GREAT INVESTMENTS PROGRAMME
WWW.ALPESHPATEL.COM/SHARES

NVIDIA: Deciphering the Key Drivers

Moving beyond the 'earnings beat' narrative.

FUNDAMENTAL GROWTH (YoY %)



+262%	+461%	+133%
REVENUE	NET INCOME	DATA CENTER

MARGINS & PROFITABILITY



76.0%	57.1%	50.0%
GROSS MARGIN	OPERATING MARGIN	FREE CASH FLOW MARGIN

DATA CENTER REVENUE MIX



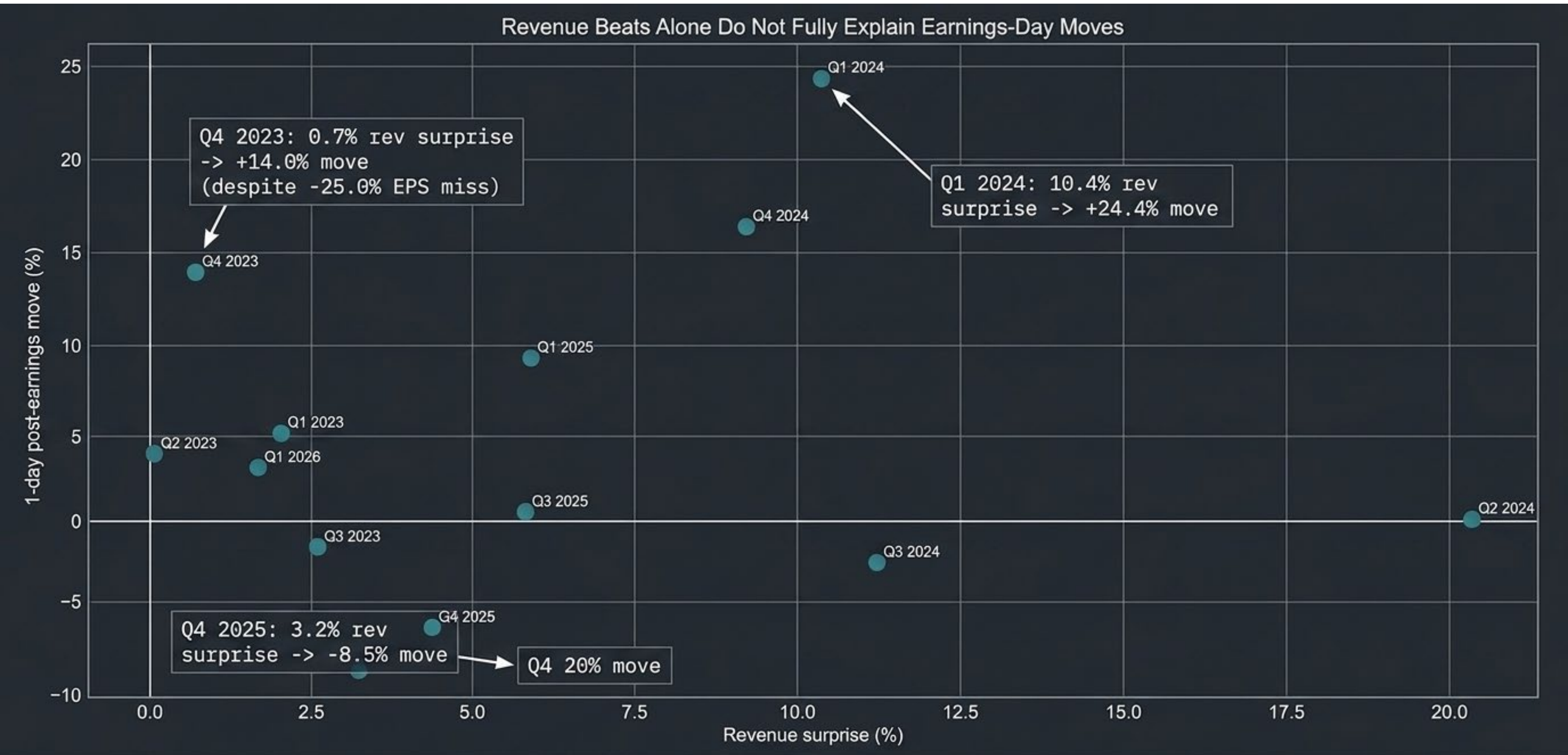
H100/A100 AI CHIPS: 80%
NETWORKING: 12%
OTHER: 8%

