

NVIDIA CORP (NASD: NVDA)

Based on 5/9/2024 Close Price of \$887.47

INDUSTRY: Computer Hardware

SECTOR: Technology

Current Rating: Hold
Reiterate C on 5/9/2024.
VALIDEA RATING (OVERALL STRENGTH GRADE):

 : A : B : **C** : D : F :

OVERVIEW

- This stock receives a fundamental grade of "C" based on Validea's Guru Analysis system. "C" rated stocks pass most of the fundamental tests of at least one of our guru strategies, although they typically do not meet all the criteria. Stocks that receive this grade typically have some favorable fundamental attributes, but also have some significant flaws. For further details on our scoring system, please see the FAQ section at the end of this report.

- Validea's Guru System classifies this stock as a growth stock given its historical EPS growth rate of 94.8%.

ANALYSIS SUMMARY

Strategy Name	Based On Book By/About	Score
Value Models		
Value Investor	Benjamin Graham	57%
Patient Investor	Warren Buffett	1%
Contrarian Investor	David Dreman	64%
Price/Sales Investor	Kenneth Fisher	40%
Low PE Investor	John Neff	42%
Book/Market Investor	Joseph Piotroski	0%
Earnings Yield Investor	Joel Greenblatt	0%
Value Composite Investor	James O'Shaughnessy	28%
Acquirer's Multiple Investor	Tobias Carlisle	0%
Private Equity Investor	Validea	14%
Growth and Momentum Models		
Twin Momentum Investor	Dashan Huang	100%
P/B Growth Investor	Partha Mohanram	55%
Growth Investor	Martin Zweig	69%
Momentum Investor	Validea	89%
Small-Cap Growth Investor	Motley Fool	55%
Quantitative Momentum Investor	Wesley Gray	88%
Earnings Revision Investor	Wayne Thorp	80%
Multi-Factor Models		
P/E Growth Investor	Peter Lynch	54%

Growth/Value Investor	James O'Shaughnessy	80%
Multi-Factor Investor	Pim van Vliet	25%
Millennial Investor	Patrick O'Shaughnessy	40%
Shareholder Yield Investor	Meb Faber	30%

COMPANY PROFILE

NVIDIA Corporation is a full-stack computing infrastructure company. The Company accelerates computing to help solve the computational problems. The Company's segments include Compute & Networking and Graphics. Compute & Networking segment includes its data center accelerated computing platform; networking; automotive artificial intelligence (AI), cockpit, autonomous driving development agreements and autonomous vehicle solutions; electric vehicle computing platforms; NVIDIA AI Enterprise and other software. The Graphics segment includes GeForce GPUs for gaming and personal computers (PCs), the GeForce NOW game streaming service and related infrastructure, and solutions for gaming platforms; Quadro/NVIDIA RTX GPUs for enterprise workstation graphics; virtual GPU (vGPU), software for cloud-based visual and virtual computing; automotive platforms for infotainment systems; and omniverse enterprise software for building and operating metaverse and three-dimensional Internet applications.

RATING HISTORY

Date	Action	Old Rating	New Rating
10/1/2021	Downgrade	B	C
10/29/2021	Upgrade	C	B
1/7/2022	Downgrade	B	C
5/13/2022	Upgrade	C	B
5/27/2022	Downgrade	B	C

METHODOLOGY

This report provides a detailed analysis of NVDA based on publicly disclosed methodologies from books and academic papers with track records of long-term outperformance. Validea is a premier online independent research provider. The firm's Guru Stock Report unites the quantitative strategies of the world's most successful investors, including names like Peter Lynch, Warren Buffett, Ben Graham, Martin Zweig and many others. Rooted in fundamental analysis and built on core investing principles, each report contains an in-depth description of the guru methodologies, as interpreted by Validea, and examines the stock using multiple approaches (i.e. value, growth, momentum).

Using these strategies, Validea has created a ratings scale that is dynamic and weights more heavily the best performing approaches as identified and tracked by Validea. Each stock is scored using a five point rating system that assesses the security's investment prospects. Ratings range from A to F (correlates to Strong Buy to Sell), with A and B stocks having the best potential for long-term market outperformance. Stocks that score highly based on the best performing risk-adjusted guru strategies or are favored by multiple top performing guru strategies are given a higher rating versus their counterparts. Validea's ratings are limited to companies that exhibit profitability. Reports are updated every two weeks, or sooner in the event of an earnings report, other significant news, or a major stock price change, in an effort to provide timely and valuable analysis and coverage.

