

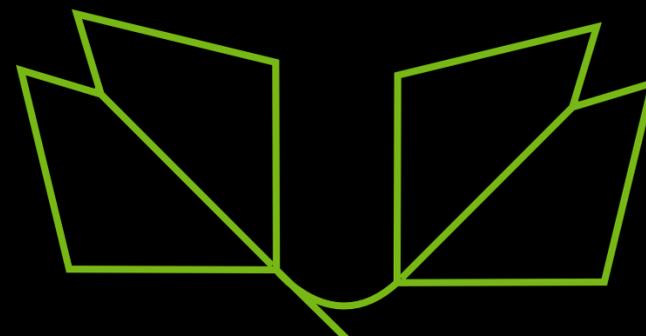
MSBA02 – ACCOUNTING & FINANCE



NVIDIA

INVESTOR PRESENTATION

Presented by:
Dane Quist & Tallulah O'Hanlon-Marin



POWERING THE AI REVOLUTION

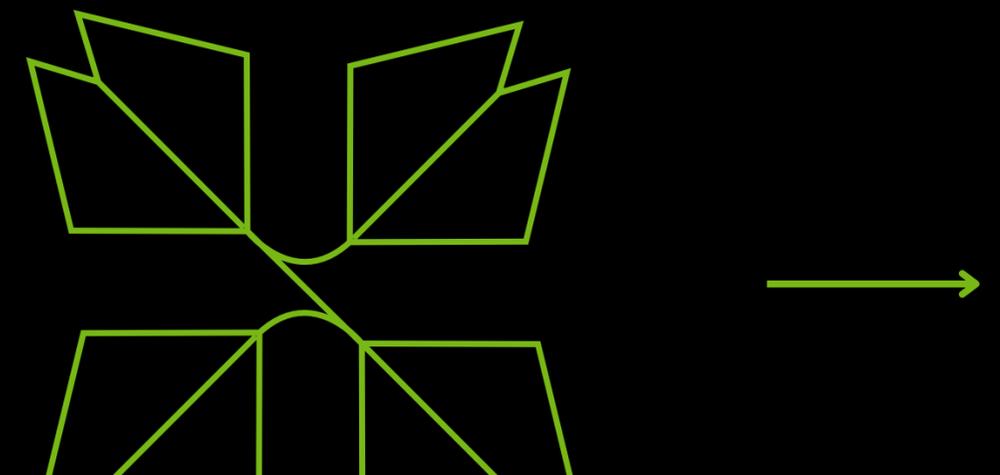
Founded in 1993 by Jensen Huang and colleagues, NVIDIA operates in the global semiconductor and accelerated computing industry. It focuses on high performance graphics processing, data centre computing, artificial intelligence, autonomous systems, and advanced simulation.

Key product categories include:

- **GeForce and RTX GPUs**
 - Used for consumer gaming, content creation, and real time graphics.
- **Professional and workstation GPUs**
 - Used for 3D modelling, engineering design, architecture, and scientific visualisation.
- **Data centre and AI accelerators such as H100, A100, and GH200**
 - Used for training and deploying large scale AI models, cloud computing, and enterprise workloads.
- **NVIDIA DGX and HGX systems**
 - Used as integrated AI supercomputing platforms for research labs, enterprises, and cloud providers.
- **Networking products acquired through Mellanox**
 - Used to connect high performance computing clusters with low latency.
- **NVIDIA Drive**
 - Used for autonomous driving, vehicle perception, and in car computing.
- **NVIDIA Omniverse and CUDA**
 - Used as software platforms for simulation, digital twins, and accelerated computing.

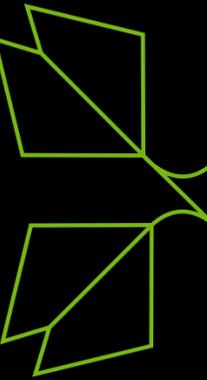
This combined hardware and software ecosystem supports gaming, AI research, cloud infrastructure, robotics, healthcare imaging, and autonomous vehicles (NVIDIA, 2025).

- CENTRAL PLATFORM FOR GENERATIVE AI AND DATA CENTERS
- EXPLOSIVE GROWTH: REVENUES $+>4X$ IN 2 YEARS (2023–2025)
- NET MARGIN EXPANDING FROM 16% TO 56%
- STRONG BALANCE SHEET AND CASH GENERATION
- CLEAR STRATEGIC PLAN TO REDUCE RISK AND EXTEND LEADERSHIP



PROPOSAL

- Nvidia = high-growth, high-margin AI platform with strong financial foundations
- Management has the cash, balance sheet, and tools to invest wisely
- Strategic focus on:
 - Cost structure optimization
 - Targeted, positive-NPV investments
 - Ethical, transparent reporting



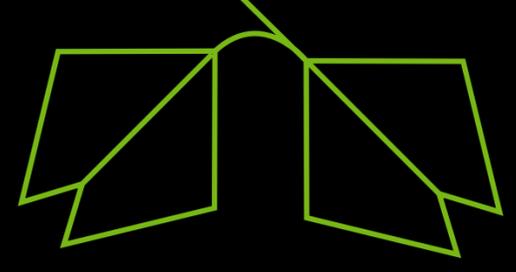
WE SEE NVIDIA AS A CORE LONG-TERM HOLDING IN THE AI AND DATA-CENTER SPACE

- Heavy dependence on AI demand
- Rising competition (AMD, Intel, cloud providers, startups)
- Supply-chain/geopolitical risk around TSMC and chip manufacturing