KEY PERFORMANCE INDICATORS (KPIs)

GPU SHIPMENTS:
>1.5M UNITS (EST.)

INFRASTRUCTURE SPEND:
$150B+ (2024 EST.)

// A Data-Driven Mental Model for the AI Infrastructure Cycle



The reported quarter is often stale on arrival. Investors are not rewarding the result; they are repricing the forward curve of earnings.

The Signal Sorter

Leading Indicators
(Predictive: Lead-1 Correlation)

- Gross Margin QoQ
- Inventory Acceleration

- Signal changes BEFORE earnings.

Contemporaneous Drivers
(Coincident: Same-Quarter)

- SMH, QQQ, SPY returns
- Pure factor noise.
- Moves WITH the stock.

Catalysts
(Triggers)

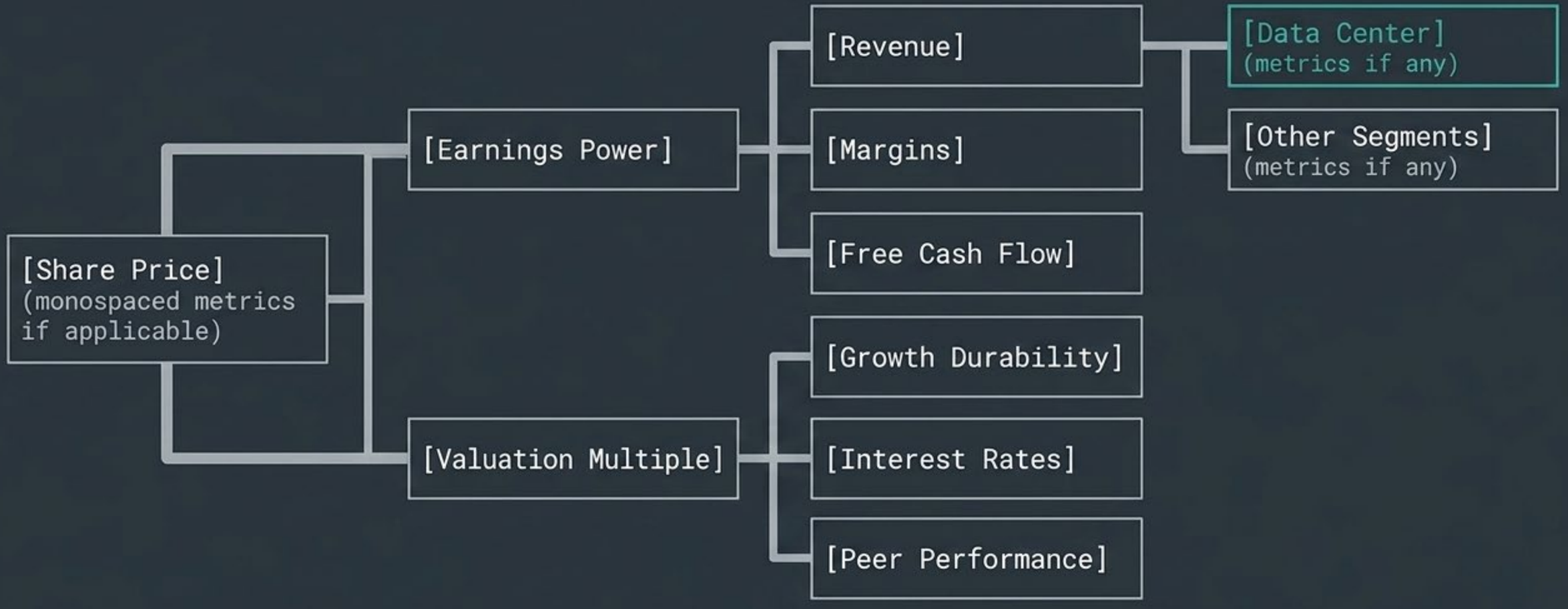
- Earnings call guidance
- Blackwell ramp commentary