GURU ANALYSIS OF: NVIDIA CORP (NVDA)

TWIN MOMENTUM INVESTOR

SCORE: **100%**

BASED ON: Dashan Huang

STYLE: Momentum

Strategy Overview

This strategy looks for stocks with strong fundamental and price momentum. Fundamental momentum is determined using a combination of seven variables: earnings, return on equity, return on assets, accrual operating profitability to equity, cash operating profitability to assets, gross profit to assets and net payout ratio. Price momentum is determined using the most recent twelve month period excluding the latest month. When these two types of momentum were combined together, Huang found that the result was significant outperformance over the market.

Detailed Analysis

FUNDAMENTAL MOMENTUM: **[PASS]**

The first step in this strategy is to look for firms exhibiting fundamental momentum. Fundamental momentum is calculated using a combination of earnings, return on equity, return on assets, accrual operating profitability to equity, cash operating profitability to assets, gross profit to assets, and net payout ratio. The strategy selects the stocks in the top 20% of the universe based on this metric. **NVDA's** fundamental momentum is **12.95%**, which places it in the **6th** percentile of our database (lower is better), thus passing this criterion.

TWELVE MINUS ONE MOMENTUM: **[PASS]**

Academic research has indicated that stock momentum tends to persist in the intermediate term, but mean revert in the short-term and long-term. As a result, this strategy ranks stocks based on their one year momentum, excluding the most recent month and selects those in the top 20%. Huang's research found that combining fundamental momentum with stock momentum significantly increased the strategy's outperformance. **NVDA's** twelve month minus one month return is **195.50%**, which ranks it in the **2nd** percentile among the stocks in our database, thus passing this criterion.

FINAL RANK: **[PASS]**

The final step of this strategy is to sort by the combination of the first two criteria. The end result will be stocks with strong price and fundamental momentum. The top 5% of stocks will pass this criterion. **NVDA's** combination of fundamental momentum and price momentum ranks it in the **1st** percentile among the stocks in our database, thus passing this criterion.

MOMENTUM INVESTOR

SCORE: **89%**

BASED ON: Validea

STYLE: Growth/Momentum

Strategy Overview

Detailed Analysis

QUARTERLY EPS CHANGE (THIS QUARTER VS. SAME QUARTER LAST YEAR): **[PASS]**

The EPS growth for this quarter relative to the same quarter a year earlier for **NVDA (764.91%)** is above the minimum 18% that this methodology likes to see for a "good" growth company. Furthermore, EPS have been growing in excess of 100% in the latest 3 quarters. **NVDA** passes the first requirement.

ANNUAL EARNINGS GROWTH: **[PASS]**

This methodology looks for annual earnings growth above 18%, but prefers higher than 25%. **NVDA's** annual earnings growth rate over the past five years of **51.22%** passes this test.

EARNINGS CONSISTENCY: **[PASS]**

According to this methodology, each year's EPS numbers should be better than the previous year's. One dip is allowed, but the following year's earnings should be a new high. **NVDA**, whose annual EPS before extraordinary items for the last 5 years (from earliest to the most recent fiscal year) were **1.13, 1.72, 3.85, 1.74, 11.93**, passes this criterion. The one dip is considered acceptable, as earnings quickly rebounded after the decline.

LONG-TERM EPS GROWTH RATE RELATIVE TO GROWTH IN THE LATEST 2 QUARTERS: [PASS]

This methodology looks favorably at companies whose earnings in the latest 2 quarters begin spurring 25% more than the typical earnings growth rate. For instance, companies whose earnings were growing 15%, but began jumping 40% in the latest few quarters, are considered highly attractive. **NVDA**, who has seen earnings growth of **1,274.1%** from Q6 to Q2 and **764.9%** from Q5 to Q1, far surpasses its typical earnings growth rate of **51.2%**. **NVDA's** earnings growth is highly admirable.