CHALLENGES



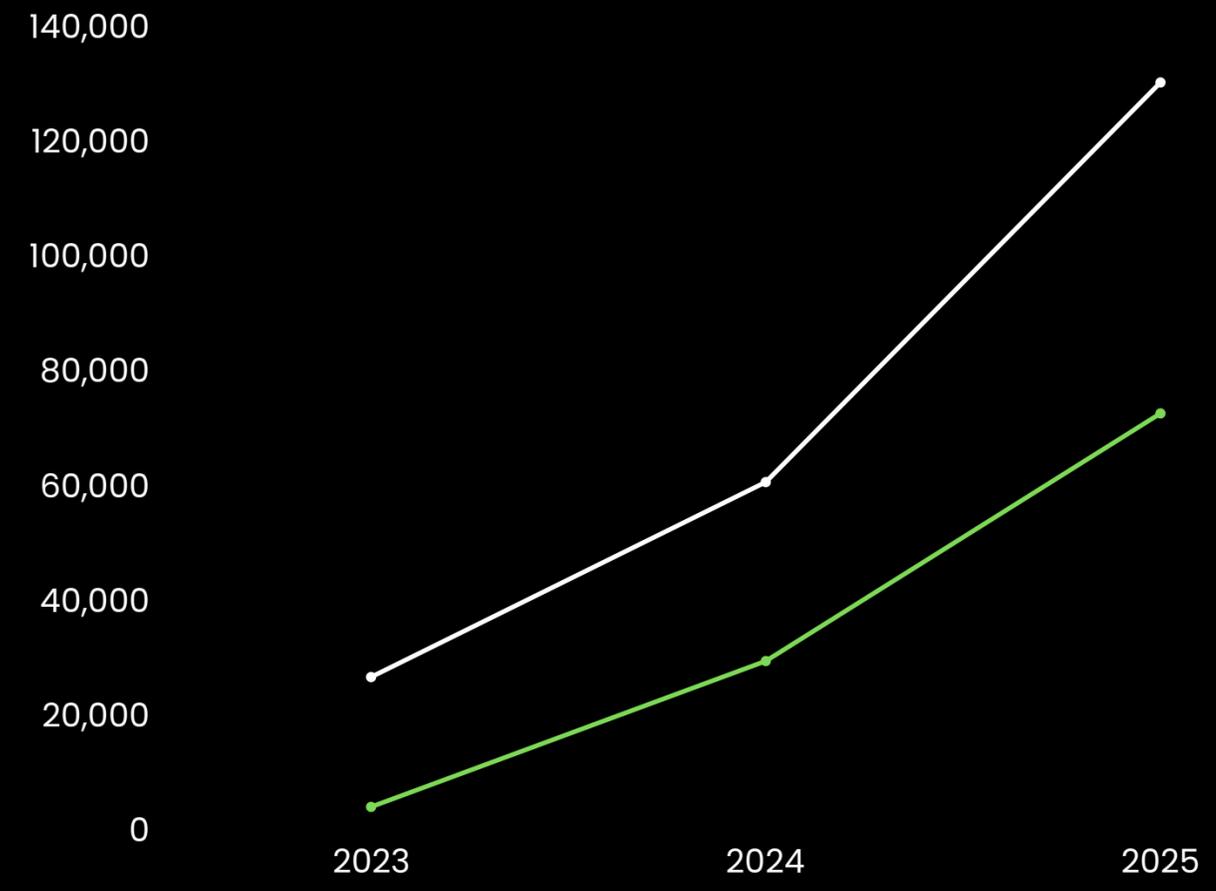
FINANCIAL PERFORMANCE: GROWTH & PROFITABILITY



INTERPRETATIONS

NVIDIA Revenue and Net Income

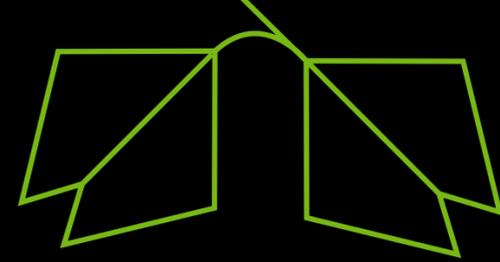
● Revenues (USD millions) ● Net Income (USD millions)



- Revenues and net income increase steadily which reflects strong product demand and operational scalability.
- Net income grows proportionally faster indicating improved margins and disciplined cost structure.
- Rising profitability strengthens internal financing capacity and supports future strategic investments.

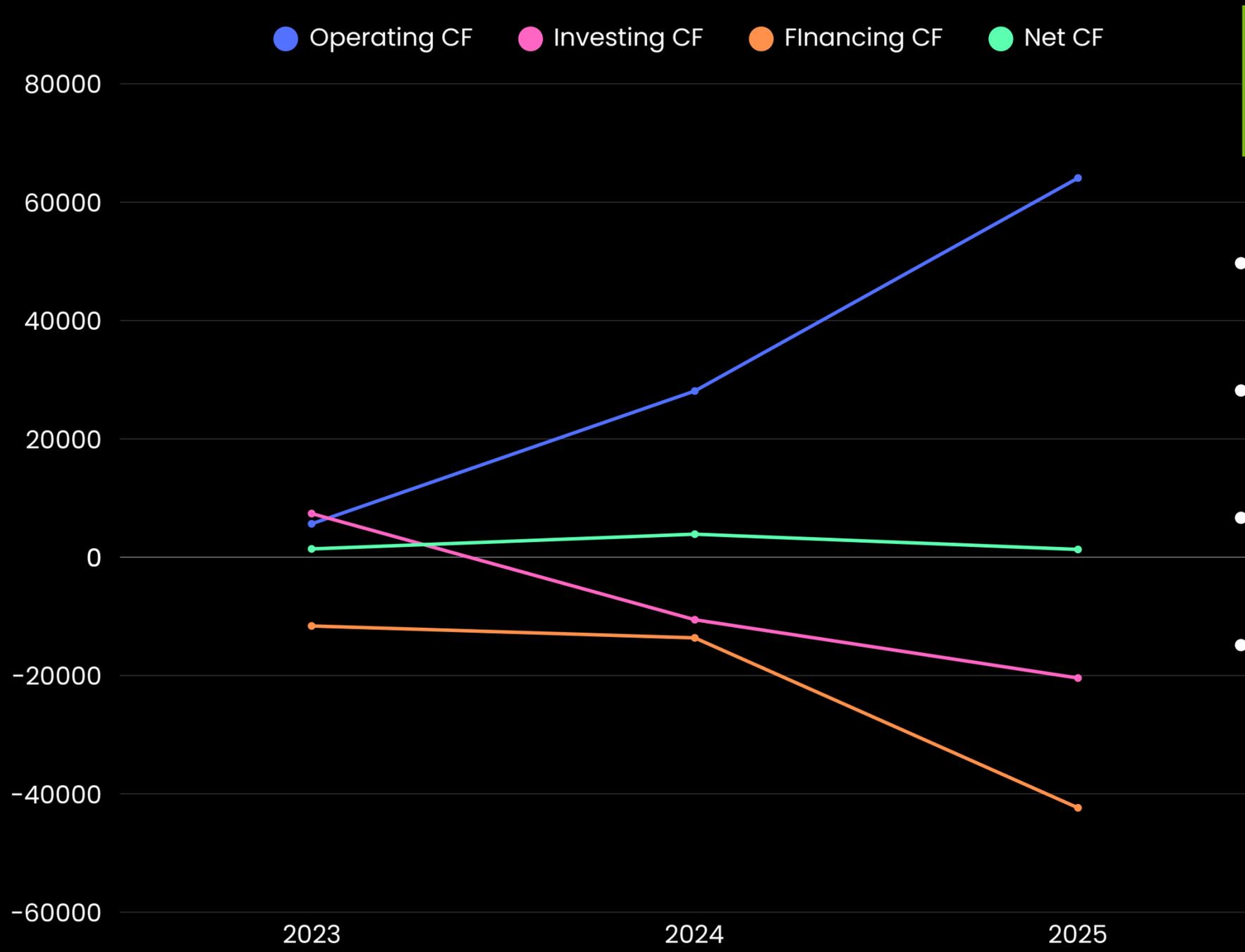
Weak profitability is visible across the period due to low net income relative to rising revenues. High leverage is also evident from sustained negative financing cash flows and the company's reliance on debt to support expansion.





