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NVIDIA Corporation

(NVDA)

Date: Feb 22, 2026 07:02am
Prepared for: Edmund Simms
Prepared by: ValuationBot

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1. Executive summary

Company: NVIDIA Corporation

Ticker: NVDA

Recommendation: Strong Sell

Current price: US$189.82

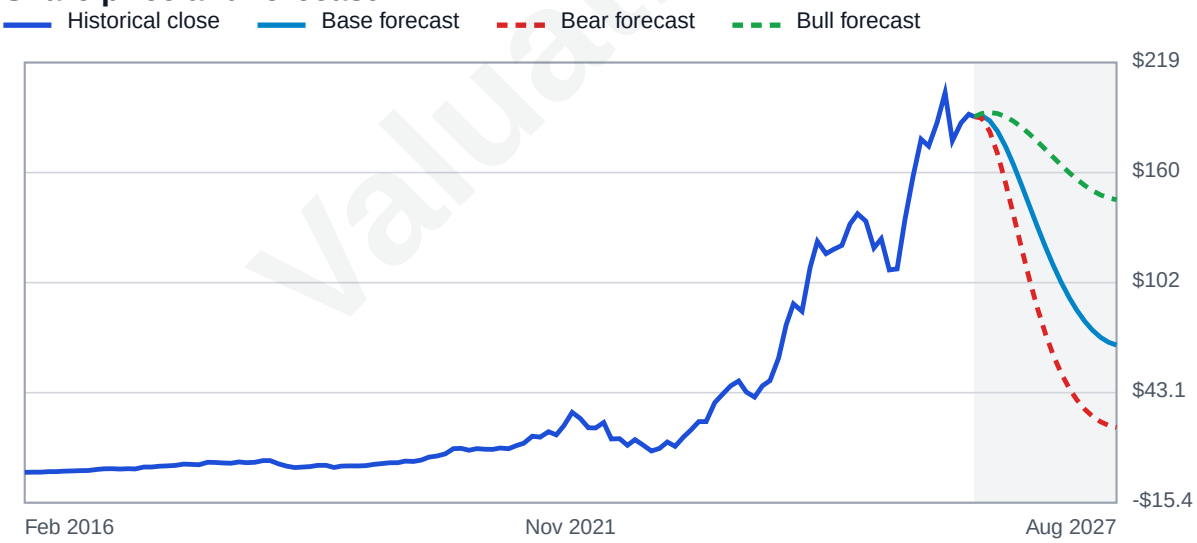
Estimated value: US$68.43

Upside: -64.0%

Expected IRR: 6.8%

I believe NVIDIA is overvalued at $189.82. The market is pricing in very strong and durable AI spending with revenue growth of about 32.4%, a long fade to maturity of about 16 years, and a very high stable net income margin of about 41.5%. I see a different picture. I expect AI demand to stay large, but to normalise from the recent surge as supply constraints ease, large customers push harder on price and mix, and export controls and compliance friction persist; that supports 25.0% growth, a 12-year fade to stability, and a 32.0% stable net margin. With peers already valuing the sector richly and NVIDIA still trading at extreme multiples, I estimate fair value at about $68 per share (with a simulation range centred around $65 and the 90th percentile of simulated intrinsic values at $116). That implies about 64% downside from today's price. My view is that the market overestimates long-run growth and profitability rather than near-term product strength. The key tests will be FY2026 results and guidance that reveal growth deceleration and the cost of sustaining the platform. The main risks are a faster-than-expected Blackwell ramp, higher software and services mix, and easing export limits that keep growth and margins closer to market-implied levels. Taking all this together, I rate the shares a Strong Sell over the next 12 months.

Share price and forecast



Historical close prices and forecast scenarios. Forecast horizon: 18 months. Generated Feb 2026.

2. Overview

Company	NVIDIA Corporation
Ticker	NVDA

Analysis date

Feb 22, 2026

Expected IRR

6.8%

Latest filing

10-Q, Oct 26, 2025

Industry

Semiconductors

Sector

Technology

Recommendation

Strong Sell

Upside potential

-64.0%

Exchange

NASDAQ

Market cap

$4.62trn

Current price

US$189.82

Estimated value

US$68.43

3. Investment summary

Recommendation: Strong Sell NVDA (NVIDIA Corporation) shares at $189.82.