CURRENT PRICE LEVEL: [PASS]

Investors should keep an eye open for stocks that are trading within 15% of their 52-week highs, as the stock price is potentially close to breaking out to a new high on above average volume. **NVDA's** current stock price (**\$887.47**) is within 15% of the 52-week high (**\$974**). This a positive sign.

4 MONTH S&P RELATIVE STRENGTH LINE: [PASS]

This methodology likes to see confirmation from this indicator when buying as a sign of a company's recently strong momentum. It shows a company's weekly performance in comparison to the overall market, as measured by the S&P 500. Look for a general upward trend in weekly relative strength, as the best stocks usually act better than the overall market. **NVDA's** relative strength trend has been increasing over the last 4 months. This type of price action is favorable.

PRICE PERFORMANCE COMPARED TO ALL OTHER STOCKS: [PASS]

A company's weighted relative strength, which is the stock's price performance compared with the overall market over the past year, should be no less than 80, although above 90 is preferred. As long as all the other numbers are in check, these companies should continue to perform well over the next 3 months. **NVDA's** relative strength of **97** is at an exceptional level, and therefore passes this test.

CONFIRM AT LEAST ONE OTHER LEADING STOCK IN THE INDUSTRY: [PASS]

Make sure that a company's industry is attractive by confirming that at least one other company in the industry has a relative strength above 80. There is confirmation in **NVDA's** industry (**Computer Hardware**), as there are **9** companies that have a relative strength at or above 80.

LOOK FOR LEADING INDUSTRIES: [FAIL]

Investors should consider stocks in top performing industries. Look at the number of companies within an industry that have a weighted relative strength above 80, and choose only the top 30% of those industries from which to select stocks. In another method, look for industries with the most stocks making new 52-week highs. **NVDA's** industry (**Computer Hardware**) is not one of the top performing industries at this time, thus failing the criterion.

DECREASING LONG-TERM DEBT/EQUITY: [PASS]

Companies who have consistently cut debt over the last 3 years, or who have a Debt/Equity ratio less than 2, are looked at favorably. **NVDA**, which has a Debt/Equity ratio of **0.20**, passes this test.

RETURN ON EQUITY: [PASS]

Preferred companies must have a ROE of at least 17%. **NVDA's** ROE of **91.5%** is above the minimum 17% that this methodology likes to see. and therefore passes the criterion.

SHARES OUTSTANDING: [NEUTRAL]

Shares outstanding should be less than 30 million, as fewer shares mean bigger price jumps when demand surges. However, there is no penalty for a large number of shares outstanding as long as all the other parameters are met. Although **NVDA** exceeds the preferred level with shares outstanding of **2,500** million, the stock still passes the test.

INSIDER OWNERSHIP: [FAIL]

Companies with the best prospects have strong insider ownership, which we define as 15% or more. When there is strong insider ownership, management is more likely to act in the best interest of the company, as their interests are right in line with that of the shareholders. Insiders own **4.00%** of **NVDA's** stock. Management's representation is not large enough and fails this test.

INSTITUTIONAL OWNERSHIP: [PASS]

Some institutional ownership is preferred, but there is no indication that a large number of institutions is too many. Institutions own **67.59%** of **NVDA's** stock. Because there is some institutional ownership present, **NVDA** passes this test.

QUANTITATIVE MOMENTUM INVESTOR

SCORE: **88%**

BASED ON: Wesley Gray

STYLE: Momentum

Strategy Overview

There are many momentum strategies out there, but most do not stand up when subjected to academic scrutiny. This strategy starts with academic theory as its foundation. It is based on extensive testing that looked at what really works in momentum investing. In his testing, Gray found that momentum works best over the intermediate-term vs. the short or long-term. He also found that momentum is more predictive of future returns when it is consistent. The resulting strategy focuses on stocks with strong one year momentum (excluding the most recent month) and looks for stocks with the least volatility within that high momentum group.

Detailed Analysis

DEFINE THE UNIVERSE: [PASS]

The first step in this strategy is to define the universe. In the book, Gray and Vogel do require a specific universe, but use the example universe of mid- and large-cap stocks. For our interpretation of the strategy, we will use our standard universe, which includes all stocks with market capitalizations above \$150 million and daily dollar volume above \$2 million. **NVDA's** market cap is **\$2,218,675.0** million and its daily dollar volume is **\$46,536.8** million, thus passing this test.

