

NVIDIA

NASDAQ: NVDA

Platform strength. Cash-return discipline.

BUY | Durable compute demand supports value; customer funding, procurement and the duration of platform returns determine the outcome.

BUY	\$300	\$230.55	30.1%
RATING	TARGET PRICE	REFERENCE PRICE	IMPLIED UPSIDE
High risk	12-18 months	8 October 2026	vs. dated reference

Investment conclusion

Our \$300.00 target rounds Base intrinsic value of \$302.15 to the nearest \$5. Probability-weighted value is \$308.02. The target follows the Base scenario. The wider range includes substantial downside, while the Bull scenario materially influences the probability-weighted estimate.

NVIDIA combines compute, networking and software in a platform whose value depends on customer deployment and monetization. We underwrite recurring operating cash generation separately from investment gains, strategic holdings and contingent support obligations. Software benefits are reflected in the operating forecast. The valuation assumes no additional contribution from uncontracted China business.

KEY UNDERWRITING MARKERS | DR ESTIMATES

\$404.637bn	\$580.914bn	61.5%	\$293.54
FY27 REVENUE	FY28 REVENUE	TERMINAL VALUE / EV	CROSS-CHECK
Base estimate	Base estimate	Base estimate	Guidance-based

Cash flows are valued at the July 26, 2026 balance-sheet date using information reviewed through October 5. The October 8 closing-price reference was updated separately. The 12-18 month horizon expresses when we expect the investment thesis to be reflected in the share price; it does not automatically increase the calculated present value.

Tugay Dilikoğlu | Dilikoglu Research | Independent equity research

Investment thesis

A strong platform still needs independently funded demand.

The source of competitive value

The investment case rests on customers continuing to choose NVIDIA systems because their performance, software compatibility and deployment economics justify the full cost. Hardware transitions and a broader installed base can reinforce that position. They do not remove competition from custom silicon, alternative accelerators or customer optimization.

Growth must convert to collections

Quarterly revenue and operating profit are insufficient measures of the investment outcome. Inventory, receivables, procurement commitments and support for ecosystem partners can change cash conversion. Our model links customer-group growth to these demands rather than capitalizing an earnings headline alone.

The strongest counterargument

If customers obtain equivalent economics with fewer accelerators, competing systems or more efficient models, NVIDIA could face weaker shipment growth and pricing. Some ecosystem investment may facilitate the same demand being forecast. We therefore stress investment recovery and partner obligations jointly with operating execution, without treating all ecosystem exposure as an immediate loss.

Scenario	DR probability	Intrinsic value
Failure	10%	\$8.02
Bear	25%	\$75.85
Base	45%	\$302.15
Bull	20%	\$761.45

The probability weights are analyst judgments. Base requires sustained growth and high returns; Bull assumes stronger operating execution and more durable economics. Failure is a severe operating and counterparty stress, not an estimate of a measured default probability.

Operating forecast

Separate management outlook from long-range estimates.

Q3 guidance is \$108bn revenue, 74% GAAP gross margin and \$9.2bn GAAP operating expense; China Data Center compute is excluded. Base follows those anchors. The Q4 sequential growth estimate is 10%; all subsequent annual growth is independent research. [1]

Period	Revenue \$bn	Gross margin	GAAP opex \$bn
FY27 Q3 guidance	108.000	74.0%	9.200
FY27 Q4 DR estimate	118.800	74.0%	9.936

Period	Revenue \$bn	EBIT \$bn	FCFF \$bn
H2 FY27	226.80	147.15	71.99
FY28	580.91	378.35	325.64
FY29	723.58	467.04	358.45
FY30	874.65	557.98	423.60
FY31	1023.91	642.89	494.77
FY32	1158.54	713.18	554.94
FY33	1283.34	765.04	594.52
FY34	1390.69	802.80	619.37
FY35	1473.28	822.65	627.19
FY36	1524.84	822.63	614.51

FY27 ends in January 2027. Historical H1 is included in full-year revenue but excluded from future discounted cash flows. Second-half cash flows are estimated as a single six-month period, limiting visibility into quarterly funding needs. Q3 product proportions are held at Q2 levels because detailed forward group guidance is unavailable.

Growth and return assumptions

Customer groups are revenue drivers, not physical shipment forecasts.

Base group	FY28 growth*	FY32 growth
Hyperscale	25%	12%
AI Clouds / Industrial / Enterprise	35%	15%
Edge Computing	10%	5%

*FY28 growth is measured against twice modeled H2 FY27, not against FY27 reported plus forecast revenue. The group growth rates fade between the endpoints. These revenue assumptions do not separately forecast GPU shipment volumes and selling prices.

Hyperscale and AI Clouds / Industrial / Enterprise comprise Data Center; Edge is separate. The forecast values these activities within their respective groups, including the contribution from announced programs.