Thesis: The market prices NVIDIA as a decade-plus AI toll road with near-peak economics. I think competition, buyer bargaining power, and policy constraints make 32.4% growth and a 41.5% stable net margin too optimistic, so the current price discounts outcomes that leave little room for normal execution risk.

Catalysts: FY2026 earnings and guidance updates in 2026 should show whether revenue growth slows towards 25.0% and whether the cost base supports only a 32.0% long-run net margin; export-control and licensing updates can also pull forward the fade to stability towards 12 years rather than the 16 years implied by the market.

Valuation: My base-case fair value is about $68 per share, versus $189.82 today, which implies about 64% downside; the bear and bull cases are about $25 and $146 per share, which still imply about 87% and 23% downside.

Risks: If growth stays nearer 32.4% for longer, the fade to stability extends towards 16 years, and net margin holds nearer 41.5% due to strong Blackwell execution and higher software mix, the shares could re-rate towards the upper part of my valuation range, but my bull case of about $146 still sits below the current price.

4. Company background

Industry
Semiconductors

Description
NVIDIA designs graphics processors and accelerated computing platforms and sells them mainly into data centres and gaming, with a growing software and services layer. It makes money from selling GPUs, systems, and networking for artificial intelligence workloads and from software offerings that attach to that hardware platform.

Key products
Data centre GPUs and systems (Hopper, Blackwell, GB200/GB300), Mellanox networking and interconnect, NVIDIA AI Enterprise, DGX Cloud, CUDA and developer libraries, GeForce GPUs and GeForce NOW, RTX workstation GPUs and vGPU software, Omniverse, Jetson embedded modules, automotive platforms.

Business model
Value proposition: Full-stack accelerated computing for AI, combining chips, systems, networking, and software.
Revenue engine: Data centre platforms drive most revenue, with software and services attach growing.
Cost drivers and investment focus: High R&D spend, platform support, supply-chain commitments, and ecosystem investment.

Unit economics
Key unit: Data centre GPU and system platform deployments.
Revenue per unit: Not disclosed; reporting is at segment level.
Cost per unit: Not disclosed; driven by wafers, packaging, memory, and supply-chain terms.
Contribution margin: Gross margin has been about 73%–75% recently, before operating costs.

Competitive landscape

Direct competitors: Direct competitors: AMD, Intel, and in-house hyperscaler accelerators.
Relative positioning: Direct competitors: AMD, Intel, and in-house hyperscaler accelerators.
Key threat/trend: Export controls and rising buyer power as customers diversify suppliers.

Operating segments

Compute and networking (89%): Data centre platforms, systems, and networking for AI and high-performance computing
Graphics (11%): Gaming GPUs and services, professional visualisation, and related software

Geographic segments

United States (45%): Largest driver of hyperscaler and enterprise AI build-outs
Taiwan (20%): Material ship-to location tied to supply-chain and partner routing
China (15%): Large demand but constrained by export controls and licensing
Rest of World (20%): Broad enterprise and cloud demand across Europe and other regions

5. Financial summary

All financial figures in $ millions

Fiscal year	2025	2024	2023	2022	2021
Revenue	130,497	60,922	26,974	26,914	16,675
YoY growth	114.2%	125.8%	0.2%	61.4%	52.7%
Adjusted net profit	80,659	34,263	8,662	12,867	6,746
Margin	61.8%	56.2%	32.1%	47.8%	40.5%
Reinvestment	46,119	24,335	(1,775)	12,749	6,545
FCFE	34,540	9,928	10,437	118	201
Adjusted equity	108,885	64,757	39,377	39,594	26,760
Return on equity (ROE)	74.1%	52.9%	22.0%	32.5%	25.2%
Sales to equity ratio	1.20	0.94	0.69	0.68	0.62

6. Investment thesis

The market prices NVIDIA as a decade-plus AI toll road with near-peak economics. I think competition, buyer bargaining power, and policy constraints make 32.4% growth and a 41.5% stable net margin too optimistic, so the current price discounts outcomes that leave little room for normal execution risk.