False Positives
(Narrative noise)

- Dollar index return
- Gaming revenue QoQ

A variable can have a high same-quarter correlation with NVDA and still be a poor leading signal.

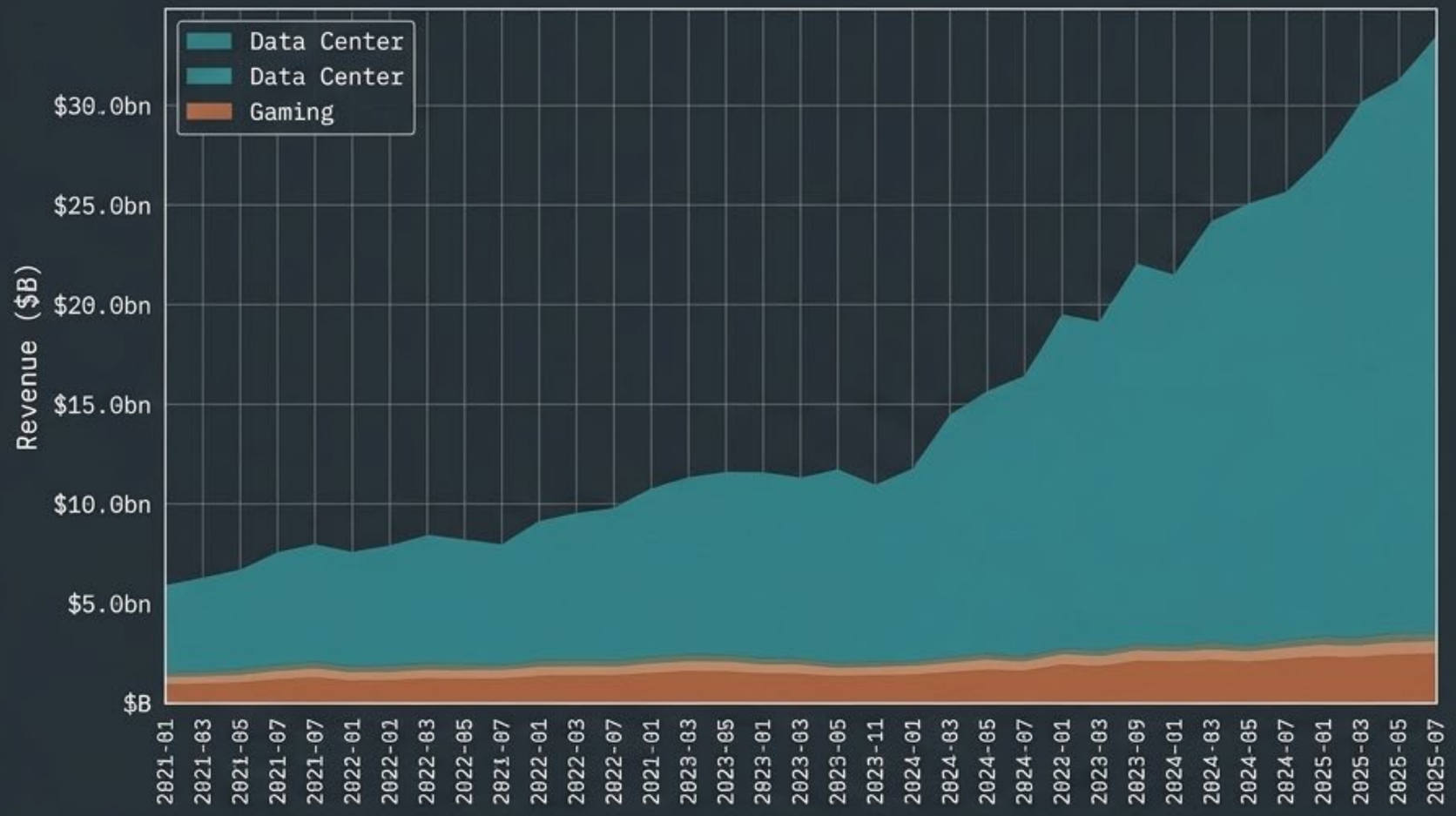
The Driver Tree



This driver tree is the antidote to narrative investing. It forces the analysis to ask where the story actually shows up in the numbers.

Data Center Dominance: The Incremental Revenue Engine

REVENUE COMPOSITION (OVER TIME)



LATEST TOTAL REVENUE

$44.1bn

LATEST DATA-CENTER REVENUE

$39.1bn
(89% of total)

