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What it does

NVIDIA designs and configures systems for a growing range of computing applications – from gaming to datacentres to automotive and more.

Why we own it

- We are still in the early days of digitalization, which will save cost and create new possibility to reconfigure the entire economy. NVIDIA is the principal agent in enabling this.
- Artificial intelligence (AI) is uncontroversially the next phase of computing. NVIDIA believes it can dramatically increase computing power by being more imaginative about how we make computers. It is the standard-bearer of alternative architectures. Through its hardware and software, NVIDIA is thus a crucial enabler of AI.

How it could be worth many times more

From its market dominance in graphic processing units (GPUs), NVIDIA adapts its business model to successfully bundle different types of chips into multi-chip modules ('chiplets'), coupled with its programming software CUDA, to expand into ever more opportunities. For example:

- Borderline-monopoly (estimated 80%+) on AI chips leads NVIDIA to become essential for most datacentres globally. This affords it an unrivalled position for bundling solutions and systems for clients.
- NVIDIA becomes go-to partner for larger enterprises who want to get serious about using AI. This alone could generate vast quantities of revenues on a scale not seen since the rise of traditional computing.
- On-device computing takes off (e.g. wearables, robots, cars and so on), owing to the desire to keep data private and secure, and to minimize latency. For example, NVIDIA can become a major tier-1 supplier of hardware and software for legacy automakers.
- Augmented reality and virtual reality gaming will need NVIDIA's solutions.

Where we might be wrong

- AI turns out not to be nearly as significant an opportunity as hoped.
- Expansion into many different verticals leads NVIDIA to lose focus.

Short 10 questions

Can sales double in the next five years?

1

Yes. NVIDIA's product line-up has transformed into a night sky of processors and solutions for datacentres, gaming, auto, and more. This spells exciting revenue opportunities.

Ten years and beyond?

2

Even if Moore's Law dwindles, NVIDIA's focus on alternative computing architectures opens up ever more verticals. It underpins the rise of AI.

Competitive advantage?

3

NVIDIA is the principal agent for accelerating computing power through its combination of hardware and software. It solely owns the foundations that make this possible.

Is the business culture different?

4

Ambitious founder/CEO Jensen Huang takes genuinely long-sighted existential bets.

Customers like you? Contribute to society?

5

NVIDIA is becoming the beating heart of datacentres. Its GPUs provide the graphics and speed that gamers adore. It is becoming a sort of outsourced R&D than legacy automakers can't afford not to use. Its role in enabling AI can help unlock vast societal benefits.

Are returns worthwhile?

6

Yes, growing market share has led to rising gross and operating margins.

Will they rise or fall?

7

High R&D expense will be offset by sales of premium products for a growing range of high-end uses.

How is capital allocated?

8

R&D and infrequent acquisitions.

Could it be worth 5x as much?

9

Yes. Multiple large growth opportunities combined with a strong competitive advantage.

What doesn't the market understand?

10

Potential of artificial intelligence to usher in new computing age.

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