AI spending stays large but growth should slow from the surge: The market prices in 32.4% revenue growth because it assumes the current pace of AI infrastructure roll-out persists with limited friction. I forecast 25.0% because NVIDIA is already scaling from a very large base and customers will increasingly optimise spend as supply improves and alternatives mature. Recent momentum supports strong near-term demand, but policy constraints and customer concentration raise the risk of lumpier ordering and a lower sustainable run-rate. Strong product cadence still supports high growth, but I expect it to normalise well below what the current share price implies.

Long-run net margin should fall from near-peak levels: The market implies a 41.5% stable net income margin, which assumes NVIDIA sustains near-peak pricing power and

operating leverage for many years. I forecast 32.0% because competition should tighten pricing, large buyers should negotiate harder, and NVIDIA should keep spending heavily on R&D and platform support to defend its lead. Recent gross margins around the mid-70% range show real moat value, but net margin must absorb higher operating costs, compliance burden, and normalisation in hardware economics. Software and services should help, but I do not think they fully offset the margin fade needed to reach a steady state.

The fade to maturity should arrive earlier than the market assumes: The market implies about 16 years to reach stability, which assumes an unusually long period of scarcity economics and uninterrupted platform expansion. I use 12 years because infrastructure cycles tend to shift from rapid build-out to efficiency and replacement once capacity, power, and networking bottlenecks ease. As deployments mature, customers push for better total cost and diversify supply, which shortens the period of outsized growth. NVIDIA should still compound for a long time, but I expect the transition to steadier growth to come earlier than the market prices in.

7. Catalysts

FY2026 guidance should force a reset in growth expectations: NVIDIA should report and guide again in 2026, with the next major read-through coming from FY2026 quarterly results; exact dates depend on the company calendar and are unconfirmed. If management guides to decelerating growth as comparisons harden and policy limits constrain some shipments, investors should move long-run expectations down from 32.4% towards 25.0%. A re-rating towards the 50th percentile of simulated intrinsic values of about $65 to the 75th percentile of simulated intrinsic values of about $88 implies about 54% to 66% downside from $189.82. That outcome would support my Strong Sell view.

Opex and gross margin trends should expose the gap to a 41.5% net margin: Quarterly updates in 2026 should show whether gross margin holds while operating costs rise to sustain the platform. If gross margin guidance drifts lower or operating expense growth stays elevated, the path to a 41.5% stable net margin becomes less credible and the market should converge towards my 32.0% view. A shift towards my base-case fair value of about $68 implies about 64% downside from $189.82. Timing depends on reporting dates and is not confirmed beyond typical patterns.

Export-control and licensing decisions can bring forward the maturity profile: Policy announcements through 2026 on export controls and licensing should influence both addressable demand and the predictability of deliveries. If restrictions remain tight or become more complex, investors should accept a shorter runway and a faster fade to stability closer to 12 years rather than about 16 years. That change would pull valuations towards the middle of the distribution, around the 50th percentile of simulated intrinsic values of about $65. This would reinforce a Strong Sell rating at the current price.

8. Valuation

Current price: US$189.82

Base case value: US$68.43

Upside potential: -64.0%

Expected IRR: 6.8%

Currency: USD

Report date: Feb 22, 2026

Latest annual financials: Jan 26, 2025

Base case assumptions DCF model Bull/Bear scenarios

Story:

NVIDIA sits in a late high-growth phase driven by data-centre demand for accelerated computing. It keeps a platform edge through its hardware, networking, and software stack, which makes switching costly and supports strong pricing power. Growth stays strong but cools as hyperscalers pace capex, rivals improve, and export controls limit some geographies, so revenue expansion normalises over time. Margins ease from unusually high levels as the product mix and transition costs settle, but the firm still earns premium profitability because its ecosystem and software attach remain sticky.

Multiples snapshot

Large-cap semiconductors and AI infrastructure names trade at rich levels versus history, and today's peer set already embeds optimistic growth and margins. NVIDIA still trades at a clear premium at 57.3x earnings and 35.4x sales, with both sitting in the 67th and 90th percentiles of peer valuations, and 42.4x book also sits in the 90th percentile; these ratios are meaningful given NVIDIA's profitability and large equity base. The premium reflects exceptional recent growth and very high gross margins, but it also assumes long-run growth and net margins stay close to the market-implied 32.4% and 41.5%, which conflicts with my expectation of normalisation towards 25.0% and 32.0% over a 12-year fade. If the stock de-rates towards more central peer settings, the implied prices cluster around $40 at the median sales multiple and $17 at the median book multiple, while the earnings-based distribution is too dispersed to rely on for a single-point anchor at peak-cycle profitability. A fair multiple set that matches my base case points to roughly $40–$77 per share using sales and book anchors, which supports a Sell to Strong Sell outcome, and the gap to $189.82 keeps me at Strong Sell.