5-YEAR STOCK RETURN

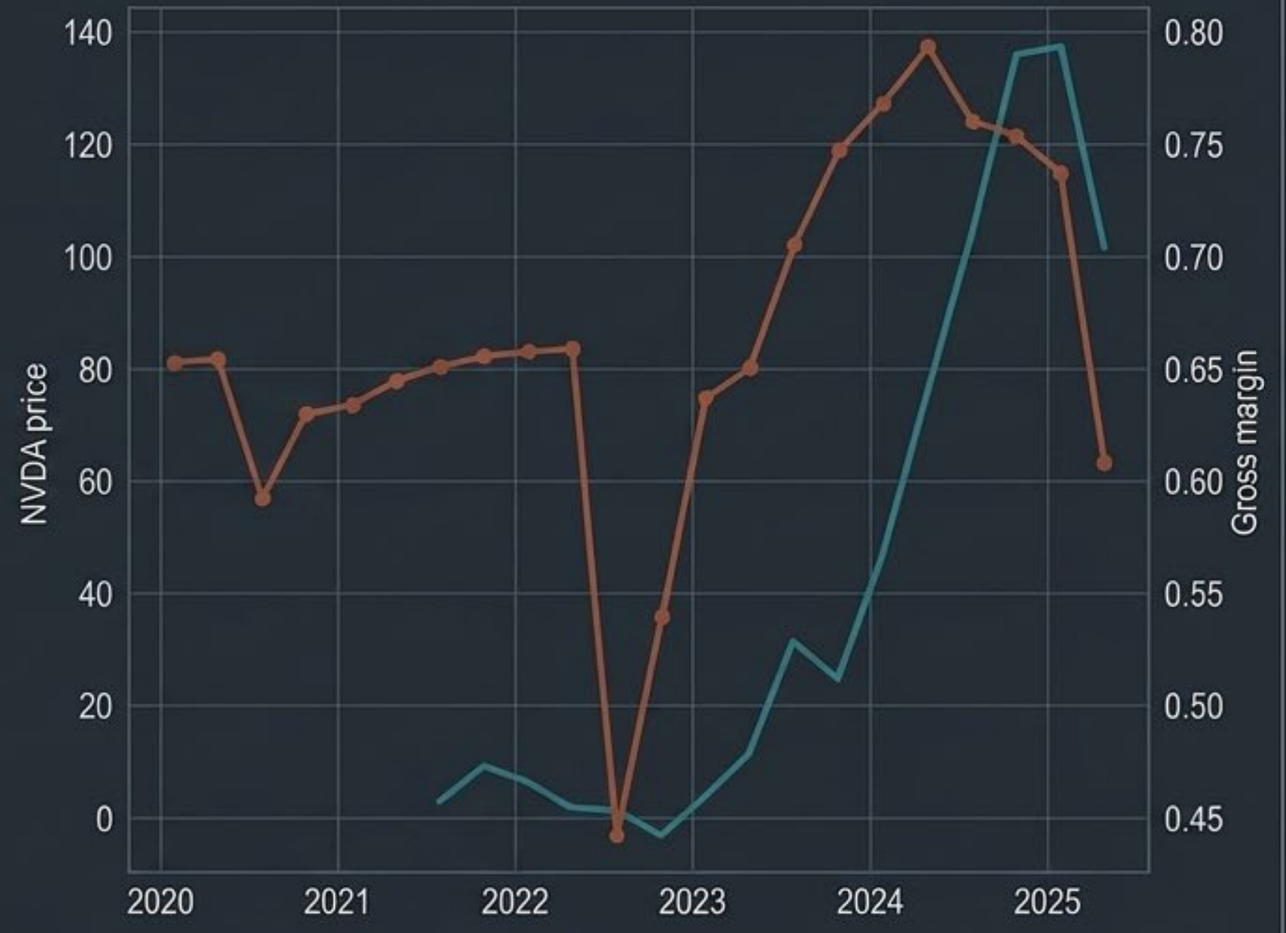
~14.0x

Data-center revenue is the headline engine. It is where AI demand transitions from a presentation theme into booked infrastructure revenue.

Top Predictive Signals

Rank	Driver	Score	Lead-1 Corr
Rank 1	Gross Margin QoQ	65.1	0.50
Rank 2	Operating Margin QoQ	63.5	0.38
Rank 3	Inventory Acceleration	62.5	-0.53

Gross Margin vs. NVDA Price



If every new generation of GPU demand requires greater complexity or lower margins, the earnings power assumption changes. Margin direction is the ultimate proof of scale economics.

Management Revenue Guidance Moved Sharply Higher Through The AI Cycle



If This, Then That Diagnostics

Signal: Guidance moves higher	→	Action: Consensus estimates follow	→	Impact: Multiple expands as growth looks durable

Reported revenue describes the past. Guidance reprices the future.

In a high-expectation stock, "good" is not always good enough.

