

NVIDIA

Sustainable Growth Hypothesis:

Through its high-end chips and wider ecosystem, NVIDIA is providing the 'picks and shovels' for innovation and technological progress - notably in AI. The demand for its high-end graphics processing units and chips needed to train large language models is incredibly strong. Nvidia's contributes to our **prosperity** theme with **products** which are supporting innovation for growth.

1. Growth: How likely is the company to deliver 10% p.a. profit growth over the next decade?

- First wave of growth in AI and the opportunities are truly enormous. High R&D spend, and uniquely innovative culture give us high confidence in ability to capture future opportunities, even if we can't anticipate exactly what this'll look like.

2. Resilience: How much control does the company have over its own success?

- High degree of resilience due to sticky customers and vertical integration. NVIDIA does however face risks of losing AI leadership due to emerging competitors, including startups and key customers developing their own chips.

3. Valuation: What is our insight?

- Valuation swings based on short-term growth and market's enthusiasm for tech – we have patience to hold through cycles, adding/reducing as sentiment ebbs and flows.

4. Products: To what extent will the core products & services create value for society over the next decade?

- AI is at the cutting edge of scientific innovation across fields, driving a substantial and lasting difference to society. NVIDIA's chips are powering this AI revolution.

5. Practices: Does the company show leadership in its business practices?

- NVIDIA has an incredibly innovative and effective culture, which makes it a very attractive employer for tech talent. On the other hand, this may make it harder to build a diverse workforce.

6. Ambition: What is the company's purpose, and how ambitious are they?

- Extremely ambitious in terms of driving innovation. However, their commercial practices suggest they're perhaps more focused on profits and status than a mission to 'make a difference.'

7. Trust: Should we trust the company with our clients' capital?

- Commercial practices are aggressive but hard to fault. Founder ownership presents some key man risk.

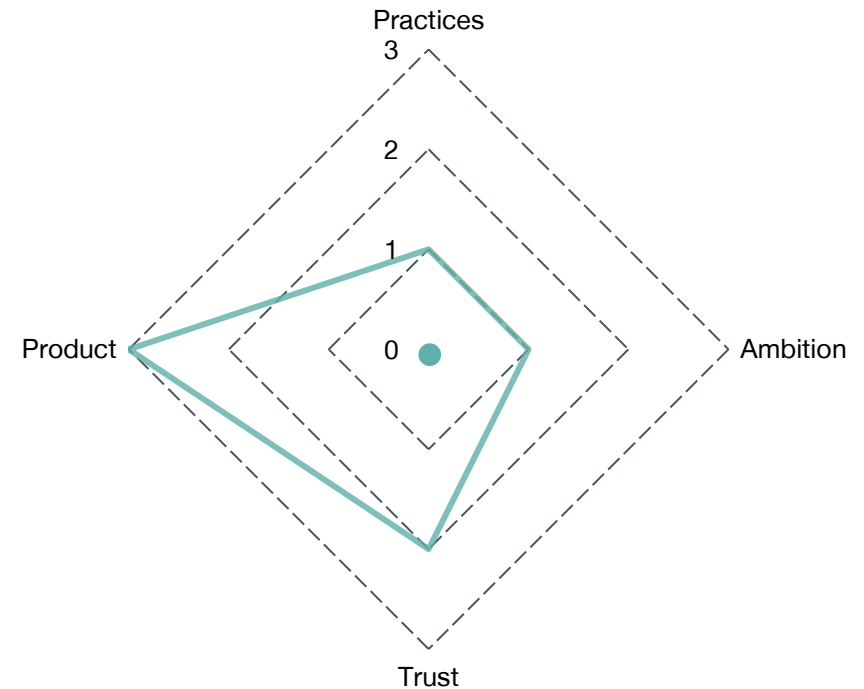
8. Engagement: No company is perfect, what should be our engagement priority?

- How does NVIDIA think about relationship with wider ecosystem and the need to balance profitability with not being seen to abuse their position?

9. Milestones: What developments should we pay most attention to? Where could we be wrong?

- Emergence of competing technologies in AI chips, especially when they have the backing of NVIDIA customers.

Compass Scores



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