



NVIDIA Corporation

NVDA

EQUITY RESEARCH REPORT

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NVDA — NVIDIA CORPORATION

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Listing: NASDAQ | **Currency of quote:** USD

Framework Adaptation Applied: Highly Cyclical Sector + Growth-Profile Overlay

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID** (quality-driven watchlist, not a short)
Current Price	**\$216.85 / €185.39**
Fair Value (Base Case, discounted at 7% hurdle)	\$193 / €165
Margin of Safety	**~11.0%** (trading above fair value)
Target Entry Price	\$155–175 / €133–150

Return Profile	Value
Dividend Yield	0.02%
Expected Dividend Growth	20%+ off an immaterial base
Expected Price Appreciation (Base)	5.8% CAGR
Total Expected Return (Base)	**6.2% CAGR**
Bear Case Total Return	**~8.0% CAGR** (cumulative -56%)
Bull Case Total Return	+15.4% CAGR
Probability-Weighted Return	**5.0% CAGR**

Risk Assessment	Value
Wealth Preservation Score	**56 / 100**
Downside Protection Score	55 / 100
Quality Score	78 / 100
Return Adequacy Score	40 / 100
Risk Level	**ELEVATED**
Probability of >50% Permanent Loss	~12%
Recession Profile	SENSITIVE (operations) / VULNERABLE (share price)

One-Line Thesis:

NVIDIA is one of the highest-quality businesses in public markets, priced at roughly 37 times peak-cycle trailing earnings with a 0.02% dividend, which means you carry full equity-cycle risk with no income cushion for a base-case return below what a 4% savings account plus inflation demands.

INVESTMENT THESIS

You are being asked to pay \$5.27 trillion for a company that earned \$120.1 billion last fiscal year and generated \$96.6 billion of free cash flow. The business quality is not in dispute. NVIDIA converts 44.7% of revenue into free cash flow, operates at a 60.6% operating margin, funds its growth internally, bought back \$40.1 billion of stock in FY2026, and shrank its diluted share count by roughly 1.1% while growing earnings 65%. The CUDA software stack plus platform-level integration of silicon, networking, and systems gives it the widest moat in semiconductors. On the fundamental gatekeeping tests in Stage 2, NVIDIA scores near-perfect: 40 out of 40 on balance sheet strength, 15 out of 15 on capital efficiency.

The problem sits entirely in the price and the shape of the return. Three things break the preservation case. First, the income component is a rounding error. FY2026 dividends totalled \$974 million against \$120.1 billion of net income, a payout ratio under 1%, giving you a 0.02% yield. Every dollar of your return must come from price appreciation, which means you own the full volatility of the AI capital expenditure cycle with nothing to collect while you wait. Second, the earnings you are capitalising look like cycle-peak earnings. Gross margin already fell from 75.0% in FY2025 to 71.1% in FY2026, a 390 basis point compression, and one recent quarter showed non-GAAP gross margin at 72.7% against 75.7% a year prior. Revenue growth decelerated from +114% to +65% before Q1 FY2027 reaccelerated to +85%. You are paying a premium multiple on a margin structure that has already turned. Third, the arithmetic of size. To deliver a 7% total return over ten years from \$216.85, NVIDIA has to grow earnings per share at roughly 13% compounded for a decade while its multiple compresses from 37 times to 20 times, which is exactly what my base case models, and that base case lands at 6.2%. Below the hurdle.

What could go wrong is well documented and it is not manageable within a preservation mandate. Revenue concentrates in data centre products sold to a handful of hyperscalers whose capital budgets are discretionary and reset annually. The company is fabless and depends on TSMC for leading-edge nodes and advanced packaging, with Taiwan concentration risk attached. U.S. export controls have already cost NVIDIA access to China-specific products repeatedly since October 2022, with a roughly \$5.5 billion estimated hit disclosed around the H20 licensing change, and China opened an antitrust probe in December 2024. The August 17, 2026 8-K reporting entry into a material definitive agreement together with creation of a direct financial obligation is unresolved in the provided dataset and could indicate vendor financing or debt issuance, both of which would change the balance sheet story. Against these, the price offers no cushion: the stock has drawn down more than 60% inside the last five years on a far smaller earnings base, and my bear case, which assumes an AI capex digestion cycle rather than a collapse, produces a -56% ten-year outcome.

Compared to alternatives, the case fails on relative grounds too. A 4% risk-free savings account plus the 7% inflation-adjusted hurdle sets the bar. NVIDIA's probability-weighted expected return of 5.0% sits below that bar while carrying a 12% estimated chance of a permanent loss exceeding half your capital. A regulated utility yielding 4% with 3% growth beats this risk-adjusted, without requiring you to forecast hyperscaler capital budgets ten years out. This is a business you would happily own at \$155 to \$175. At \$216.85, five days before an earnings print that must clear consensus revenue estimates near \$92 billion for the quarter, you are underwriting

perfection.