Price-to-sales: 35.4x ("e90th percentile vs. peers) with implied share prices from US$10 to US$127 across the revenue-weighted peer set.

Price-to-earnings: 57.3x (67th percentile vs. peers) with implied share prices from US$43 to US$455 across the revenue-weighted peer set.

Price-to-book: 42.4x ("e90th percentile vs. peers) with implied share prices from US$5.6 to US$63 across the revenue-weighted peer set.

9. Risks

Blackwell execution could keep growth closer to 32.4%: Growth could beat my 25.0% forecast if Blackwell systems ramp faster and broader than I expect and if hyperscalers sustain aggressive capacity adds. Faster deployment would lift follow-on demand for networking and software and keep growth nearer the market-implied 32.4% for longer. If that happens, intrinsic value could move towards my bull-case estimate of about $146 per share. That still implies about 23% downside to the current price, but it would weaken the Strong Sell case.

Software mix and pricing power could sustain a higher net margin: Margins could exceed my 32.0% stable net margin if NVIDIA sustains pricing power, keeps product costs under control, and grows software and services faster than operating expenses. A cleaner regulatory backdrop and fewer policy-related charges would also support after-tax profitability. If stable net margin converges towards 41.5%, my intrinsic value could move materially higher towards about $146 per share. That would reduce downside, but it would still not justify $189.82 on my framework.

New workloads could extend the runway towards 16 years: The growth runway could extend beyond my 12-year fade if enterprise adoption plays out in more waves and new use cases like AI agents, robotics, and edge inference add sustained demand. If NVIDIA broadens its platform revenue and makes results less cyclical, investors may accept a longer path towards maturity closer to 16 years. That could lift valuation outcomes towards the 95th percentile of simulated intrinsic values of about $138. It would still leave the shares overvalued at $189.82, but it would reduce expected downside.

10. Appendix

10.1 Base case assumptions

Valuation story

NVIDIA sits in a late high-growth phase driven by data-centre demand for accelerated computing. It keeps a platform edge through its hardware, networking, and software stack, which makes switching costly and supports strong pricing power. Growth stays strong but cools as hyperscalers pace capex, rivals improve, and export controls limit some geographies, so revenue expansion normalises over time. Margins ease from unusually high levels as the product mix and transition costs settle, but the firm still earns premium profitability because its ecosystem and software attach remain sticky.

Revenue growth rate

Value: 25.0%
Explanation: I treat NVIDIA as a late high-growth firm. The analyst revenue path rises from about $213.5B to about $425.1B over three years, which implies a strong but slowing growth run-rate, so a 25% annual growth assumption for the first half of the high-growth period fits a base case where AI build-outs stay broad-based but normalise from the recent surge.

Stable growth rate

Value: 3.3%
Explanation: I set terminal growth just below the 3.752% risk-free rate to respect the hard constraint and to reflect a mature global technology supplier in steady state. This also builds in some long-run drag from regulation and competition, even if AI demand stays structural.

Years to stability

Value: 12.0
Explanation: I give NVIDIA a long fade because it still sits in an AI platform expansion phase, not a normal semiconductor cycle. A 12-year horizon makes the 25% assumption plausible as a six-year CAGR that then tapers, which matches the idea that hyperscaler and enterprise demand remains large but becomes less supply-constrained and more price competitive over time.

Sales-to-equity ratio

Value: 1.1
Explanation: I assume capital intensity rises versus the recent peak as NVIDIA funds more capex, supply-chain commitments, and cloud-service build-out, which lowers capital efficiency. Even so, the model stays above typical semiconductor medians because software, networking, and platform economics keep the business relatively capital-light for its growth rate.

Stable net profit margin

Value: 32.0%
Explanation: I expect margins to fall from the exceptionally high adjusted level as competition, customer scale bargaining, and product-transition costs reduce peak economics. I still keep the stable margin well above industry norms because the CUDA ecosystem, integrated systems, and software attach support durable pricing power and operating leverage.

