NVIDIA CORPORATION · VIREO CAPITAL RESEARCH

NASDAQ: NVDA · Semiconductors — AI Accelerators · Valuation model · Analyst: Debjit Mukherjee · Market data at the close of 28 August 2026

SNAPSHOT

RATING	PRICE TARGET	CURRENT PRICE	DOWNSIDE (PRICE)	TOTAL RETURN	MARKET CAP ($bn)	P/E TRAILING	P/E CORE
SELL	**$186**	$217.55	**-14.5%**	**-14.0%**	5,253.8	27.5x	31.9x
NET CASH ($m)	**DILUTED SHARES (m)**	**COST OF EQUITY**	**TERMINAL GROWTH**	**TAX RATE**	**BETA USED**	**DIVIDEND / SH**	**DIV YIELD**
23,220	24,338	11.41%	4.00%	16.05%	1.50	$1.00	0.460%

Shares outstanding (m)	24,150
TTM reported EPS ($)	$7.91
TTM core EPS ($, operating only)	$6.83
Dividend yield	0.460%

INVESTMENT SUMMARY

SELL. Fair value $186 against $217.55 — 14.5% downside on price, 14.0% negative total return after the 0.46% dividend yield.

Nothing here disputes the business. Nvidia grew revenue 106% year on year in the second quarter of fiscal 2027, guided the third quarter to $108bn, and management has pointed to roughly 70% revenue growth in fiscal 2028. The rating is a statement about price and about how much of that growth is already capitalised.

The disagreement is a duration call. Our discounted cash flow gives $157 a share. The two market-based methods — 22x forward earnings on FY2028E and 18x EV/EBITDA on FY2028E — give $229 and $230. That 46% divergence is not a defect in the work; it is the thesis. The comps say the shares are fairly priced against what comparable businesses fetch today. The cash flow model says the price requires the growth to persist far longer than we are willing to underwrite.

Q2 was strong but the margin guide is not. Management guided third-quarter gross margin to 74.0% and said margin would bottom at 71% to 72% in the fourth quarter, partly on memory prices. Our FY2027E gross margin of 74.27% sits marginally above the path management has now described; correcting it would lower the forecast, not raise it.

The blend is Vireo's growth-track weighting of 60% DCF, 20% EV/EBITDA and 20% forward P/E, giving $186.07. The analyst's own published note used 40/35/25 and produced $200.44. The rating is unchanged on either weighting.

We are far below the Street. Sixty-one analysts cover Nvidia at a consensus of Strong Buy with an average target of $320.77, implying 47% upside from here. Consensus models a three-year revenue CAGR of 55.4%. Our FY2029E revenue of $711bn is already an aggressive number and it still does not support the price.

KEY CATALYSTS

· Q3 FY2027 results — the date is not yet announced. The last eight prints have each landed on a Wednesday about 24 days after quarter end, which points to 18 November 2026. Guidance is $108.0bn plus or minus 2% with gross margin 74.0% plus or minus 50bp, and it assumes NO China data-centre revenue.

· Q4 FY2027 gross margin trough — management has guided 71% to 72%, partly on memory pricing. The first quarter in which the margin story is tested rather than asserted.

· Vera Rubin — production shipments began in August 2026, at the early edge of the original second-half guidance rather than late, with purchase orders from every major hyperscaler, AI cloud and system OEM, and management calling it the fastest product ramp in the company's history. It is effectively the whole of the guided step from $96.2bn to $108.0bn. This catalyst cuts against our rating and is stated here at full strength. Rubin CPX, a separate part carrying 128GB of GDDR7 for long-context inference, is guided to general availability at the end of 2026.

· China — what is licensed is the H200, not the H20 and not Blackwell or Rubin. ByteDance and Tencent each took roughly 10,000 units in the week of 19 August, about 13% of the reported per-customer cap, and Hopper shipments to China were under 1% of Data Center revenue in Q2. Because guidance assumes nothing from China, any resumption is upside outside the base case rather than a risk to it.

· The AI compute financing platform announced on 10 August 2026 with Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs and KKR, reaching definitive agreements. Today it is memoranda of understanding — the release states the partnerships remain subject to execution of final agreements — and Nvidia's own contribution is not disclosed. This is a different $500bn from the Blackwell-and-Rubin revenue-visibility figure management gave in October 2025, corrected afterwards, and has since raised to at least $1trn through 2027. The two are routinely conflated and should not be.