Base valuation driver	DR assumption
H2 FY27 / FY32 gross margin	74% / 69%
FY36 operating margin	53.95%
WACC / terminal growth	9.5% / 3.5%
Terminal return on invested capital	35%
Four-year normalization transition	FY33–FY36

These assumptions recognize a valuable platform while allowing normalization. They are demanding: the model requires a much larger revenue base and high returns well beyond current guidance. The margin and discount-rate sensitivities are central to interpreting the target, rather than peripheral risk cases.

Cash flow and procurement

Supplier commitments enter cash requirements before final demand is certain.

The model begins with reported balance-sheet components and separates operating working capital from equity investments and financial claims. The operating portion of balance-sheet items without detailed disclosure is estimated. Changes in deferred revenue capture the timing difference between customer payments and recognized revenue.

Base cash-flow bridge	H2 FY27 \$bn
After-tax operating profit	122.133
Depreciation and amortization	2.262
Existing-award expense adjustment	3.358
Capital spending	7.000
Change in working capital	45.162
Investment loss allowance	3.600
Guarantee payment stress	0.000
Free cash flow to firm	71.991

Procurement has a floor based on disclosed commitment schedules. Purchases beyond component consumption increase inventory; excess inventory can be impaired. Inventory impairment recognizes a loss on purchases already funded; it does not itself require another cash payment. Future commitment timing and rescheduling remain simplified estimates.

Depreciation reflects the age and useful life of physical assets, while acquisition-related amortization follows its remaining term. Future stock compensation remains an economic cost. Existing awards are reflected in the share count, with their remaining expense adjusted consistently.

Financial claims and ecosystem exposure

Cash, securities, debt and guarantees have different economic roles.

Opening / exposure item	USD bn
Cash and debt securities	56.586
Debt principal	33.500
Operating liquidity reserve — DR	15.000
Tax and license claims — Base treatment	9.553
Investment value after DR haircuts	66.960
Gross guarantee exposure, including August event	108.500

The guarantee total includes \$105bn of conditional August support for SB Energy infrastructure. These conditional obligations differ from outstanding borrowings. Valuation reflects estimated losses and payment timing under each scenario, rather than assuming the entire exposure becomes payable. [2]

Public and private investments receive recovery and tax haircuts. New committed investments use full cash outlays in the liquidity schedule but only the loss allowance in valuation, assuming the retained investment value is recoverable. Actual recovery values may differ materially from these estimates.

Debt interest and principal repayments are assessed separately from free cash flow to the firm. Funding projections exclude discretionary distributions. A shortfall would require additional financing and could substantially reduce common-equity value. The analysis does not establish covenant compliance or guarantee refinancing access.

Capital return and dilution

An authorization is not completed share retirement.

On September 28 NVIDIA increased its repurchase authorization by \$150bn, leaving \$235bn available, with execution expected through FY28. Actual future transaction prices and timing were not disclosed. The Base valuation retains the existing share count until repurchases are executed. [4]

Illustrative execution price	Retired shares bn	Post-buyback IV
\$230.55	1.019	\$305.28
\$302.15	0.778	\$302.15
\$362.58	0.648	\$300.50

The illustration deducts the \$235bn purchase cost from equity value and reduces the share count at each assumed execution price. It assumes sufficient funding at the time of purchase. Buying at intrinsic value leaves value per remaining share unchanged. Buying below or above it creates or destroys value for remaining holders.

Current economic share claims are 24.315bn, including existing awards. Because existing awards are included in the share count, their remaining expense is adjusted to avoid charging shareholders twice. Future compensation remains an expense, and repurchases require a corresponding use of cash.

Long-term shareholders should monitor executed repurchases, net share issuance and the cash used, not only the size of the authorization. Changes in cash and shares outstanding can affect value per share even when the operating business value is unchanged.

Valuation and cross-checks

Cash-flow valuation is tested against alternative earnings assumptions.

Base DCF bridge	USD bn
Explicit cash-flow PV	2805.395
Terminal cash-flow PV	4475.918
Enterprise value	7281.313
Adjusted opening net cash	-1.467
Investment recovery value	66.960
Equity value	7346.806

Dividing by 24.315bn share claims gives \$302.15. The terminal cash flow deducts reinvestment required by growth and ROIC. The target rounds to \$300.00. Above +15% is BUY; below -15% is SELL; otherwise HOLD. Target upside excludes dividends.

The discounted 22x FY36 EBIT sensitivity gives \$432.35. It shares the DCF operating forecast and therefore is not independent confirmation. This higher result is a sensitivity, not a component of the price target.

Independent guidance-based check	Value / share
20x annualized Q3 guided EBIT	\$235.37
25x annualized Q3 guided EBIT	\$293.54
30x annualized Q3 guided EBIT	\$351.71

This separate check annualizes Q3 guided EBIT, applies a DR-selected 20-30x enterprise multiple, and reconciles opening claims. It avoids the long-range operating forecast but assumes persistence of the near-term earnings rate. The multiples are analyst-selected assumptions rather than observed peer medians. The price target continues to follow the Base cash-flow valuation.

Valuation sensitivities and downside

Growth duration and required returns drive the difference from market price.

Base exceeds the \$230.55 October 8 reference by 31.1%; PW by 33.6%. The premium depends on the duration of profitable growth and the return investors require.

