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NVDA: Computex keynote is a positive catalyst

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Nvidia stock has been losing altitude since the recent earnings event even as AI semis/hardware surged to new highs. Something needs to be done to staunch the stock's source-of-funds status. At his Computex keynote we expect the NVDA CEO, the ultimate showman in Tech today, to come out guns blazing. We expect the keynote address Sunday night US time to be a positive catalyst.

For nearly a year, we have been among the minority on the Street on the cautious side of the stock. Going into the recent earnings event, we spoke of a near-term path to $205 vs. the majority of the Street PTs having a 3-handle (link). The stock came close to our level earlier this week.

However, into the keynote address, we think risk/reward is to the upside. Investors should expect the CEO to 1) double down on the Agentic AI theme by providing color on the $20bn/$200bn revenue/TAM outlook CPU, 2) flesh out the $1Trillion outlook for GPU AI systems by providing specificity on the ramp trajectory of Rubin, 3) provide a long-term outlook for the Networking segment.

Competition from ASICs at hyperscalers has been weighing on the stock as seen in the below-market multiple. Investors need a reason to buy into the low multiple. The CEO did not make a compelling case at the earnings call. He has an opportunity at the Computex keynote.

The CEO was reported seen in Taiwan yesterday hosting a star-studded dinner with the chiefs of major supply chain companies – Foxconn, TSMC, Delta electronics, Compal, Pegatron etc. The event was called the 'trillion yuan feast' by the local press. Something's cooking.

If some of the frenzy in AI names rubs off on NVDA, at a 20x multiple over consensus EPS estimate for Cy27, we think the stock could head for **$250** in the near term.

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Agentic CPU outlook – some clarity would be nice: NVDA management attempted to cash in on the investor fervor for Agentic AI by providing for the first time the potential of the internally designed ARM-based CPU Vera. We expect more color on the $20bn/$200bn revenue/TAM numbers that were tossed out at the earnings call. Left unsaid on the call was whether the numbers refer to revenue from raw CPUs or from server systems. Our initial take, inline with the majority on the Street, was that the $20bn referred to raw CPUs. However, our checks since then allow us to believe that the $20bn number refers to system-level sales. We think NVDA is selling server racks, not raw CPUs. There could be **upside** to the sever numbers if the networking piece was included as well.

> **Our caveat**: We are yet to identify the potential customers for NVDA's stand-alone CPU racks. While it is easy to point to NVDA's hyperscale GPU customers, we think that assumption would be

in error. Except for META, the major hyperscale players have internally designed ARM CPUs. What would be they complicate their infrastructure by having more than one flavor of ARM-based servers? We look to NVDA management to provide color.

Rubin – the pace of ramp: Even though management will not admit it, a section of investors believe that Rubin ramp is delayed. Rather than affirm the Cy25-Cy26 AI GPU outlook of $500bn provided last year, management tacked on an extra year and gave a $1tr outlook. This seems to imply that the ramp in Cy26 is running below plan. We think this fear is a key reason for the stock to not respond even when revenue print/guide was ahead of expectations at the recent earnings call.

At the keynote address: If management needs to fight the fear of delay, it may have to provide more color on the pace of ramp in 2CH26.

Our caveat: We continue to think that the packaging issues at the interposer stage we mentioned a quarter ago are still with the product. Besides, we think Rubin's software tools may be taking longer than expected to converge.

However, even if delayed, investors may be willing to move on if management were to provide granular revenue targets the company could be measured against.

Edge AI – interesting but not meaningful: The CEO is likely to provide more color on Edge AI devices such as the DGX Spark and industrial robots. Even as investors focus on the explosion of inference AI at data centers, we think there is a quiet move among major AI vendors to roll out Edge AI devices to take the load off centralized data centers. We think there is an important role for NVDA's desktop-based DGX Spark devices. We expect desktop devices to proliferate in 2027, as memory and flash become more available. However, we do not expect Edge AI to be meaningful for the next two years.

Net/net: The NVDA CEO has an opportunity to re-state the upside case for NVDA in a fast growing AI market in which credible competition has taken root. He has an opportunity to make the case that the market is large enough for multiple AI solutions to co-exist. We have been cautious on the stock for nearly a year; the stock has unperformed peers over that timeframe. On a near-term basis though, we think risk-reward is **to the upside** into the Computex keynote address. On a long-term basis we continue to be cautious.

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