TWELVE MINUS ONE MOMENTUM: [PASS]

Academic research has indicated that stock momentum tends to persist in the intermediate term, but mean revert in the short-term and long-term. As a result, this strategy ranks stocks based on their one year momentum, excluding the most recent month. In the first step of this strategy, the top 10% of the investment universe using this metric is selected. **NVDA's** twelve month minus one month return is **195.50%**, which ranks it in the **2nd** percentile among the stocks in our database (lower is better), thus passing this test.

RETURN CONSISTENCY: [PASS]

Gray and Vogel's historical testing showed that momentum is most likely to persist in the future if it is consistent. This is measured by calculating the percentage of days in the previous year that a stock has produced a negative return, subtracting the percentage days with a positive return and multiplying that

result by the sign of the twelve minus one return. The lower the result the better. Stocks passing the first criteria are then sorted by this criteria. **NVDA** has a return consistency number of **-9.52%**, which ranks it in the **6th** percentile of our database (lower is better).

SEASONALITY: [NEUTRAL]

Gray and Vogel found that momentum portfolios that are rebalanced in the month before quarter end can achieve slight enhancements in performance by taking advantage of end of quarter window dressing and tax incentive effects. Since we utilize a preset rebalancing schedule, we are not including this in our scoring, but are displaying the criteria for informational purposes.

EARNINGS REVISION INVESTOR

SCORE: **80%**

BASED ON: Wayne Thorp

STYLE: Momentum

Strategy Overview

Studies have shown that investors tend to underestimate the magnitude of good news when companies are performing well. As a result, the initial reaction to positive news tends to persist for a period of time as more and more investors recognize it. This strategy seeks to take advantage of that phenomenon by selecting companies that have seen upward revisions in their earnings estimates. It looks for companies with positive revisions for both the current year and the next fiscal year and eliminates any companies with negative revisions. It also looks for sufficient analyst coverage to ensure the revisions have statistical significance to them.

Detailed Analysis

ANALYST COVERAGE: [PASS]

In order for the earnings estimate revisions required by this strategy to be significant, it is important to ensure sufficient analyst coverage. Therefore, the first criteria of this strategy requires that the stock has at least 4 analysts covering it. The number of analysts covering **NVDA** is **44**, which passes this criterion.

CURRENT YEAR ESTIMATE REVISIONS: [PASS]

This strategy looks for companies with upward revisions in earnings estimates. The first requirement is that the current year EPS estimate be greater than it was one month ago. **NVDA's** current year EPS estimate is **\$24.85** as compared to **\$24.48** one month ago, which passes this criterion.

NEXT YEAR ESTIMATE REVISIONS: [PASS]

The second requirement is that the EPS estimate for the next fiscal year be greater than it was one month ago. **NVDA's** next fiscal year EPS estimate is **\$31.30** as compared to **\$30.64** one month ago, which passes this criterion.

CURRENT YEAR UP AND DOWN REVISIONS: [PASS]

This methodology also requires that a company have more than one current year positive estimate revision in the previous thirty days and no negative revisions. **NVDA** has **8** up revisions and **0** down revisions in the past month, which passes this criterion.

NEXT YEAR UP AND DOWN REVISIONS: [FAIL]

The final test of this strategy requires that a company have more than one positive estimate revision for the next fiscal year in the previous thirty days and no negative revisions. **NVDA** has **7** up revisions and **1** down revisions in the past month, which fails this criterion.

GROWTH/VALUE INVESTOR

SCORE: **80%**

Strategy Overview

Based on his research, O'Shaughnessy developed two key investment strategies: "Cornerstone Growth" and "Cornerstone Value." Cornerstone Growth favors companies with a market capitalization of at least \$150 million and a price/sales ratio below 1.5. It also looks for companies with persistent earnings growth over a five-year period, and shares that have been among the market's best performers over the prior 12 months. This strategy makes sense for value-oriented growth investors who have the patience and personality to stick with a purely quantitative investment approach. Cornerstone Value looks for large companies with strong sales and cash flows, and solid dividend yields. It is appropriate for income-oriented investors.