FINANCIAL PERFORMANCE: GROWTH & PROFITABILITY

Cash Flow Trend



INTERPRETATIONS

- Operating cash flow expands sharply which reflects stronger core performance.
- Negative investing cash flow signals ongoing investment in long-term growth.
- Negative financing cash flow indicates reduced dependence on external funding.
- Net cash flow stays positive which supports liquidity and financial stability.



RATIOS

LIQUIDITY RATIOS

	2025	2024	2023
Working capital	62,079	33,714	16,510
Current ratio	4.44:1	4.17:1	3.52:1
Quick ratio	3.67:1	3.38:1	2.61:1
Accounts receivable turnover	5.65	6.09	7.04
Average days to collect receivables	64.6	59.93	51.85

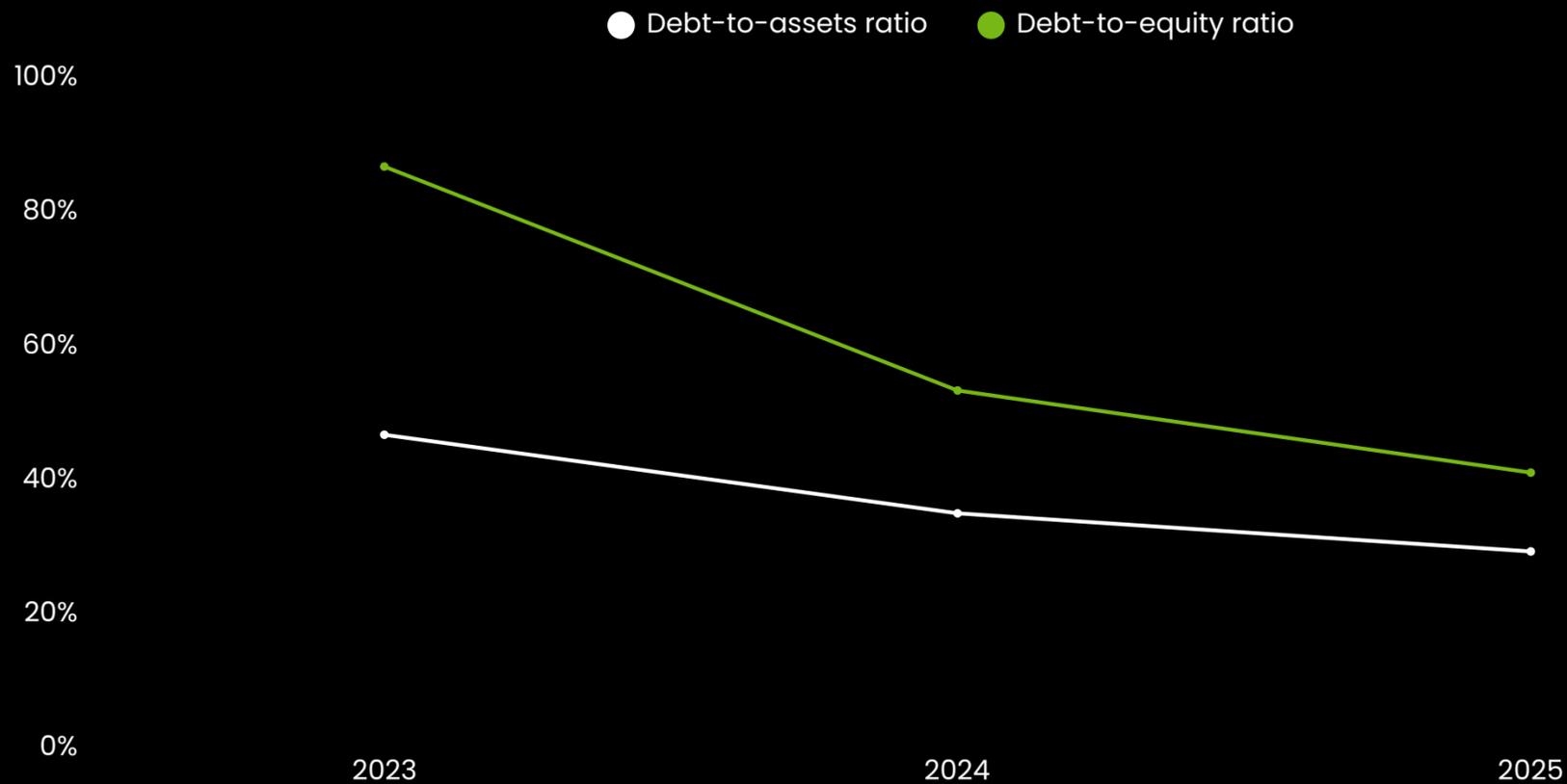
- **Working capital:** Increases each year which indicates stronger liquidity and greater capacity to meet short term obligations
- **Current ratio:** Rising from 3.52:1 to 4.44:1 which shows a stronger ability to cover short term liabilities with current assets.
- **Quick ratio:** Improvement reflects stronger immediate liquidity without relying on inventory.
- **Accounts receivable turnover:** Declines from 7.04 to 5.65 which indicates slower and less efficient collection of customer payments.
- **Average days to collect receivables:** Increases from 51.85 to 64.60 which signals slower credit collection and longer cash conversion.