FY+1 net profit margin

Value: 48.0%

Explanation: I move the margin down from the recent adjusted peak to reflect known transition frictions, higher R&D and infrastructure spend, and the risk of inventory or export-related charges, which consensus net income also hints at through a lower net income share of revenue in the next step up. I do not drop it to the long-run level because mix remains data-centre led and scale still supports very high gross profit dollars.

Margin convergence

Value: 8.0
Explanation: I let margins fade over most of the explicit high-growth phase because NVIDIA's moat should erode gradually, not abruptly, and software and services should offset some hardware normalisation. Eight years gives time for competition and regulation to bite while keeping the path consistent with a still-growing platform business.

Stable ROE

Value: 18.0%
Explanation: I assume NVIDIA sustains value creation in maturity, so I keep stable ROE above the 9.67% stable cost of equity. I set it far below the recent extraordinary adjusted ROE because that level reflects a temporary demand shock, unusually high margins, and rapid turns that should normalise as reinvestment and competition rise.

Credit rating

Value: Aa3/AA-
Explanation: I assign a high-grade rating because the business throws off large cash flows, holds very large liquidity, and uses modest debt for its scale, even while it commits to capacity and cloud agreements. I do not push to AAA because customer concentration, export controls, and the inherent cyclicality of semiconductors still add meaningful risk.

Recovery ratio

Value: 55.0%
Explanation: I assume an above-average recovery because NVIDIA's balance sheet should retain substantial cash, and its IP and software ecosystem have real franchise value even in stress. I keep it below very high recoveries because specialised inventory, purchase commitments, and fast product obsolescence can reduce realised value in a downturn.

10.2 DCF model

All financial data in US$ millions unless stated otherwise

	Base year	FY+1	FY+2	FY+3	FY+4	FY+5	FY+6
Revenue	130,497	163,121	203,902	254,877	318,596	398,245	497,807
YoY growth, %	114.2%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
All expenses	49,838	84,823	110,107	142,731	184,786	238,947	308,640
Net profit	80,659	78,298	93,795	112,146	133,810	159,298	189,166
Net margin, %	61.8%	48.0%	46.0%	44.0%	42.0%	40.0%	38.0%
Reinvestment	46,119	31,071	38,838	48,548	60,685	75,856	94,820
Invested equity	108,885	139,956	178,795	227,342	288,027	363,884	458,704
ROE, %	74.1%	55.9%	52.5%	49.3%	46.5%	43.8%	41.2%
S/E ratio, x	1.2	1.1	1.1	1.1	1.1	1.1	1.1
FCFE	34,540	47,227	54,956	63,598	73,125	83,442	94,346
Stable value							
FCFs to discount		47,227	54,956	63,598	73,125	83,442	94,346
Discount factor		1.0	0.9	0.7	0.6	0.5	0.5
Cost of equity, %	18.1%	18.1%	17.3%	16.6%	15.8%	15.0%	14.3%
PV of FCFE		47,227	46,843	46,509	46,183	45,815	45,337

	...	FY+8	FY+9	FY+10	FY+11	FY+12	Stability
Revenue	604,254	711,610	812,303	897,865	959,968	991,647	1,024,371
YoY growth, %	21.4%	17.8%	14.1%	10.5%	6.9%	3.3%	3.3%
All expenses	386,723	469,663	552,366	610,548	652,778	674,320	696,572
Net profit	217,532	241,947	259,937	287,317	307,190	317,327	327,799
Net margin, %	36.0%	34.0%	32.0%	32.0%	32.0%	32.0%	32.0%
Reinvestment	101,379	102,244	95,898	81,488	59,145	30,170	60,096
Invested equity	560,083	662,326	758,224	839,712	898,858	929,028	
ROE, %	38.8%	36.5%	34.3%	34.2%	34.2%	34.2%	18.0%
S/E ratio, x	1.1	1.1	1.1	1.1	1.1	1.1	1.1
FCFE	116,153	139,704	164,039	205,829	248,045	287,157	267,702
Stable value							4,202,710
FCFs to discount	116,153	139,704	164,039	205,829	248,045	287,157	4,202,710
Discount factor	0.4	0.4	0.3	0.3	0.3	0.2	0.2
Cost of equity, %	13.5%	12.7%	12.0%	11.2%	10.4%	9.7%	9.7%
PV of FCFE	49,179	52,471	55,027	62,091	67,756	71,523	1,046,789