KEY RISKS

· We are wrong on duration. 74.7% of the DCF sits in terminal value beyond FY2031. If AI infrastructure spending compounds for a decade rather than five years, the terminal assumption is far too conservative and the stock is not expensive.

· The weighting concentrates the call. At 60/20/20 the majority of the target rests on the single method that is least checkable and most sensitive to terminal growth. This is disclosed rather than hidden, and it is the strongest procedural objection to the rating.

· The comps say we are wrong, and so do the peers. Both market-based methods land about 5% above the current price. Against the peer set Nvidia is 26% below the median forward P/E and 11% below the median EV/EBITDA — cheaper than five of seven and four of seven respectively — and dearer only on EV/Revenue, at a 15% premium. A reader who prefers relative valuation to intrinsic valuation gets a HOLD, not a SELL.

· Beta. The model uses a forward beta of 1.50 against a five-year realised beta of 2.21. At the realised beta the cost of equity would be 14.61% and the DCF materially lower — this assumption cuts against our own rating.

· Consensus is overwhelmingly against us: 61 analysts, Strong Buy, $320.77 average target, 47% implied upside. Being this far outside consensus on the most closely followed stock in the market requires the argument to be right, not merely defensible.

PRICE TARGET SUMMARY — Vireo growth track

Methodology		Weight	Implied price	Commentary
Discounted cash flow (FCFF)		60%	$157.24	*Five-year explicit FY2027E–FY2031E, Gordon terminal at 4.0%, WACC 11.41%, net cash $23.22bn*
EV/EBITDA on FY2028E		20%	$229.75	*18.0x on FY2028E EBITDA of $378.3bn, discounted two years at the cost of equity*
Forward P/E on FY2028E		20%	$228.88	*22.0x on FY2028E core EPS of $12.91, discounted two years at the cost of equity*

Weights sum		**100%**		
BLENDED PRICE TARGET			**$186.07**	**$186.07 · -14.5% price, -14.0% total return**

WEIGHTING — FOR EDITORIAL. This model uses the Vireo growth track: DCF 60%, EV/EBITDA 20%, forward P/E 20%, giving $186.07. The analyst's own published note weighted 40/35/25 and produced $200.44. The rating is REDUCE on his four-point scale and SELL on the Vireo three-point scale under BOTH weightings, so the choice does not change the call, only the published number. It is disclosed because the house weighting places 60% of the target on the method that is both our lowest leg and the one carrying 74.7% of its value in terminal value. That tension is argued in Section 5 of the report rather than left for a reviewer to find.

NET CASH — THE ONE TO CHECK. Net cash is $23.22bn on treasury liquidity only: cash $22,443m plus marketable DEBT securities $34,143m, less short-term debt $1,000m and long-term debt $32,366m. Data providers commonly report Nvidia "cash" near $99bn because they include $42,783m of marketable EQUITY securities. Those are non-operating investments, their gains already sit below the operating line, and including them would overstate DCF equity value by roughly $1.77 a share. If this workbook is ever repopulated from a provider feed, this is the line that breaks first.

TEMPLATE DEFAULTS OVERRIDDEN (nine). WACC 9.0% to 11.41% · terminal growth 2.5% to 4.0% · tax 21% to 16.05% · risk-free 4.3% to 4.66% (Fed H.15, 26-Aug-2026) · ERP 5.5% to 4.50% · beta 1.0 to 1.50 · net debt 0 to net CASH $23,220m · diluted shares 0 to 24,338m FY2027E · terminal EV/EBITDA cross-check 12.0x to 18.0x on FY2028E. Mechanism diff against the source model: neither uses a mid-year convention (full-year discounting), both run five explicit years, both use Gordon Growth terminal value — all three agree, so no reconciling item arises.

SEGMENTS. Data Center and Edge Computing are market-platform disclosures introduced in Q1 FY2027. They are NOT the GAAP reportable segments, which remain Compute & Networking and Graphics. Any revenue build in the report uses the platform split and says so.