Takeaway: NVIDIA remains highly liquid with strong short term coverage, although cash collection efficiency has weakened due to slower receivables turnover.



RATIOS

SOLVENCY RATIOS



- **Debt-to-assets ratio:** Declining levels show reduced dependence on debt financing.
- **Debt-to-equity ratio:** Steady improvement indicates strengthening equity and lower leverage risk.
- **Number of times interest is earned:** Growth to 330 reflects extraordinary ability to service debt costs.
- **Plant assets to long-term liabilities:** High coverage signals strong asset backing for long term obligations.

	2023	2024	2025
Number of times interest is earned	16	128	330
Plant assets to long-term liabilities	1.02:1	0.82:1	0.86:1

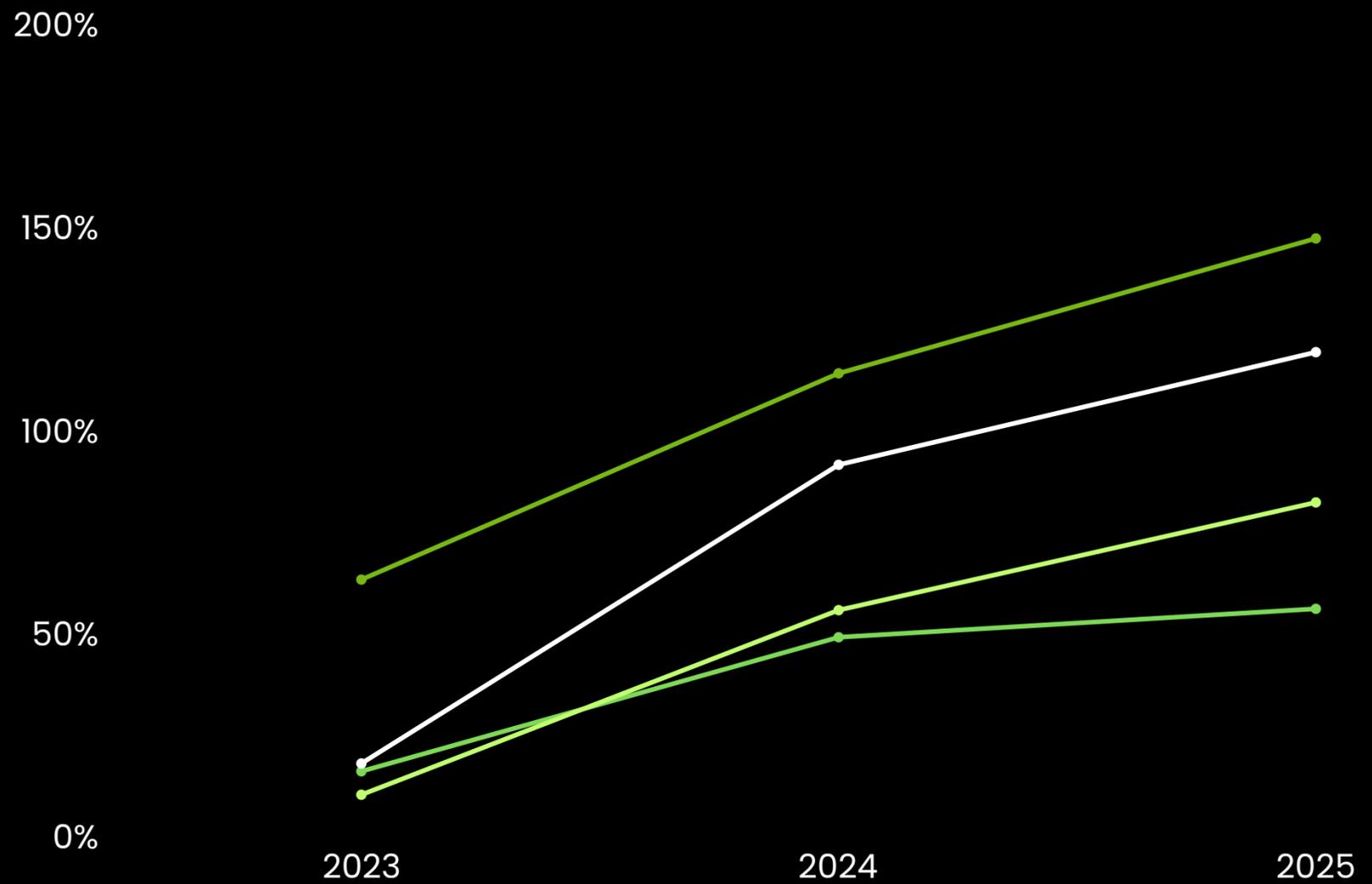
Takeaway: NVIDIA's solvency position is extremely strong due to explosive earnings growth and low reliance on debt.



RATIOS

PROFITABILITY RATIOS

- Net Margin
- Asset Turnover
- Return on investment
- Return on equity



- **Net margin:** Significant expansion shows strong pricing power and cost discipline.
- **Asset turnover:** Rising levels indicate more efficient use of assets to generate revenue.
- **Return on investment:** Large increase reflects highly effective deployment of total assets.
- **Return on equity:** Exceptional rise signals outstanding returns to shareholders.

Takeaway: NVIDIA's profitability is accelerating at an exceptional rate driven by AI demand and operational leverage.



RATIOS

EFFICIENCY RATIOS

	2025	2024	2023
Inventory turnover	3.23	3.14	2.25
Average days to sell inventory	113	116.24	162.22

- **Inventory turnover:** Increase shows faster sales cycles and improved operational efficiency.
- **Average days to sell inventory:** Fewer days indicate stronger product demand and quicker inventory movement.

Takeaway: NVIDIA's operations are highly efficient with rapid stock turnover and strong demand for products.