STAGE 1 — SECTOR & THEME FILTER

Question	Answer	Result
Business understandable?	Yes. Sells accelerated computing platforms.	CONTINUE Networking, systems, software.
Sector in secular decline?	No. Accelerated computing is in a structural growth phase.	CONTINUE
Defensive or cyclical?	**Highly cyclical.** Semiconductors, and specifically data center applied equipment tied to discrete computing.	CONTINUE
Sector tailwinds	1) AI training and inference infrastructure buildout 2) Sovereign AI program	Tailwinds Yes, sovereign AI program, with over \$300B in funding.
Sector valuation vs history	Technology sector median P/E of 25.5x. NVIDIA trades at 36.3x.	Valuation Elevated valuation 43% premium to that median.

Framework requirement for highly cyclical names: proceed only with exceptional balance sheet strength **and** a valuation discount.

Result: Balance sheet test passes decisively. Valuation discount test fails. NVIDIA trades below its own five-year average multiple (36.3x versus a 63.6x five-year average P/E) but at a 43% premium to its sector. A multiple that fell because the denominator exploded during a capex boom is not a discount.

Stage 1 Verdict: CONTINUE with the cyclical-name discount requirement flagged as **UNMET**.

1. BUSINESS QUALITY ASSESSMENT

Segments: Two reported segments, Compute & Networking and Graphics. Compute & Networking accounted for the overwhelming majority of FY2026 revenue, with Data Center the engine inside it and Graphics now a small minority of the business.

Revenue concentration: Data centre revenue has run above 90% of total revenue in recent quarters. Disclosed data centre figures in the provided research show a progression of roughly \$41.1 billion (+56% YoY), then \$51 billion (+66%), then \$62.3 billion (+75%). Networking reached about \$7.3 billion in one quarter, up 98% year over year and 46% sequentially.

Geographic mix: 31% of FY2026 revenue from customers headquartered outside the United States, 69% from U.S.-headquartered customers. NVIDIA reports by customer headquarters, and its own filing notes that a large share of Taiwan-headquartered revenue ultimately serves U.S. and European end customers. Customer concentration is therefore worse than the geographic split suggests, because U.S. hyperscaler capital budgets sit behind most of the revenue regardless of billing address.

Moat assessment:

Moat Type	Present	Durability	Preservation Value
Switching costs (CUDA, developer tooling, framework compatibility)	Primary	High	Excellent
Platform integration (silicon + interconnect + systems + software)	Strong	High	Excellent

Moat Type	Present	Durability	Preservation Value
Network effects (developer installed base, cloud availability)	Present	Variable	Good
Cost advantage / scale	Present	Medium-High	Good
Patents / IP	Present	Time-limited	Monitor

Primary Moat: Switching costs via CUDA and the software ecosystem, reinforced by platform breadth and product cadence.

Threat Assessment: ELEVATED. AMD's MI-series, hyperscaler custom silicon (Google TPU, Amazon Trainium and Inferentia, Microsoft and Meta in-house programmes), and workload-specific startups all attack the same demand pool. The moat is strongest in training, where software compatibility dominates, and weakest in high-volume inference, where cost per token dominates and buyers have the scale to justify custom parts. Every large customer is also a funded competitor.

Moat Preservation Confidence: MEDIUM. Can the competitive position erode materially inside ten years? Possible. Ten years is long enough for the workload mix to shift from training toward inference, and for the largest three buyers to internalise a meaningful share of their own accelerator supply.

Stage 1 Business Quality Verdict: Wide moat, elevated threat, cyclical demand. Quality is high. Predictability at a ten-year horizon is not.

2. FINANCIAL FORTRESS ANALYSIS

2.1 Five-Year Financial Record

Fiscal Year	Revenue	YoY	Net Income	Diluted EPS	FCF	Gross Margin	Op Margin	Net Margin	FCF Margin
FY2026	\$215.9B	+65%	\$120.1B	\$4.90	\$96.6B	71.1%	60.6%	55.6%	44.7%
FY2025	\$130.5B	+114%	\$72.9B	\$2.94	\$60.9B	75.0%	62.4%	55.9%	46.6%
FY2024	\$60.9B	+126%	\$29.8B	\$1.19	n/d	n/d	n/d	n/d	n/d
FY2023	n/d	—	n/d	n/d	n/d	n/d	n/d	n/d	n/d
FY2022	\$26.9B	—	\$9.8B	\$0.38	n/d	n/d	n/d	n/d	n/d

n/d = not disclosed in the provided dataset. Q1 FY2027 (quarter ended April 26, 2026): record revenue of \$81.6 billion, +85% year over year, +20% sequentially.

Revenue compounded at roughly 68% annually across FY2022 to FY2026. EPS went from \$0.38 to \$4.90, a 12.9-fold increase in four years. Nothing in public-market history is a good comparable for that, which is precisely the forecasting problem.

2.2 Solvency Check

Metric	Threshold	NVIDIA	Assessment
Debt-to-Equity	<1.0x, ideally <0.5x	Not disclosed in dataset	Inferred well below 0.5x
Interest Coverage	>5.0x min, >8.0x preferred	Not disclosed in dataset	Inferred far above 8x
Current Ratio	>1.5x	Not disclosed in dataset	Unverified
Free Cash Flow	Positive 4 of 5 years	Positive and growing; \$96.6B FY2026	FY2026
Debt maturity cliffs	None >30% in a 2-year window	Not disclosed in dataset	Unverified
Cash as % of total debt	>20% preferred	Not disclosed in dataset	Inferred well above

The dataset does not contain balance sheet line items, so I will not print numbers I cannot source. What the dataset does support: NVIDIA returned \$41.1 billion to shareholders in FY2026 out of \$96.6 billion of free cash flow while continuing to fund growth investment, and management committed to returning 50% or more of free cash flow going forward. A company doing that is not capital-constrained. No going-concern language, no auditor qualification, no material weakness appears in the recent 10-K per the filing review.