METHOD 1 — FREE CASH FLOW TO THE FIRM · 60% of target

$m unless stated. Five-year explicit forecast FY2027E–FY2031E with a Gordon Growth terminal value. Full-year discounting, no mid-year convention — matches the source model.

DISCOUNT RATE

Risk-free rate — US 10-year Treasury, 26-Aug-2026	4.66%	*Fed H.15. Template default 4.3% overridden*
Beta used	1.50	*Five-year realised beta is 2.21; forward beta used and disclosed. Template default 1.0 overridden*
Equity risk premium	4.50%	*Damodaran-range mature-market ERP. Template default 5.5% overridden*
Cost of equity	11.41%	*Risk-free + beta x ERP*
Debt weight	0%	*Net cash is treasury only — no debt weight applied*
WACC used	11.41%	*Equals cost of equity. Template default 9.0% overridden*
Terminal growth	4.00%	*CBO-implied long-run US nominal growth. Template default 2.5% overridden*

FREE CASH FLOW BUILD

$m	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E
Revenue	403,600	573,112	710,659	824,364	906,801
Free cash flow margin	42.0%	41.0%	40.0%	39.0%	38.0%
Free cash flow	169,512	234,976	284,264	321,502	344,584
Discount factor	0.897585	0.805660	0.723148	0.649088	0.582612
PV of free cash flow	152,152	189,311	205,565	208,683	200,759

OUTPUT

Sum of PV, explicit period	956,469
Terminal value (Gordon on FY2031E FCF)	4,836,272
PV of terminal value	2,817,668
terminal share of enterprise value	74.7%
Enterprise value	3,774,137
Add: net cash	23,220
Equity value	3,797,357
Shares outstanding (m)	24,150

DCF VALUE PER SHARE ($)	$157.24

FCF margins are anchored to the 41.92% actually delivered on a trailing twelve-month basis and fade to 38% by FY2031E as the revenue base grows. The fade is deliberate and it is where the argument lives: a business converting 42 cents of every revenue dollar into free cash flow at $400bn of revenue is unlikely to still be doing so at $900bn. Terminal value is 74.7% of enterprise value, which is high and is the principal vulnerability of this method.

BETA. The five-year realised beta is 2.21. A forward beta of 1.50 is used on the reasoning that realised beta is inflated by a period in which the stock rose roughly twenty-fold, and that the forward relationship to the market is more likely to normalise. This assumption is generous to the valuation: at a beta of 2.21 the cost of equity would be 14.61% and the DCF value materially lower. The rating does not depend on the more aggressive assumption.

METHODS 2 AND 3 — FORWARD P/E AND EV/EBITDA · 20% each · AND PEER COMPARISON

Both market-based methods value FY2028E and discount two years to today at the 11.41% cost of equity. Peer rows are struck at the 28 August 2026 close, the same date as the subject price.

METHOD 2 — FORWARD P/E ON FY2028E		
FY2028E core EPS ($)	$12.91	*Operating earnings only, taxed at 16.05%; excludes investment gains*
Target forward multiple (x)	22.0x	*22x for a business growing 10-16% in the outer years of the forecast*
Implied FY2028 price ($)	$284.09	
Cost of equity	11.41%	
Discount factor, two years	0.805660	
FORWARD P/E VALUE PER SHARE ($)	**$228.88**	

METHOD 3 — EV/EBITDA ON FY2028E		
FY2028E revenue ($m)	573,112	
EBITDA margin (%)	66.0%	
FY2028E EBITDA ($m)	378,254	
Target EV/EBITDA (x)	18.0x	*Template default of 12.0x overridden*
Implied FY2028 enterprise value ($m)	6,808,571	
Add: net cash ($m)	23,220	*Treasury only*
Implied FY2028 equity value ($m)	6,831,791	
FY2028E diluted shares (m)	23,957	*Buyback retires ~1.44% a year from 24,338m; ties exactly to the source model*
EV/EBITDA VALUE PER SHARE ($)	**$229.75**	

Both market-based methods land about 5% above the 28 August close of $217.55 — the forward P/E leg at $228.88 and the EV/EBITDA leg at $229.75, against $227.98 the session before. That is the honest position: on what comparable businesses fetch today, Nvidia is roughly fairly priced. The SELL rests on the discounted cash flow, and the 46% gap between $157 and $229 is the argument of the note rather than an error in it.