RATIOS



COMPARED TO COMPETITOR – AMD

LIQUIDITY	NVIDIA (2025)	AMD (2025)	Who is better?	
Working capital	62,079	15,300	NVIDIA	Much stronger buffer for short term obligations.
Current ratio	4.44:1	3.08:1	NVIDIA	NVIDIA has significantly greater coverage of current liabilities.
Quick ratio	3.67	1.49	NVIDIA	NVIDIA holds far more liquid assets relative to liabilities.
Accounts receivable turnover	5.65	8.52	AMD	AMD converts receivables into cash faster.
Average days to collect receivables	64.60 days	42.84 days	AMD	AMD collects cash much quicker.
SOLVENCY	NVIDIA (2025)	AMD (2025)	Who is better?	Why
Debt-to-assets ratio	28.92%	15.62%	AMD	Lower debt dependence; lower solvency risk.
Debt-to-equity ratio	40.68%	19.25%	AMD	AMD is less leveraged and less exposed to debt.
Number of times interest is earned	330×	66×	NVIDIA	NVIDIA generates far more earnings relative to interest.
Plant assets to long-term liabilities	0.81:1	0.5:1	NVIDIA	NVIDIA’s reflects a more secure long-term solvency position
PROFITABILITY	NVIDIA (2025)	AMD (2025)	Who is better?	Why
Net margin	56%	18.23%	NVIDIA	NVIDIA is vastly more profitable.
Asset turnover	147.18%	12.02%	NVIDIA	NVIDIA generates significantly more revenue per asset.
Return on investment	82.20%	1.64%	NVIDIA	NVIDIA’s assets produce far higher returns.
Return on equity	119.18%	2.04%	NVIDIA	NVIDIA creates far more value for shareholders.

NVIDIA is far more liquid overall, with a much stronger ability to cover short term obligations. AMD is more efficient in receivables collection, meaning it converts sales into cash faster.

AMD is better in terms of low leverage and conservative capital structure. NVIDIA is better in income-based solvency, with extraordinary capacity to service debt and cover long term obligations

NVIDIA overwhelmingly outperforms AMD, driven by exceptional demand for AI chips and massive operating leverage. AMD is profitable, but nowhere near NVIDIA’s scale or efficiency.

(AMD, 2024, 2025; Macrotrends, 2025)



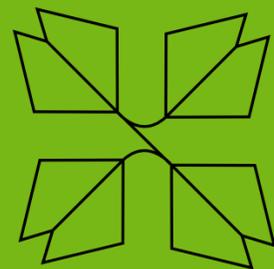
WHY MARGINS ARE SO HIGH

Gross profit growth (2023 - 2025)

15,356m → 97,858m

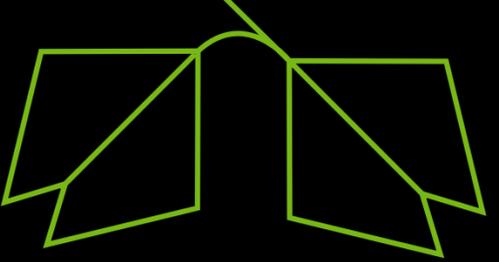
Net margin

16% → 56% in 3 years

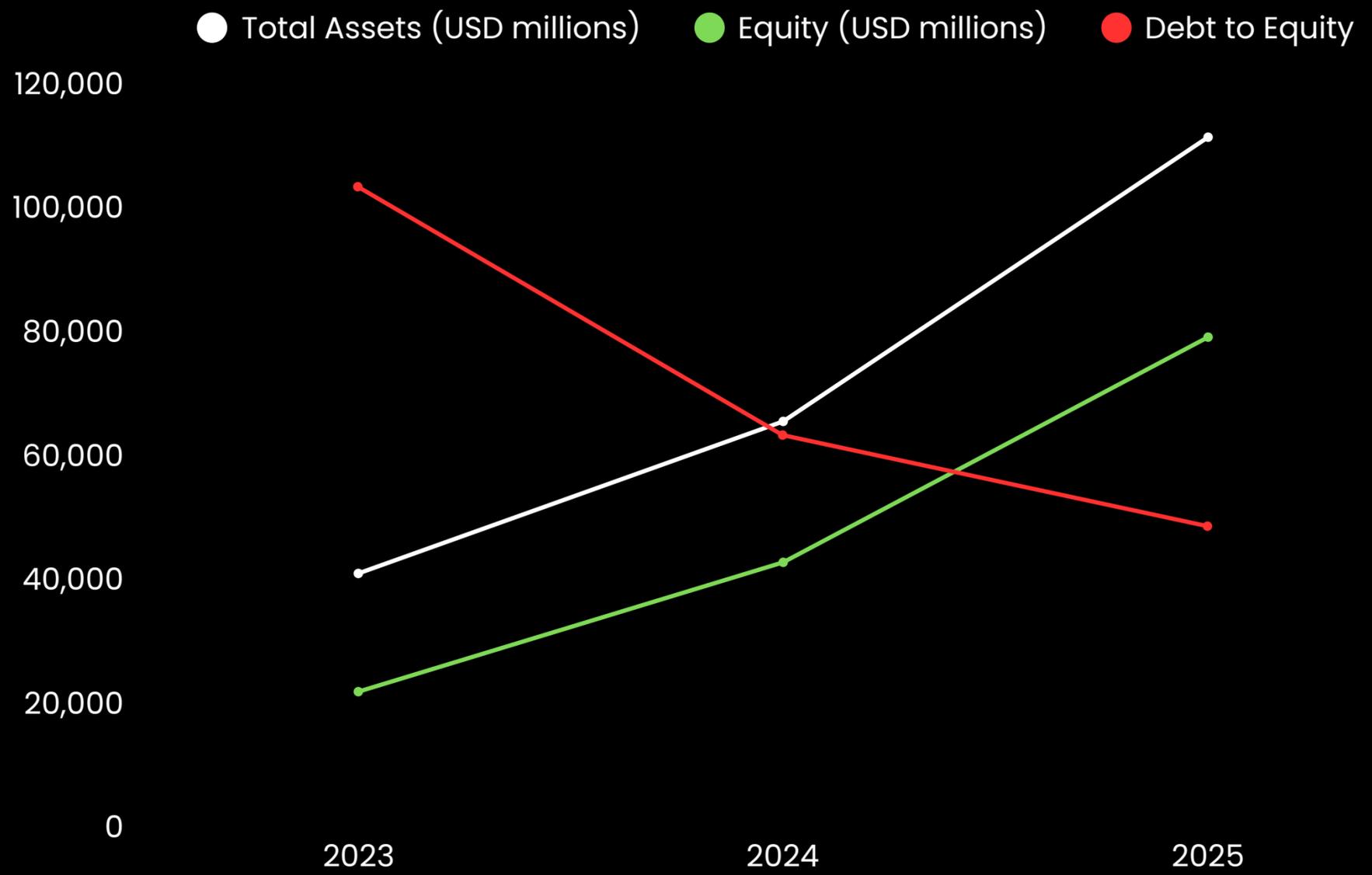


DRIVERS:

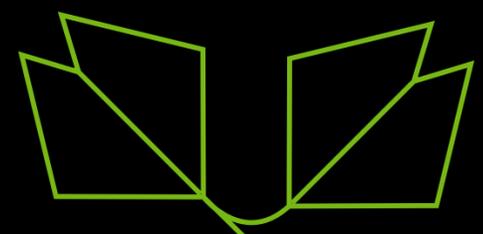
- PREMIUM AI GPUS (E.G., H100-CLASS) WITH STRONG PRICING POWER
- SCALABLE PLATFORM (CUDA, ECOSYSTEM) – HIGH FIXED R&D, LOW MARGINAL COST
- DISCIPLINED COST MANAGEMENT



STRENGTHENING BALANCE SHEET AND LOWER FINANCIAL RISK

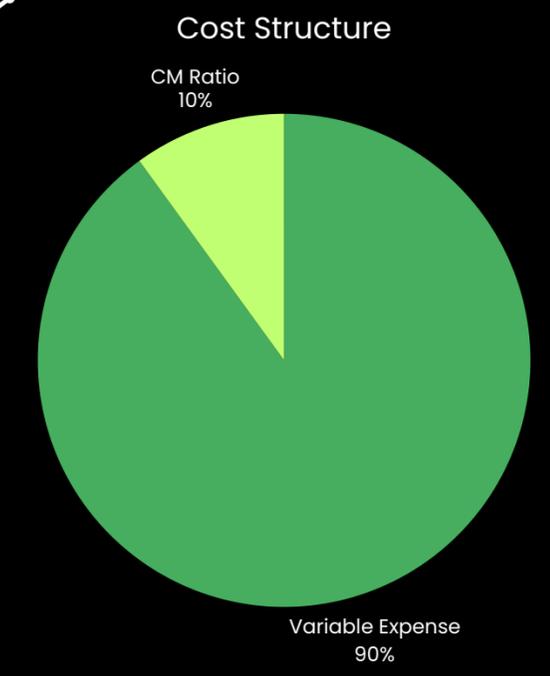
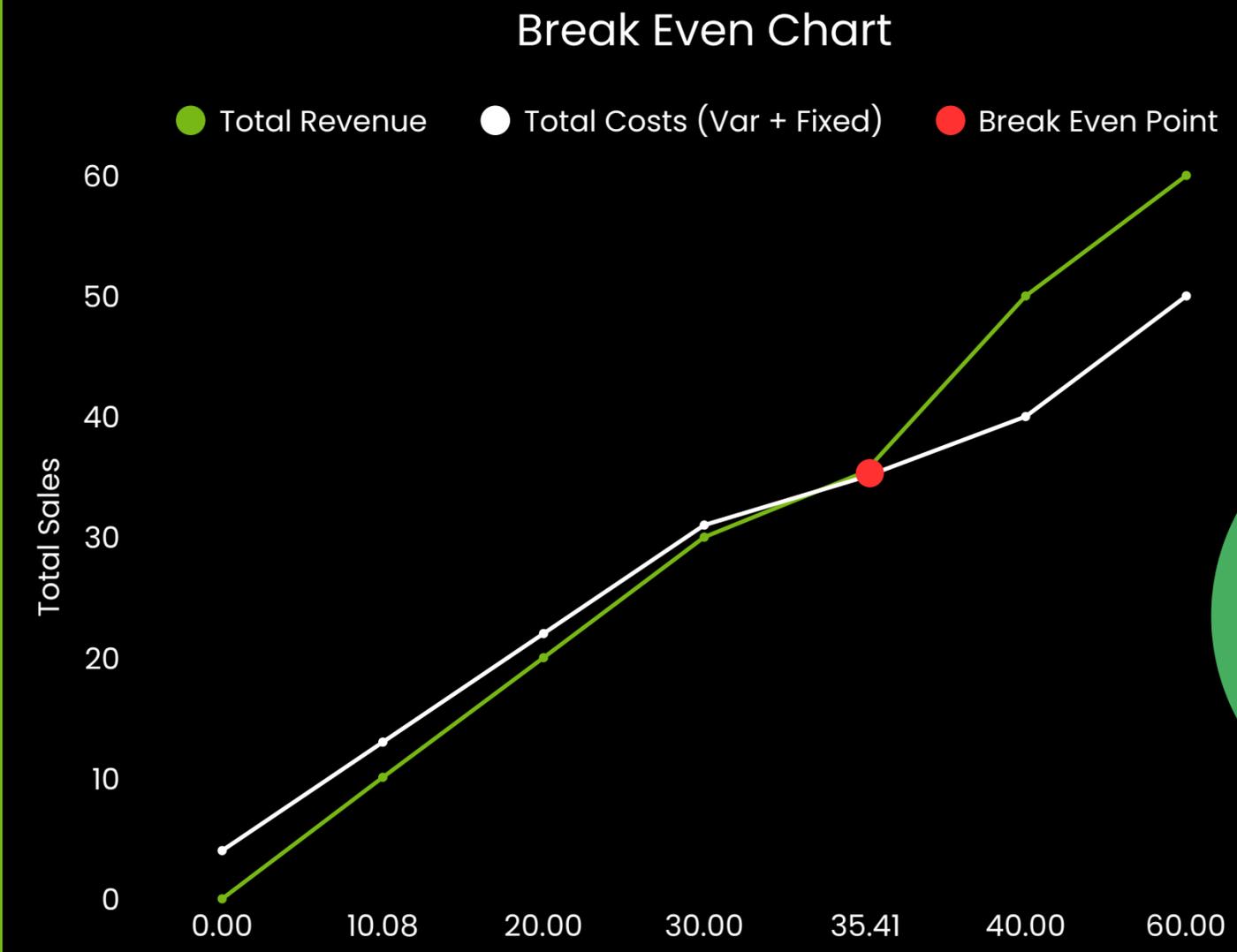
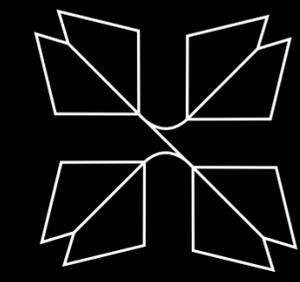