Stress test, revenue down 30% for two years: On FY2026 economics, a 30% revenue decline to roughly \$151 billion at a 45% net margin still produces around \$68 billion of net income. Debt service would be covered many times over. The \$974 million dividend survives a 95% earnings decline. No dilutive equity raise would be required. Buybacks would slow, which removes a support for the share price but not for solvency.

Solvency Assessment: FORTRESS (with the caveat that the specific ratios are inferred rather than sourced, and that the August 17, 2026 8-K disclosing a direct financial obligation under Item 2.03 is unresolved and could alter the leverage picture).

2.3 Earnings Quality

- FCF of \$96.6 billion equals 80.4% of \$120.1 billion net income. Since free cash flow is stated net of property and equipment purchases, operating cash flow conversion is comfortably above net income. Earnings are cash-backed.
- Receivables and inventory growth versus revenue and COGS: not disclosed in the dataset. This is the one place I want data I do not have. NVIDIA's own risk factors flag inventory valuation, excess and obsolete reserves, and purchase commitments as areas of significant judgement, and the company took write-downs in the prior crypto cycle after misjudging demand.
- No restatements disclosed in the last five years. Routine auditor consent exhibit in the 10-K, no qualification.
- FCF margin declined from 46.6% to 44.7% and gross margin from 75.0% to 71.1%. Both are real deteriorations at the peak of a demand cycle.

Earnings Quality: ACCEPTABLE. Cash conversion is strong. Inventory and receivables verification is incomplete, and margin direction has turned.

2.4 Dilution Check

Period	Diluted Shares (derived)	Change
FY2025	~24.79B (\$72.9B / \$2.94)	—

Period	Diluted Shares (derived)	Change
FY2026	~24.51B (\$120.1B / \$4.90)	** -1.1%**

FY2026 buybacks of \$40.1 billion against \$974 million of dividends. Share count is shrinking despite stock-based compensation. Management guided to returning 50% or more of free cash flow through buybacks and a growing dividend.

CEO compensation as a percentage of net income and insider ownership percentage are not disclosed in the provided dataset.

Dilution Assessment: EXCELLENT. One caution: repurchasing \$40.1 billion at 37 times trailing earnings destroys value if the multiple mean-reverts. The buyback is a genuine return of capital only if the stock is below intrinsic value, and my own base-case fair value says it is not.

2.5 Capital Efficiency

Invested capital is not disclosed in the dataset, so I will not print a decimal ROIC. What the dataset supports: \$120.1 billion of net income and \$96.6 billion of free cash flow against an equity base implied by a price-to-book of 24 to 27 times on a \$5.27 trillion market cap, which puts book equity somewhere near \$195 to \$218 billion. Return on equity on that basis exceeds 55%, and return on invested capital is higher still given the net cash position. Operating margin expanded from FY2022 levels to 60.6%.

ROIC: substantially above 15% | vs. WACC: multiples of it | Trend: improving on returns, deteriorating on margin | Verdict: VALUE CREATING

Capital Efficiency Score: 15 / 15

3. DIVIDEND ANALYSIS

Metric	Value	Threshold	Assessment
Dividend Yield	~0.02% (\$974M FY2026 / ~24.51B shares @ \$4.90/share)	15% (vs. \$0.60/share)	**FAIL**
Payout Ratio (Div/Net Income)	0.8%	<75%	Pass, immaterially
FCF Payout Ratio	1.0%	<70%	Pass, immaterially
Dividend Growth	High off a negligible base; management guided to growth	8%	Pass
Consecutive Years Paying	~14 years	>10 preferred	Adequate
Dividend Coverage (FCF/Div)	~99x	>1.3x	Pass

Stress test: Earnings could fall 90% and the dividend remains covered.

Dividend Sustainability: ROCK SOLID and IRRELEVANT.

This is the single most damaging fact for the preservation case. The framework treats dividends as the mechanism that delivers return independent of price. At a 0.02% yield, NVIDIA delivers zero income cushion. Over the next ten years, even with aggressive dividend growth, the cumulative income you collect will be a fraction of one year's typical drawdown. You are a pure price-appreciation investor here, and price appreciation is

the component you control least.

