

Nvidia Corporation (NASDAQ: NVDA)

Nvidia is a leading semiconductor and tech hardware giant that seems to be growing comfortably as the company acquires more infrastructure and lays the groundwork for a truly successful business.

It is a bullish stock as it has tripled since March, due to strong earnings reports in latest quarters and impactful company statements and acquisitions. Sept. 1, Nvidia jumped after unveiling new GeForce gaming GPUs that could deliver the "greatest ever generational leap" in the product's history. NVDA jumped again Sept. 14 after agreeing to buy Arm Holdings from Japan's Softbank for \$40 billion, a boost to its data center business. Arm acquisition would complement NVDA's existing GPU and data center networking businesses. The chip company surged afresh Oct. 5, after CEO Jensen Huang declared an "age of AI" or artificial intelligence, while outlining new work in data centers and health care at Nvidia's virtual tech conference.

Its recurring revenue growth and large free cash flow points to a fundamentally sound company which is equipped to deal with the downsides of being a semiconductor company (susceptible to macroeconomic trends) as well as invest into new technologies. On Aug. 19, Nvidia earnings for the second quarter beat views on strong gaming and data center sales. Notably, data center sales jumped 167% to \$1.75 billion, topping gaming sales for the first time, completion of the Mellanox Technologies acquisition in April helped Q2 gains.

Around mid-November, analysts expect Q3 EPS to rise 44% to \$2.56 as revenue grows 46% to \$4.41 billion. Nvidia earnings per share increased 57% in all of 2021 and a further 20% in 2022. EPS growth averaged 105%, well above the three-year average of 12%. Nvidia

Recommendation: **Buy**

NVDA

Price: **\$523.51**

MSCI ESG Ranking: **AAA**

Sustainalytics' ESG Risk Ratings:
Low Risk

**Semiconductors &
Semiconductor Equipment**

Analyst: Dhruv Raval

grew sales by 45% over the past three quarters. Nvidia has a Dec-21 price target to \$605, and it is currently sitting at \$525.

Nvidia's shifting to artificial intelligence chips, which have new and expanding uses in supercomputers, data centers and driverless cars, this results in them expanding their market and becoming less dependent on certain industries like the semiconductor industry which relies a lot of trade from China and is known to be highly volatile. The company's partnerships span across cloud (Microsoft and Tencent), enterprise (Cloudera/VMWare), and edge AI (KION group) demonstrating NVIDIA's vast network. Offsetting coronavirus impact, the growth of 5G wireless networks has stimulated demand for semiconductor products.

Nvidia is significantly better than its competitors as well. Nvidia has much higher margins than AMD, resulting in more Free Cash Flow for the company, meaning that they can make a lot more investments and take risks that AMD cannot. Nvidia's FCF is 6 times AMD's FCF and a lower P/E Ratio than AMD. Intel just took a large hit due to disappointing last quarter earnings, resulting in it losing even more market share to Nvidia and AMD.

Some risks that involve Nvidia include the dependency on the PC gaming sector as it still has about 50% of its revenue from the pc gaming sector. Also. Nvidia's GPUs can underperform based on consumer behaviour if the marketplace adopts deep learning as a new and effective way of processing large unstructured data sets.

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