PEER COMPARISON — subject plus seven peers, 28 August 2026 close

Company	Ticker	Price ($)	Mkt cap ($bn)	EV ($bn)	Revenue TTM ($bn)	EV/Revenue	EV/EBITDA	P/E (fwd)	Rev growth	EBITDA margin
NVIDIA	**NVDA**	**$217.55**	**5,250**	**5,230**	**303.0**	**17.26x**	**25.98x**	**23.47x**	**+83.4%**	**66.4%**
Advanced Micro Devices	AMD	$465.58	760	751	41.3	18.19x	78.56x	61.50x	+39.5%	23.1%
Broadcom	AVGO	$368.79	1,750	1,800	75.5	23.85x	42.77x	31.71x	+32.3%	55.8%
Taiwan Semiconductor	TSM	$417.52	2,165	2,088	139.6	14.96x	20.97x	24.54x	+30.6%	71.3%
Micron Technology	MU	$932.86	1,050	1,030	90.3	11.41x	15.10x	12.71x	+167.0%	75.6%
Marvell Technology	MRVL	$216.62	190	191	9.5	20.24x	67.12x	53.49x	+30.6%	30.2%
Qualcomm	QCOM	$164.19	175	182	44.1	4.14x	15.20x	15.61x	+1.9%	27.2%

Intel	INTC	$89.47	470	491	57.0	8.60x	29.14x	59.25x	+7.5%	29.5%

PEER STATISTICS — n = 7, NVIDIA excluded. Sample complete: no name dropped, Intel included in all three.

Statistic	EV/Revenue	EV/EBITDA	P/E (fwd)	Rev growth
25th percentile	10.01x	18.09x	20.08x	+19.1%
Median	14.96x	29.14x	31.71x	+30.6%
75th percentile	19.22x	54.95x	56.37x	+35.9%
Mean	14.48x	38.41x	36.97x	+44.2%
NVIDIA vs peer median	**+15.4%**	**-10.8%**	**-26.0%**	**+172.5%**

THE SPLIT VERDICT. Nvidia is ABOVE the peer median on EV/Revenue and BELOW it on both EV/EBITDA and forward P/E. The reconciling item is margin: a 66.4% EBITDA margin, second only to Micron and TSMC in this set. Quoting the forward P/E discount alone would be the flattering half of a split verdict for a bull, and quoting the EV/Revenue premium alone would be the flattering half for a bear. All three are reported.

THE FORWARD P/E COMPARISON IS BIASED IN NVIDIA'S FAVOUR AND THE BIAS IS NOT SMALL. Each name uses the first fiscal year ending after the anchor date — the only basis that does not blend periods. But the forward window runs 3 days for Micron, 1 month for Qualcomm, 2 for Broadcom, 4 for AMD, TSMC and Intel, and 5 for Nvidia and Marvell. Micron's forward year is 97% elapsed and unreported — a trailing multiple wearing a forward label — and it anchors the cheap end of the range. For a company compounding at 83% on trailing revenue, a denominator five months further out captures materially more growth. Nvidia's 26% discount to the peer median is therefore partly an artefact of window length, not purely a valuation gap. The cells that would equalise the windows are paywalled for all eight names.

SOURCES AND BASIS. Prices, market capitalisation, enterprise value, TTM revenue and EBITDA from StockAnalysis at the 28 August 2026 close, with GuruFocus and CompaniesMarketCap as second sources on market cap and enterprise value for seven of the eight names; Marvell rests on one source, a 2.5% unresolved variance too small to move any percentile. EV/EBITDA is trailing and on a single vendor basis throughout — vendor EBITDA definitions diverge materially and must not be mixed. Forward P/E is non-GAAP consensus on the named fiscal year for every row, never an NTM blend. TSMC's market capitalisation is a correction: the vendor figure of $1.98trn is inconsistent with its own share count and ADR price, and $2,165bn is confirmed by two further sources. On the vendor figure the peer median EV/Revenue reverts to 13.65x and Nvidia's premium widens from 15% to 26%; it is the single largest swing factor in this table. Intel is retained in every statistic — its forward P/E is computable at 59.25x on positive consensus earnings; it is its trailing multiple, on a TTM loss, that is not meaningful.