Income Reliability Score: 13 / 30 (0 for yield, 10 for growth rate, 3 for payment history)

4. VALUATION ANALYSIS

4.1 Multiple Comparison

Metric	Current	5Y Average	vs. History	Sector Median	Assessment
Trailing P/E	30.7x–36.3x per source	68.6x–37.6x on my TTM	33.2x	TTM EPS estimate of ~\$5.77	+43% vs. sector
Forward P/E	21.2x–25.1x	Materially higher	Below	n/d	Implies FY2027 EPS near \$8.7
EV/EBITDA	24.8x–32.8x	Higher	Below	n/d	Elevated absolute
P/FCF	42.6x–45.9x	73.4x	-39%	n/d	Elevated absolute
P/B	24.2x–27.2x	n/d	—	n/d	Extreme absolute
Dividend Yield	0.02%	n/d	—	n/d	No support
PEG	~0.6	n/d	—	n/d	Cheap only if growth holds

TTM EPS estimated at roughly \$5.77 by adding Q1 FY2027 to FY2026 and removing the year-ago quarter, using disclosed revenue and a 55% net margin. Sources in the dataset quote 30.7x to 36.3x on varying timestamps.

4.2 What This Valuation Actually Tells You

The bull argument from the multiples is that NVIDIA is 43% cheaper than its own five-year average and carries a PEG of 0.6. Both statements are arithmetically true and analytically hollow. The multiple compressed because earnings grew 12.9-fold in four years, not because the price fell. A PEG of 0.6 rests on forward growth estimates near 82% this year and 41% next year, which is the highest bar any company of this size has ever been asked to clear. If growth normalises to 15%, the PEG becomes 1.7 and the 25x forward multiple looks like a full price rather than a discount.

The metric that matters for a preservation mandate is price to free cash flow at 43 to 46 times. You are paying about 45 years of current free cash flow. For that to work, free cash flow has to keep growing at a high rate for a long time, and the multiple has to not compress. Both must go right.

4.3 Margin of Safety

Base-case terminal value in FY2036 (derived in Stage 5): \$380 per share. Discounted at the 7% hurdle: **\$193 per share (\$165 EUR)**.

Margin of Safety: -11.0%. The stock trades above fair value on the hurdle-rate discount.

Valuation: FULL. Not a bubble multiple on current earnings, and not a price that leaves room for error.

Valuation Score: 10 / 15 (25th to 50th percentile of the five-year multiple range)

5. SCENARIO ANALYSIS (10-Year, FY2036)

Assumptions Base

Starting point: TTM EPS ~\$5.77, ~24.3B diluted shares, FY2027 consensus revenue near \$387 billion (Q1 actual \$81.6B plus quarterly consensus figures of \$92.1B and \$103.7B and a modelled Q4), implying FY2027 EPS near \$8.70 at a 55% net margin, consistent with the 25x forward P/E in the data.

BEAR CASE (25% weight)

AI capital expenditure digests in FY2028 to FY2029. Hyperscalers slow deployment after over-ordering, custom silicon absorbs a meaningful share of inference volume, China remains restricted, and pricing normalises as competition improves.

- Revenue peaks near \$450B in FY2028, falls to ~\$270B, recovers to ~\$400B by FY2036
- Net margin compresses to 35% as pricing power fades and mix shifts down
- FY2036 net income ~\$140B, shares ~22B, EPS ~\$6.36
- Terminal multiple: 14x, appropriate for a mature cyclical semiconductor leader
- **FY2036 price: \$89 / €76**
- Dividend contribution: ~0.5% annually
- **Total Return CAGR: -8.0%** (cumulative -56%)

This bear case does not assume a collapse. It assumes NVIDIA remains the market leader in a normalised market and gets a normal-company multiple. The framework's absolute requirement is a bear case total return of zero or better. This fails by 8 percentage points a year.

BASE CASE (50% weight)

The build-out continues but decelerates on a well-behaved curve: +25% in FY2028, +15%, +10%, +8%, then 5% annually.

- FY2036 revenue ~\$844B, net margin 45%, net income ~\$380B
- Buybacks at 50% of FCF reduce shares to ~20B
- FY2036 EPS ~\$19.00 (12.7% CAGR from \$5.77)
- Terminal multiple: 20x, reflecting a slower-growing, still-dominant franchise
- **FY2036 price: \$380 / €325**
- Price CAGR 5.8%, dividend contribution 0.4%
- **Total Return CAGR: 6.2%**

BULL CASE (25% weight)

Accelerated computing becomes a utility-scale market. Sovereign AI programmes compound, Vera Rubin and successors hold the performance lead, AI PCs and robotics open genuine new segments, and NVIDIA defends premium economics.

- FY2036 revenue ~\$1.4T, net margin 48%, net income ~\$670B
- Shares ~19B, EPS ~\$35.00
- Terminal multiple: 25x
- **FY2036 price: \$880 / €752**

• **Total Return CAGR: 15.4%**

Probability-Weighted Summary

Scenario	FY2036 Price (USD)	FY2036 Price (EUR)	Total CAGR	Weight	Contribution
Bear	\$89	€76	-8.0%	25%	-2.0%
Base	\$380	€325	+6.2%	50%	+3.1%
Bull	\$880	€752	+15.4%	25%	+3.9%
Expected			**+5.0%**		**+5.0%**

Downside Protection Analysis

- Maximum historical drawdown, last five years: approximately -66% (late 2021 peak to late 2022 trough), on a far smaller earnings base than today
- Bear-case decline from current price: -59% at the FY2036 trough valuation
- Consensus bear targets in the research cluster at \$140 to \$180, with scenario work pointing toward \$150 if capex cools and the multiple compresses. That is -17% to -35% inside twelve months, before any ten-year consideration
- Dividend cut risk in stress: none, and no benefit either
- **Probability of permanent capital loss (>50% decline not recovered within 5 years): ~12%**

Framework threshold is under 10%. NVIDIA fails it. Two prior cycles, 2018 and 2022, produced drawdowns above 55% and above 65% respectively. Both recovered, which argues for a lower permanent-loss estimate. Both occurred when the earnings base was a fraction of today's and the addressable market was expanding into open space. A 12% estimate accounts for the possibility that the current earnings level is a cycle peak rather than a waypoint.

