrative depend on the AI capex cycle persisting, which is the core uncertainty.

Confidence Level: MEDIUM. High confidence in the balance-sheet fortress and the qualitative moat. Lower confidence in any point estimate of fair value, which is exactly why the position fails a preservation mandate — the outcome distribution is too wide and too left-skewed at this price.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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