Detailed Analysis

MARKET CAP: [PASS]

The Cornerstone Value Strategy looks for large, well known companies whose market cap is greater than \$1 billion. These companies exhibit solid and stable earnings. **NVDA's** market cap of **\$2,218,675** million passes this test.

CASH FLOW PER SHARE: [PASS]

The second criterion requires that the company exhibit strong cash flows. Companies with strong cash flow are typically the value oriented investments that this strategy looks for. The company's cash flow per share must be greater than the mean of the market cash flow per share (**\$1.73**). **NVDA's** cash flow per share of **\$12.51** passes this test.

SHARES OUTSTANDING: [PASS]

This particular strategy looks for companies whose total number of outstanding shares are in excess of the market average (**685 million shares**). These are the more well known and highly traded companies. **NVDA**, who has **2,500 million** shares outstanding, passes this test.

TRAILING 12 MONTH SALES: [PASS]

A company's trailing 12 month sales (**\$60,922 million**) are required to be 1.5 times greater than the mean of the market's trailing 12 month sales (**\$33,284 million**). **NVDA** passes this test.

DIVIDEND: [FAIL]

The final step in the Cornerstone Value strategy is to select the 50 companies from the market leaders group (those that have passed the previous four criteria) that have the highest dividend yield. **NVDA's** dividend yield of **0.02%** fails this final criterion. Even though it did pass the previous four criteria it would fail the overall methodology.

Frequently Asked Questions

What is Validea's Guru Analysis?

Guru Analysis provides an in depth analysis of any stock using Validea's interpretation of published writings by or about 22 successful investors including Peter Lynch, Benjamin Graham, Warren Buffett, James P. O'Shaughnessy, the Motley Fool, David Dreman, John Neff, Kenneth Fisher and Martin Zweig. With Guru Analysis you can analyze any stock step by step using any one of these strategies and can see exactly why the stock passes or fails each methodology.

What type of investors can use Validea's Guru Stock Reports?

Validea's Guru Stock reports are geared toward long and medium-term investors. The vast majority of the investors that our guru strategies are based upon were long term investors. The reports can be utilized by both value and growth investors because there are multiple methodologies within the report that appeal to each investment style and several that combine both.

What does the Validea Rating overall letter grade indicate?

The Validea Rating indicates how well the stock meets the investment criteria of the 22 strategies in this report. The strategies with the best historical risk-adjusted performance are weighted more heavily in determining the letter grade. The letter grades are determined as follows.

A - "A" rated stocks receive a score of 90% from at least one of our top tier guru strategies. Stocks in this category exhibit the fundamental criteria that have proven most predictive of future stock performance in our historical testing.

B - "B" rated stocks receive a score of 90% from at least one of our second tier guru strategies. Stocks in this category exhibit the fundamental criteria that is sought by these strategies. These strategies have all exhibited strong risk-adjusted performance in our historical testing.

C - "C" rated stocks typically exhibit elements of fundamental strength, but also have some noticeable weaknesses.

D - "D" rated stocks typically have several major fundamental weaknesses that would not be looked upon favorably by both value and growth investors.

F - "F" rated stocks have an average guru score from all of our strategies below 15%. Stocks in this grouping typically have many major fundamental weaknesses that would eliminate them from any consideration by our guru strategies.

What do the individual guru scores mean?

The scores for each strategy represent a weighted percentage of how well a particular stock meets a guru's criteria. Not all criteria are weighted equally and some of our strategies have criteria that are important enough to automatically result in a 0% score if they are failed. For example, in the Patient Investor strategy based on Warren Buffett, a stock will automatically fail if it does not meet the requirement of consistent earnings over the past 10 years.

Is there any affiliation between Validea and the gurus that the strategies are based on?

No, the names of individual investment advisors (i.e., the 'gurus') appearing in this report are for identification purposes of his/her methodology only, as derived by Validea.com from published sources, and are not intended to suggest or imply any affiliation with or endorsement or even agreement with our reports personally by such gurus, or any knowledge or approval by such persons of the content of this report.

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Fundamental data provided by Reuters

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