6. RISK ASSESSMENT

Risk	Severity	Probability	Mitigation Available
Customer concentration in hyperscale capex	Severe	Certain exposure, timing unknown	None. Structural.
AI capex over-build and digestion cycle	Severe	Moderate to high within 5 years	None at this multiple
Custom silicon share loss (TPU, H100, in-house Microsoft/Meta)	High	Moderate, rising	Software lock-in slows it
Fabless dependence on TSMC for advanced packaging	Severe	Low per year, cumulative over 10 years	None
Taiwan geopolitical event	Catastrophic	Low per year	None
U.S. export controls tightening further	High	High. Repeated since Oct 2022; Partially mitigated by design changes	Partial. Estimated 10-20% impact
China antitrust retaliation (probable Dec 10, 2024)	Moderate	Ongoing	Limited
Gross margin compression	High	In progress: 75.0% → 71.1%	Mix and pricing discipline
Inventory write-downs on product obsolescence	Moderate	Recurring in prior cycles	Management judgement

Risk	Severity	Probability	Mitigation Available
Multiple compression from 37x to 20x sector median	Severe	High over 10 years	None
Key-person risk (Jensen Huang)	High	Low per year	Succession plan not disclosed
Securities litigation (2017–18 crypto disclosure, moderate, not a Supreme Court June 2024)	Low to moderate	Low	Reserves
Aug 17, 2026 8-K: material definition of revenue + direct financial obligation, contents unresolved	High	Low	Read the filing
Responsible-AI and energy-intensity regulation	Moderate	Rising	Disclosure and engagement

Risk Level: **ELEVATED**.

The two risks that matter most for capital preservation are not company-specific failures. They are the capex cycle turning and the multiple normalising. Both are outside management's control, both are historically normal for this sector, and neither is compensated by income or by a discounted entry price.

7. MANAGEMENT & GOVERNANCE

Execution: Among the best in public markets. Revenue from \$26.9 billion to \$215.9 billion in four years while holding operating margin above 60% required supply chain coordination, product cadence, and demand forecasting at a scale nobody had attempted.

Capital allocation, last five years:

Action	Assessment
\$40.1B FY2026 buybacks	Genuine return of capital, executed at 30x+ earnings. Accretive only if the
\$974M FY2026 dividends, recently raised	Real but immaterial. Signals maturity, delivers nothing to a yield investor
Commitment to return 50%+ of FCF ongoing	Clear, credible framework
Reinvestment in product leadership	Delivered performance leadership through Blackwell, Blackwell Ultra, and
Strategic investments (reported: OpenAI; reported potential AI21 Labs, Kimondy)	Investing in your own customers inflates reported demand and

Capital Allocation Track Record: STRONG, with one flag. Reported capital deployment into AI companies that then buy NVIDIA hardware creates circularity. You want to know how much revenue traces back to entities NVIDIA has funded. The dataset does not disclose this.

Governance flags to monitor:

- Key-person concentration around Jensen Huang, with no succession plan disclosed in the provided material
- July 2, 2026 8-K covering director or officer departure and compensatory arrangements, contents not disclosed here
- The August 17, 2026 8-K creating a direct financial obligation, unresolved
- The securities class action alleging under-disclosure of crypto-cycle dependence in 2017 to 2018 went to the Supreme Court. Whatever the outcome, it establishes a pattern question: does NVIDIA fully characterise its dependence on volatile end markets during boom cycles? You are in another boom cycle

- Insider ownership and CEO compensation as a share of net income: not disclosed in the dataset

Management Quality: EXCELLENT on execution, GOOD on disclosure.

8. PEER COMPARISON

The provided dataset contains no peer financial metrics. I will not fabricate a comparison table. What can be sourced:

Dimension	NVIDIA	Sector / Peer Reference
Trailing P/E	30.7x–36.3x	Technology sector median 25.5x. NVIDIA at a 43% premium
Gross margin	71.1% FY2026	Best in class among merchant semiconductor vendors
FCF margin	44.7%	Best in class
Dividend yield	0.02%	Worst in class for an income mandate. Broadcom at 1.5%
Balance sheet	Net cash, fortress	Among the strongest
Dilution	-1.1% (net buyback)	Excellent
Named competitors	AMD (MI-series), hyperscaler custom ASICs (Google TPU, AWS Trainium, Inferentia), Microsoft	

Best for preservation among the cohort: Not determinable from the provided data. What is determinable: within the semiconductor and AI-infrastructure complex, NVIDIA is the highest-quality operator and the one with the least downside protection built into its price, because it carries the highest multiple and the lowest yield.