Multiple Compression: P/E Ratio



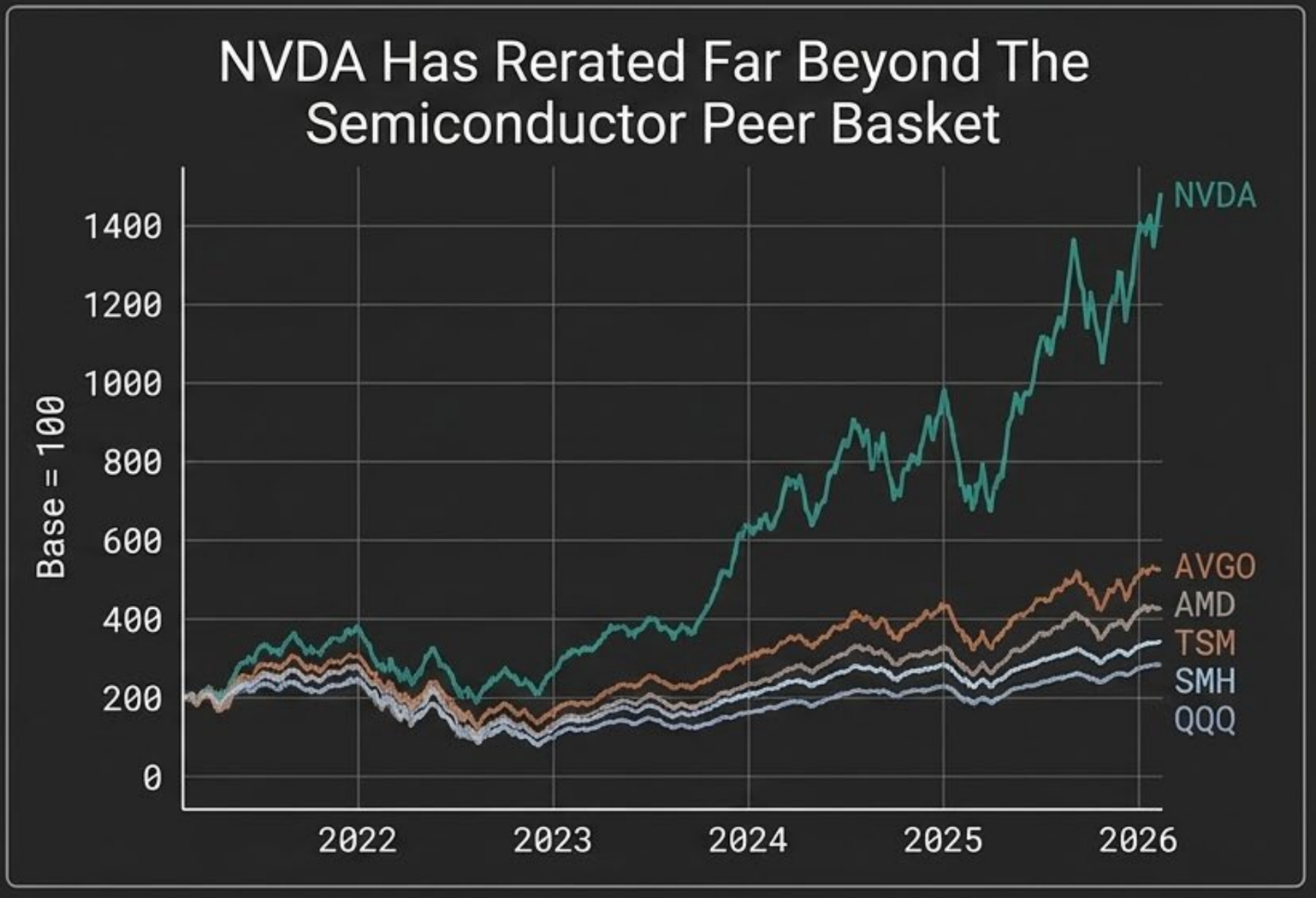
The Valuation Bridge

Multiple Compression: The risk of priced-in perfection.

A great company can be a poor investment if the multiple assumes perfection and the forward data merely comes in ‘good’.

Key Question:
What combination of data-center growth, margin, and FCF is required to support the CURRENT embedded expectation?

Same-Quarter Correlation	
SMH Return:	0.92
SOXQ Return:	0.90
QQQ Return:	0.88
SPY Return:	0.85



The Analytical Trap: If NVDA rises on a day when all semiconductor stocks rise, it is factor beta, not a fundamental signal. Distinguish company-specific signal from market-wide noise.

False Positives

~~Gaming Revenue QoQ~~

Weak lead-1 evidence: only 53% sign consistency

~~Dollar Index Return~~

Unstable lag-1 evidence: lead corr -0.28

~~Intel Return~~

Unstable lag-1 evidence: lead corr 0.21

~~SBC / Revenue QoQ~~

Weak predictive relationship

Every popular stock attracts popular explanations. The test is not whether a story sounds plausible, but whether it anticipates stock movement in a repeatable way.

THE INVESTOR'S 5-PART MONITOR

1. FUNDAMENTALS

Track Data-Center sequential growth, Gross Margin QoQ, and FCF conversion.

2. VALUATION

Monitor if business improvement is matched by estimate upgrades, or purely multiple expansion.

3. FACTOR EXPOSURE

Track peer-relative performance (NVDA vs SMH) to isolate company-specific signals.

4. CALL LANGUAGE

Listen for changes in supply constraint structurality, demand breadth, and margin guidance.

5. EXPECTATION DISCIPLINE

Assess the pre-earnings hurdle rate. Extreme expectations require a higher bar for beats.

NVDA is a test of expectation change.

The market is not paying for yesterday's AI story.
It is constantly repricing tomorrow's earnings power.
The right question is not "Is NVIDIA good?"...

"...Which data would prove that future earnings power is still being underestimated?"

Research and analysis only. Not personalised financial advice. Consult a qualified financial advisor.