Falling leverage → stronger solvency, more resilience



COST STRUCTURE, BREAK-EVEN, AND GROWTH STRATEGY

- Cost structure (consumer-grade GPUs)
- Avg. Factory worker wage: \$24/hour
- Variable expense ratio: ~90% of sales
- High exposure to input prices and production efficiency



- **CVP analysis**
 - Break-even sales: \$35,408,000
 - Current sales: \$10,080,000
 - Current volume well below break-even in this segment

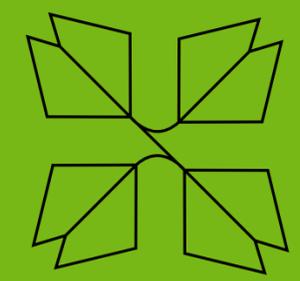
- **Budget recommendations**
 - Reduce variable expense ratio to ~80% (cost controls, efficiency, better contracts)
 - Increase unit sales by 25,328 consumer GPUs by end of 2026

- **Strategic link**
 - Lower unit costs + higher volume → stronger margins and resilience if AI pricing falls

CHOOSING THE RIGHT GROWTH PROJECTS

RECOMMENDATION:

- **PRIORITIZE PROPOSAL B:** HIGHER NPV, SIMILAR IRR, SHORTER HORIZON, AND STRATEGIC BENEFIT (WEAKENS SUPPLIER BARGAINING POWER).
- TREAT THE U.S. FAB AS A LONG-TERM, SELECTIVE OPTION ONLY IF TERMS AND SUBSIDIES IMPROVE.

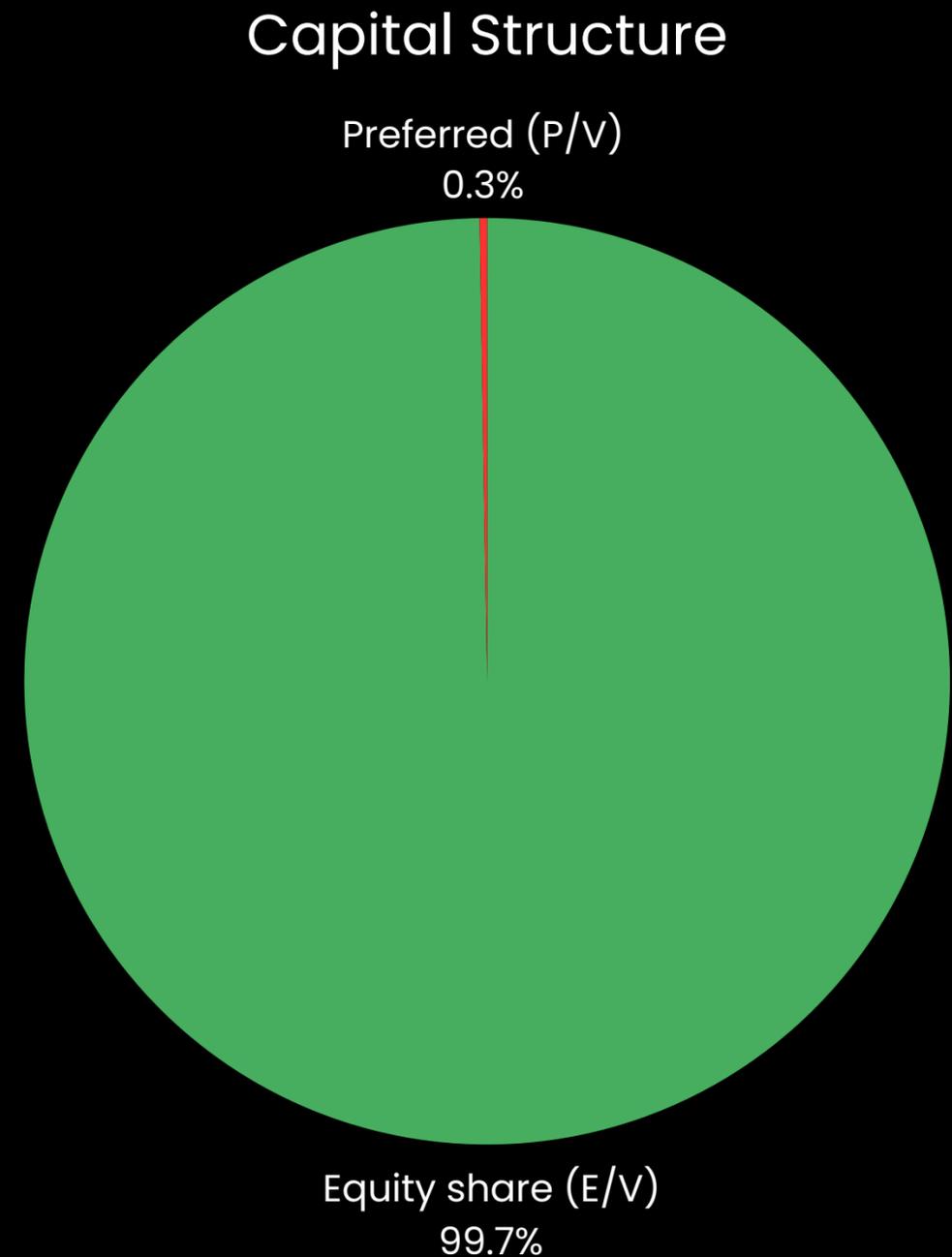


	Proposal A		Proposal B
Time	Option 1 (7 years)	Option 2 (15 years)	5 years
Upfront	\$2 billion		\$1 billion
NPV	\$9,078.42 million	\$349.56 million	\$569.62 million
IRR	-22.66%	12.41%	12%