9. KEY METRICS SUMMARY & WEALTH PRESERVATION SCORE

9.1 Quality Score (Stage 3)

Component	Points	Max	Basis
D/E below 0.5x	15	15	Inferred net cash; specific ratio not in data
Interest coverage above 8x	15	15	\$96.6B FCF against minimal debt service
FCF positive 5 consecutive years	10	10	FY2025 \$60.9B, FY2026 \$96.6B; no negative
Dividend yield 2–4% with <60% payout	0	15	Yield is 0.02%
Dividend growth above 5% CAGR	0	10	Raised; management guided to continued
Dividend history above 15 years	3	5	~14 years
ROIC above 15%	10	10	Far above
ROIC trend improving	5	5	Improving; margin trend deteriorating
Valuation percentile (25th–50th 5Y range)	10	15	Below 5Y average, premium to sector

Component	Points	Max	Basis
Total Quality Score	**78**	**100**	Primary candidate on quality alone

9.2 Downside Protection Score

Adjustment	Points
Starting baseline	50
Bear case total return positive	0 (fails)
D/E below 0.5x	+10
Dividend maintained through 2020 and 2022 drawdowns	+10
Max historical drawdown below 40%	0 (approximately -66% in 2022)
Current yield above 3%	0 (0.02%)
Bear case shows >20% price decline	-15
D/E above 1.0x	0
FCF negative in any of last 5 years	0
Dividend cut in past 10 years	0
Payout ratio above 75%	0
Downside Protection Score	**55**

9.3 Return Adequacy Score

Base case total return of 6.2% falls in the 6–7% band. **Score: 40 / 100.** Below hurdle.

9.4 Composite

WP Score = (55 × 0.45) + (40 × 0.30) + (78 × 0.25) = 24.75 + 12.00 + 19.50 = 56 / 100

Interpretation band: 55–65, acceptable but not compelling. Reduced position or wait for a better entry.

9.5 Absolute Requirements Test

Requirement	Threshold	NVIDIA	Result
Bear case total return	≥ 0%	-8.0%	**FAIL**
Base case total return	≥ 7%	6.2%	**FAIL**
Solvency assessment	FORTRESS or ADEQUATE	FORTRESS	PASS
Dividend sustainability	ROCK SOLID or SUSTAINABLE	ROCK SOLID	PASS
Probability of >50% permanent loss	≤ 10%	~12%	**FAIL**
Cyclical-sector valuation discount	Required	43% sector premium	**FAIL**

Four of six absolute requirements fail. Per Stage 6.2, any single failure produces AVOID.

9.6 Position Sizing

WP Score 56 with a base case below 7% and a bear case below -20% cumulative places this at **€0 allocation**. The framework's own table assigns zero to anything with a base case under 7%.

10. MONITORING CHECKLIST

Item	Frequency	Trigger for Re-Review
Share price	Weekly	**\$175 or below** starts the re-underwriting process
Data centre revenue, sequential	Quarterly	Two consecutive quarters of sub-5% sequential growth
Non-GAAP gross margin	Quarterly	Below 68% for two quarters implies structural pricing
Hyperscaler capex guidance (MSFT, AMZN, GOOGL, META)	Quarterly	Any aggregate guidance cut
Forward EPS revision direction	Monthly	Downward revisions for two consecutive months
Aug 17, 2026 8-K contents	Immediate	Read Items 1.01 and 2.03. Any vendor financing structure
Inventory and receivables versus revenue	Quarterly	Inventory growing faster than COGS for two quarters
Export control and China licensing changes	Continuous	New restriction, or a licensing grant that adds revenue
Custom silicon announcements from top 5 customers	Continuous	Any announced in-house part reaching production volume
Dividend policy	Annual	A yield above 1.5% would materially change the price
Succession disclosure	Annual	CEO transition announcement
Circular revenue from NVIDIA-funded AI companies	Quarterly	Any disclosure quantifying it

11. MARKET EXPECTATIONS & CONSENSUS

What the current price implies. At \$216.85 and a forward P/E near 25x, the market is capitalising FY2027 EPS around \$8.70. Holding a 25x multiple ten years out requires sustained high growth. My base case says the multiple compresses to 20x while EPS compounds at 12.7%, which produces 6.2% total return. For the stock to deliver 12% annually from here, you need FY2036 EPS above \$33 at a 20x exit, meaning revenue near \$1.3 trillion at a 45% net margin. That is the bull case, not the base case.

Implied revenue CAGR to justify the current price at a 7% hurdle: roughly 12% to 14% compounded for ten years combined with net margins holding above 45%. Not impossible. Not a base case you can preserve capital against.

Consensus bull case: Blackwell and Vera Rubin ramps sustain data centre growth, hyperscaler capex stays elevated, sovereign AI adds a durable channel above \$30 billion annually, and gross margin holds in the low-to-mid 70s. Bull targets cluster at \$320 to \$500.

Consensus bear case: Growth decelerates rather than collapses, customer capex normalises, custom silicon takes inference share, China stays constrained, and the multiple re-rates down. Bear targets cluster at \$140 to \$180, with scenario work pointing toward \$150.

Short interest: approximately 292.7 million shares, roughly 1.26% of float, 2.3 days to cover (other readings 1.5 to 2.5 days). Not a crowded short. Nothing here suggests the price is held up by squeeze dynamics, and nothing suggests sophisticated money is positioned for a collapse.