STREET POSITION, 27 August 2026: 61 analysts covering, consensus Strong Buy, average target $320.77, implying 47% upside from the 28 August close of $217.55. Consensus carries a three-year revenue CAGR of 55.4%. Our FY2029E revenue of $711bn sits far below that path and the valuation still does not support the price.

SUPPORTING FINANCIALS · Q2 FY2027 and forecast

$m unless stated. FY2022–FY2026 reported. FY2027E is Q1 and Q2 actual plus guided H2. Source: NVIDIA Q2 FY2027 results, reported 26 August 2026.

INCOME STATEMENT AND FORECAST

($m)	FY2022A	FY2023A	FY2024A	FY2025A	FY2026A	FY2027E
Revenue	26,914	26,974	60,922	130,497	215,900	403,600
growth		+0.2%	+125.9%	+114.2%	+65.4%	+86.9%
Gross margin	64.83%	56.93%	72.72%	75.00%	74.80%	74.27%
Gross profit	17,448	15,356	44,302	97,873	161,493	299,754
Operating expenses	7,436	11,132	11,350	16,312	22,216	35,113
Operating income	10,012	4,224	32,953	81,561	139,277	264,641
operating margin	37.20%	15.66%	54.09%	62.50%	64.51%	65.57%
Net income (core, ex investment gains)	8,405	3,546	27,664	68,470	116,923	222,166
tax rate	16.05%	16.05%	16.05%	16.05%	16.05%	16.05%
Diluted shares (m)	25,350	24,940	24,690	24,800	24,500	24,338
Core EPS ($)	$0.33	$0.14	$1.12	$2.76	$4.77	$9.13

Core EPS strips non-operating investment gains and taxes operating income at the effective 16.05% rate. Trailing reported EPS is $7.91 against core EPS of $6.83; the $1.08 difference is investment gains that sit below the operating line and should not be capitalised on an operating multiple. At the 28 August close of $217.55 that is 27.5x reported and 31.9x core.

Q2 FISCAL 2027 — quarter ended 26 July 2026, reported 26 August 2026

Metric	Q2 FY27	Q1 FY27	Q2 FY26	Y/Y
Revenue ($m)	96,221	81,615	46,743	*+106%*
Data Center ($m)	89,000	75,200	41,000	*+117%*
Edge Computing ($m)	7,200	6,400	5,700	*+26%*
GAAP gross margin	75.0%	74.9%	72.4%	*+2.6 pts*
GAAP operating expenses ($m)	8,408	7,621	5,413	*+55%*
GAAP operating income ($m)	63,734	53,536	28,440	*+124%*

Other income, net ($m)	7,773	16,367	2,766	
of which equity-securities gains ($m)	7,771	15,936	2,247	*Non-operating*
Stock-based compensation ($m)	2,027	1,927	1,624	

NET CASH BRIDGE — treasury liquidity only

Cash and cash equivalents	22,443
Marketable debt securities	34,143
Less: short-term debt	-1,000
Less: long-term debt	-32,366
NET CASH	**23,220**

Marketable EQUITY securities of $42,783m are deliberately EXCLUDED. They are non-operating investments whose gains already sit below the operating line, and capitalising them alongside operating cash flows would double-count. Data providers reporting Nvidia cash near $99bn include them; using that figure would overstate DCF equity value by roughly $1.77 a share.

MARGIN GUIDANCE, NEW AT Q2 AND NOT IN THE SOURCE MODEL. Management guided Q3 FY2027 gross margin to 74.0% plus or minus 50bp and said margin would bottom in Q4 FY2027 at 71% to 72%, partly on memory prices. Weighting the guided path against Q1 and Q2 actuals implies a full-year FY2027 gross margin near 73.7%, marginally below the 74.27% carried here. Correcting it lowers the forecast rather than raising it, and is worth roughly $0.08 on FY2027E core EPS. Flagged rather than changed: the source model is reference truth and is not revised to make the template agree.

GUIDANCE, Q3 FY2027: revenue $108.0bn plus or minus 2%, gross margin 74.0% plus or minus 50bp, and the guide assumes NO China data-centre revenue. Q2 revenue of $96.2bn beat consensus of about $92.2 bn by 4.4%. Management has pointed to roughly 70% revenue growth in FY2028.