- Proposal A – U.S. manufacturing facility (high-risk)
 - Only modest NPV over a long horizon
- Proposal B – In-house GPU RAM (normal risk)
 - Reduces dependence on external RAM suppliers and strengthens supply-chain control

FINANCING PLAN

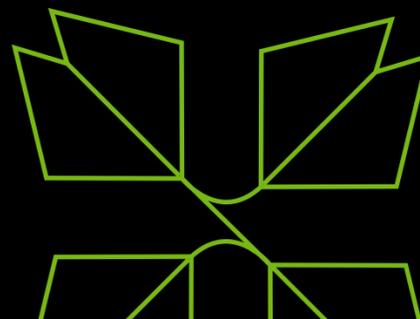
FUNDING GROWTH WITH A STRONG CAPITAL STRUCTURE



- **Current capital structure**
 - Equity share (E/V): ~99.74%
 - Debt share (D/V): ~0.001%
 - Preferred (P/V): ~0.26%
 - Very low leverage → conservative, equity-driven financing
- **Cost of capital**
 - Cost of debt: ~8.02%
 - Cost of equity: ~3.01%
 - WACC: ~3% → low overall financing cost due to high equity and strong market position
- **Financing strategy**
 - Fund Proposal B primarily through operating cash flow, not new debt
 - Reduce days to collect receivables to free up more internal cash
 - Preserve balance-sheet strength to keep flexibility for future large-scale projects (e.g., potential fabs)
- **Strategic link**
 - Using internal funds + efficient working capital supports growth without undermining solvency.

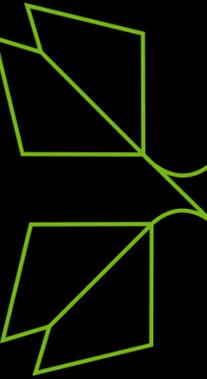
BUILDING LONG-TERM TRUST: ETHICAL AND TRANSPARENT REPORTING

- Accounting transparency
 - Disclose any major changes in costing, inventory valuation, or allocation methods that affect margins.
 - Inventory realism
 - In an AI boom with rapid product cycles, use realistic assumptions for obsolete or slow-moving GPUs.
 - Avoid over-stating inventory values or future demand.
- Controls & governance
 - Maintain strong internal controls over financial reporting as complexity and scale grow.
 - Ensure management incentives do not encourage aggressive revenue or cost recognition.
- Learning from Enron
 - Enron hid leverage and losses through aggressive mark-to-market and off-balance-sheet entities.
 - Nvidia should explicitly avoid such practices, focusing on clear, honest communication with investors.



ACTION PLAN

- **OPERATIONAL & COST ACTIONS**
 - Reduce variable expense ratio from ~90% to ~80% via cost controls, efficiency, and better input/logistics contracts.
 - Execute a targeted sales and marketing campaign to sell 25,328 additional consumer GPUs by end of 2026.
 - Continue improving inventory turnover and receivables collection to support liquidity.
- **INVESTMENT ACTIONS**
 - Implement Proposal B (in-house GPU RAM) and monitor actual NPV/IRR vs plan.
 - Use early results to inform whether and when to consider a scaled-up U.S. fab.
- **GOVERNANCE & ETHICS ACTIONS**
 - Embed stronger inventory and reporting practices to match rapid growth.
 - Regularly communicate both opportunities and risks (AI demand, competition, supply chain, regulation) to investors.



NVIDIA'S LONG-TERM INVESTMENT CASE

- **STRATEGIC POSITION**

- Central hardware & software platform for generative AI (80%+ AI-class GPU share, CUDA ecosystem).
- Massive installed base (500M+ GPUs) and strong data-center growth.

- **FINANCIAL & STRATEGIC STRENGTHS**

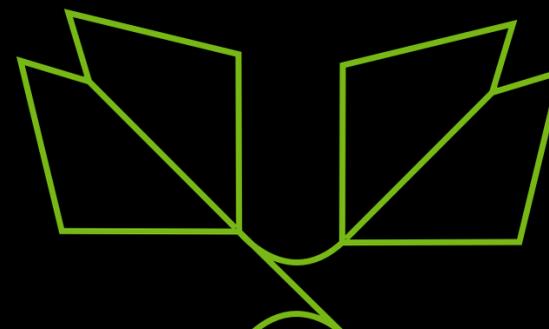
- Explosive revenue and net income growth with expanding **net margins**.
- Strong balance sheet, low leverage, and powerful operating cash flow.
- Positive-NPV, strategically aligned projects like **in-house GPU RAM**.

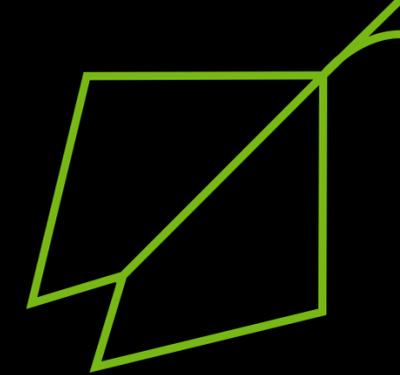
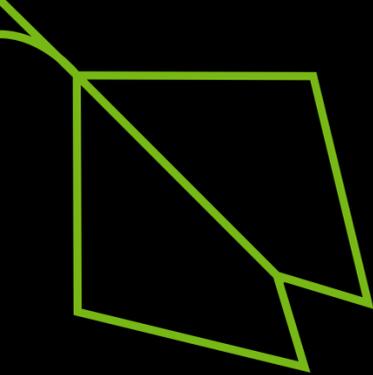
- **RISKS & RESPONSE**

- AI demand concentration, competition, supply-chain and regulatory risks.
- Addressed through **smart capital allocation, better cost and cash management, and ethical transparency**.



Our analysis shows Nvidia is a compelling long-term growth investment, provided it continues to deploy capital selectively, manage operational risks, and communicate its opportunities and vulnerabilities with transparency."





THANK YOU

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