Separate Base sensitivity	IV / share
Discount rate 11%	\$239.44
Discount rate 12%	\$209.98
FY28–FY32 growth paths 5pp lower	\$237.71
Terminal EBIT margin 40%	\$246.92
Terminal growth 2%	\$265.35
Full loss on guarantees	\$298.97
Combined: growth -5pp, margin 45%, WACC 11%	\$170.47

Holding other inputs fixed, approximately 11.28% WACC reproduces the dated reference. This is a reverse sensitivity, not a claim about the market's actual required return. The large difference in plausible values demonstrates model risk.

A simple 74-day discount unwind raises Base to \$307.76 without interim cash adjustments. This illustrates the effect of elapsed time alone. The valuation retains the July balance sheet because subsequent cash movements and share changes have not been incorporated.

The market reference is the October 8 regular-session close. The operating underwriting cutoff remains October 5; this price refresh does not change the cash-flow assumptions or valuation date.

Scenarios and simulation

A wide distribution is part of the investment conclusion.

20,000 draws; seed 20260914	USD / share
MEAN	\$352.30
MEDIAN	\$245.95
P10	\$25.18
P25	\$82.92
P75	\$466.68
P90	\$823.08

Conditional scenario	Median
Failure	\$8.14
Bear	\$75.71
Base	\$303.55
Bull	\$760.17

Simulated values below the October 8 reference close: 47.80%; above: 52.20%; above 120% of reference: 45.66%. Zero-equity frequency: 0.76%. Operating liquidity reserve shortfall: 3.54%.

The mean is 14.38% above the probability-weighted scenario estimate. Correlated growth and discount-rate shocks, nonlinear terminal capitalization and equity floors explain a right-skewed result. Medians within each scenario remain close to its central estimate; the overall median reflects the full distribution.

These are frequencies within analyst-selected distributions. They are not calibrated probabilities of real-world returns. More simulation draws reduce numerical noise, not uncertainty over platform durability, customer finances or terminal economics.

Catalysts, risks and thesis tests

Delivery, collections and customer economics provide the key evidence.

Indicator	Evidence that would weaken the thesis
Revenue execution	Two quarters below the lower end of issued guidance
Margin durability	Gross margin below 65% for two quarters without a temporary transition explanation
Cash conversion	Receivable days exceed 90 or procurement materially exceeds deliveries
Partner support	Guarantee calls, customer defaults or unrecoverable cloud commitments
Competitive position	Custom silicon or alternative accelerators reduce comparable shipment economics
Capital intensity	Capex and supplier deposits persistently outgrow revenue

Catalysts

Guidance delivery, product qualification, collections, inventory conversion and independently financed customer deployment would strengthen confidence. Executed buybacks should be evaluated together with cash use. A partnership announcement becomes valuation evidence when it establishes incremental economics not already in the forecast.

Principal risks

Export restrictions, competition, architecture transitions, supply bottlenecks and customer concentration can affect growth and margins simultaneously. Partner losses can coincide with weaker sales. The model's severe scenarios reflect that relationship without assuming every guarantee is funded debt.

What remains estimated

Long-range customer-group growth, terminal returns, cost allocation, investment recovery, support losses and exact commitment dates remain DR judgments. Cash flows are aggregated into H2 and annual periods. Cash and share balances after July have not been estimated without supporting disclosure. This limits the precision of the current equity-value comparison.

Sources and disclosures

Primary evidence and independent estimates remain separate.

[1] FY2027 Q2 results and Q3 outlook | 2026-08-26

[2] FY2027 Q2 Form 10-Q | 2026-08-27

[3] FY2027 Q2 earnings call transcript | 2026-08-26

[4] Share repurchase authorization increase | 2026-09-28

Historical price reference | October 8 regular close: \$230.55; verified after the close on October 8.

Evidence hierarchy

Reported statements and disclosed contractual terms establish historical anchors. Q3 outlook and buyback execution timing are management guidance. Scenario growth, capital allocation, valuation multiples, discount rates, recovery factors and probabilities are Dilikoglu Research estimates. The preceding sections distinguish reported inputs, management guidance and research assumptions.

Author and conflicts

Tugay Dilikoğlu holds no NVIDIA securities, has no material interest in NVIDIA, and has received no compensation from NVIDIA or any third party for this research. Research is produced independently and separately from his professional responsibilities.

Methodology limits

Operating review cutoff: October 5, 2026. Market-reference refresh: October 8, 2026. Valuation balance-sheet date: July 26. This edition retains the assumptions and values presented here; the online model may subsequently be updated. Investment holdings are valued with estimated recovery and tax haircuts. Market-price comparisons use a dated close; the target horizon expresses the expected timing of the investment thesis. Alternative valuation methods remain sensitive to analyst assumptions.

Research disclosure

For informational purposes only; not personalized investment advice or an offer to transact. Forecasts, recommendations and targets are uncertain. Investors can lose capital, including the entire investment. No institutional or regulatory approval is implied. Read the assumptions and limitations alongside the headline target.