Analyst consensus: 12-month targets cluster at \$303 to \$306, implying roughly 40% upside from \$216.85. Range spans \$180 to \$500. Growth estimates in the research imply roughly 82% revenue growth this year and 41% next year.

What would validate the consensus: A revenue beat with guidance above the ~\$103.7 billion consensus for the following quarter, gross margin holding above 72%, and evidence that hyperscaler and sovereign commitments extend beyond the next two quarters.

What would disappoint: Guidance in line rather than above, sequential growth decelerating below 10%, gross margin printing below 70%, or commentary about customers lengthening deployment cycles. At 37x trailing, in-line is a negative outcome.

Forward Valuation Table

Metric	Value	Assessment
Forward P/E	21.2x–25.1x (sources: 22.88x, 24.81x, 25.06x)	(25.06x) for a company of this size; cheap only if the growth rate is high
PEG	~0.6	Flattering. Recalculates to ~1.7 at 15% growth
EV/EBITDA	24.8x–32.8x	Elevated absolute
P/FCF	42.6x–45.9x	The number that matters. 45 years of current free cash flow
P/B	24.2x–27.2x	Provides no floor
Beta	Not provided in dataset	Behaviourally high-beta, growth-factor and AI-capex
Analyst target	\$303–306 median	~40% implied upside

Note: the deep_dive_metrics block referenced in the framework was not present in the supplied research payload. Beta, ROE, short-float precision beyond the cited snapshot, and 52-week range are therefore unavailable and have not been estimated.

12. KEY BUSINESS DRIVERS

Driver 1: Data Centre revenue, sequential growth rate

Why it matters: Over 90% of revenue in recent quarters. Sequential growth, not year-over-year, is the earliest signal that the capex cycle is turning.

Current level: Disclosed quarterly progression of roughly \$41.1B (+56% YoY), \$51B (+66%), \$62.3B (+75%). Total company Q1 FY2027 revenue \$81.6B, +20% sequential.

Bull threshold: Sequential growth above 12% sustained.

Bear threshold: Two consecutive quarters below 5% sequential. That marks the top.

Next data point: Earnings report August 26 or 27, 2026 (sources conflict by one day).

Driver 2: Non-GAAP gross margin

Why it matters: The single best summary of pricing power. Above 70% means limited price competition; a sustained break below signals either mix deterioration or competitive pressure.

Current level: 71.1% GAAP FY2026, down from 75.0% FY2025. One recent quarter at 72.7% non-GAAP versus 75.7% prior year.

Bull threshold: Holds above 73% through the Blackwell Ultra and Vera Rubin transitions.

Bear threshold: Below 68% for two quarters.

Next data point: Late August 2026 earnings, plus guidance for the following quarter.

Driver 3: Networking revenue growth

Why it matters: Networking attach rate confirms that customers are building full systems rather than buying spot GPUs. Full-rack deployments are stickier revenue than component sales.

Current level: About \$7.3B in a recent quarter, +98% YoY, +46% sequential.

Bull threshold: Continued growth outpacing compute, raising the attach rate.

Bear threshold: Networking growth falling below compute growth, which would imply customers are buying parts and integrating around NVIDIA.

Next data point: Late August 2026 segment disclosure.

Driver 4: Hyperscaler aggregate capital expenditure guidance

Why it matters: NVIDIA's revenue is a derivative of four to six companies' capital budgets. Their guidance leads NVIDIA's revenue by one to three quarters.

Current level: Elevated and rising per management commentary.

Bull threshold: Aggregate 2027 capex guidance up year over year.

Bear threshold: Any single top-three customer guiding capex flat or down.

Next data point: The hyperscaler reporting cycle in October and November 2026.

Driver 5: Sovereign AI revenue and China licensing

Why it matters: Sovereign AI was cited at above \$30 billion for FY2026 with programmes in Canada, France, the Netherlands, Singapore, and the UK. It partly replaces lost China revenue. China licensing (H200 production reportedly resumed for Chinese customers) is a swing factor worth billions either way.

Bull threshold: Sovereign backlog quantified and growing; H200 or successor licences granted.

Bear threshold: New export restrictions, or sovereign deals slipping from contracts to memoranda of understanding.

Next data point: Late August 2026 earnings commentary and ongoing BIS rulemaking.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker / Symbol	Relationship	Signal
TSMC monthly revenue	2330.TW / TSM	Leads NVIDIA by 1–2 months.	NVIDIA's revenue decline over 3 months
Semiconductor sector ETF	SMH / SOXX	Correlates and often leads on semiconductor sector	Stagnant if NVIDIA is deep in a cycle
HBM memory suppliers	Micron (MU), SK Hynix (000660.KS)	Leads. High-bandwidth memory	Building if HBM pricing declines
AI data centre power and cooling	Vertiv (VRT)	Correlates and sometimes leads	Server and AI cooling growth precedes AI
Direct competitor share signal	AMD	Inverse on share, positive on earnings	Beats AMD on AI chip performance

Monitoring rule: If TSMC posts two consecutive months of sequential revenue decline while HBM contract pricing rolls over, treat the AI capex cycle as turning and reduce any exposure within ten trading days, regardless of NVIDIA's most recent print.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Position Size: \$0 / €0

Disqualifying factors, in order of weight:

- 1. Base case total return of 6.2% CAGR fails the 7% hurdle.** You can earn 4% in a savings account with zero drawdown risk. Accepting a potential 56% loss for an incremental 2.2 percentage points is the wrong trade.
- 2. Bear case total return of -8.0% CAGR fails the absolute requirement of zero or better.** A ten-year holding period does not protect you here, because the bear case is multiple compression plus margin normalisation, and both are durable once they start.
- 3. Probability of permanent capital loss above 50% estimated at 12%, above the 10% threshold.** Two drawdowns above 55% inside the last eight years, on a smaller earnings base, with a lower multiple.
- 4. A 0.02% dividend yield gives you no income cushion.** The framework treats income as the mechanism that pays you while the price does whatever it does. NVIDIA pays you nothing.
- 5. The cyclical-sector gate requires a valuation discount alongside a fortress balance sheet.** NVIDIA delivers the balance sheet and trades at a 43% premium to its sector median.

What would change this assessment:

- **Price at \$175 or below.** That produces roughly 8% base-case CAGR and re-opens the analysis.
- **Price at \$155 or below.** That delivers 10%+ base case with a margin of safety, and I would upgrade to BUY at a standard position if the drivers in Section 12 remain intact.
- **A dividend policy shift to a 1.5%+ yield.** Adds 15 points to the Downside Protection Score and materially changes the preservation profile.
- **Two more years of demonstrated post-peak margin stability above 72%** with sequential data centre growth intact, which would let me raise the terminal multiple in the base case and reduce the bear-case weight.

- **Disclosed succession plan** plus resolution of the August 17, 2026 direct financial obligation on terms that leave the balance sheet unlevered.

What this recommendation is not. This is not a call that NVIDIA is a bad business, that the AI cycle is over, or that the stock will fall. Consensus targets sit 40% above the current price and the bull case delivers 15% annually. NVIDIA may well be the best-performing large-cap of the next decade. The mandate here is capital preservation with a 7% floor, and NVIDIA at \$216.85 asks you to accept cyclical-peak risk with no income and no discount. Different mandate, different answer. Keep it on the watchlist and set an alert at \$175.

ANALYST NOTES

Key Assumptions:

- TTM diluted EPS estimated at approximately \$5.77, derived by adding Q1 FY2027 (revenue \$81.6B at an assumed 55% net margin) to FY2026 reported EPS of \$4.90 and removing the year-ago quarter. Trailing P/E of 37.6x follows. Sources in the dataset quote 30.7x to 36.3x on varying timestamps.
- FY2027 revenue of roughly \$387B built from Q1 actual plus consensus quarterly estimates of \$92.1B and \$103.7B.
- Base-case terminal multiple of 20x, reflecting a mature mega-cap semiconductor franchise growing at 5%. Bear 14x, bull 25x.
- Base-case net margin compression from 55.6% to 45% by FY2036, reflecting competition and mix shift toward inference.
- Buybacks at 50% of free cash flow per management guidance, reducing the diluted share count to roughly 20B by FY2036 in the base case.
- Scenario weights of 25/50/25 per framework standard, not adjusted.
- USD to EUR conversion at 0.8549, implied by the authoritative price pair of \$216.85 / €185.39.

Limitations:

- The dataset contains no balance sheet line items. Debt-to-equity, interest coverage, current ratio, cash balance, and debt maturity schedule are inferred from cash flow and capital return disclosures rather than sourced. The FORTRESS solvency rating carries that caveat.
- No receivables or inventory data. The earnings quality test is therefore incomplete on two of five checks, which matters for a company whose prior cycle ended in inventory write-downs.
- No peer financial metrics. Section 8 is qualitative and the Stage 3 peer ranking table could not be completed.
- The deep_dive_metrics block referenced in the framework was absent from the payload. Beta, ROE, precise 52-week range, and analyst recommendation distribution are unavailable and were not estimated.
- FY2023 financials are entirely missing and FY2022 and FY2024 are partial, which limits the five-year FCF consistency test and the through-cycle margin analysis.
- The August 17, 2026 8-K reporting a material definitive agreement and a direct financial obligation is unresolved. If it discloses material debt or a vendor-financing structure, the Downside Protection Score and the solvency rating both fall.
- Earnings land within five to six days of this report date (August 26 or 27, 2026, per conflicting sources). Any conclusion here can be invalidated by that print and its guidance.

- Reported strategic investments into AI companies that purchase NVIDIA hardware create a circularity question that the dataset does not quantify.

Confidence Level: MEDIUM. High confidence in the business quality assessment and in the direction of the valuation conclusion, which does not depend on precise inputs: at 43 to 46 times free cash flow with a 0.02% yield, no reasonable ten-year model clears a 7% hurdle with a non-negative bear case. Lower confidence in the specific scenario values, which rest on terminal-multiple and terminal-margin assumptions ten years out for a company whose revenue grew eightfold in four years. The recommendation would survive a wide range of reasonable input changes. It would not survive a 25% decline in the share price, which is the point.

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