Sum of PV of FCFE	1,682,749.8
Less: Distress adjustments	14,605.8
Distress likelihood, %	0.9%
Recovery ratio, %	55.0%
Value of common equity	1,668,144.0
Less: Employee options	0.0
Less: Unfunded liabilities	2,200.0
Value of common shareholders' equity	1,665,944.0
Divide: Share count	24,347.0
Equity value per share	US$68.43

10.3 Scenarios

Bear case

Value: US$24.67
Upside: -87.0%
Story: NVIDIA moves into a slower growth phase as the AI infrastructure boom cools and

customers shift from rapid build-out to optimisation and cost control. Export controls tighten further and reduce addressable demand in some regions, while large buyers use their scale to press on price and contract terms. Competitors and in-house silicon improve enough to take share in several workloads, so NVIDIA relies more on software and networking to defend the platform. This keeps NVIDIA in late growth but with a faster path to maturity, lower pricing power, and a clearer risk of margin normalisation.
Revenue growth rate: 16.0%
Stable growth rate: 3.2%
FY+1 net margin: 36.0%
Stable net margin: 24.0%
Sales-to-equity ratio: 0.9
Years to stability: 10.0
Stable ROE: 13.0%

Bull case

Value: US$145.71
Upside: -23.2%
Story: NVIDIA remains in a late high-growth stage and turns its AI lead into a broader platform business. It scales Blackwell-class systems fast and pairs them with networking and enterprise software, which lifts recurring revenue and increases switching costs. It converts multi-year cloud and enterprise demand into sustained growth that stays above the sector for longer than most expect, while China limits prove manageable through compliant products and geographic mix shifts. It keeps premium profitability because software attach and integrated systems protect pricing, even as it continues to fund heavy R and D and capacity build-out.
Revenue growth rate: 32.0%
Stable growth rate: 3.5%
FY+1 net margin: 50.0%
Stable net margin: 35.0%
Sales-to-equity ratio: 1.2
Years to stability: 14.0
Stable ROE: 20.0%

10.4 Other claims

(in US$ millions unless stated)

Employee stock options

Number of stock options: 0.0
Weighted avg. strike price: 0.00
Weighted avg. maturity: 0.0
Assumed volatility: 0.0%
Assumed dividend yield: 0.0%
Value of options: 0.0

Unfunded liabilities

Pension obligations: 0.0
Post-retirement benefits: 0.0
Healthcare liabilities: 0.0
Deferred compensation: 0.0
Lawsuit contingencies: 0.0
Environmental liabilities: 0.0
Other: 2,200.0 – Use the unrecognised tax benefits of $2.2bn recorded in non-current income tax payable at January 26th 2025 as an unfunded obligation because no funding

assets are identified. I apply a 100% probability because it is already recorded as a liability, so the expected value is $2.2bn.
Total liabilities: 2,200.0

10.5 Cost of equity

Inputs for risk-free rate

Ten-year bond yield, %	4.1%
Bond yield country	United States of America
Default spread, %	0.3%
Risk-free rate, %	3.8%

Beta calculation

Operating segment	Sales	EV/Sales	Weight, %	Business beta
Software - Application	1,878	5.3	1.1%	1.8
Hardware, Equipment & Parts	389	4.1	0.2%	1.4
Electronic Gaming & Multimedia	11,350	5.7	7.4%	1.9
Semiconductors	115,186	7.0	91.2%	3.0
Auto - Manufacturers	1,694	1.0	0.2%	1.4

Business beta	2.93
Debt-to-equity ratio, %	0.2%
Cash-to-firm value ratio, %	0.9%
Marginal tax rate, %	21.3%
Equity beta	2.9

Beta selection notes

Software – Application (50th percentile of the industry, 1.8): Professional visualisation demand is linked to business investment and creative workflows, which are somewhat cyclical but typically steadier than consumer gaming. Given the blend of recurring software elements and high fixed development costs, overall risk looks close to the industry middle.

Hardware, Equipment & Parts (50th percentile of the industry, 1.4): This bucket is a mix of hardware-related sales with varied end uses and typically less clear cyclicality than pure gaming or data centre. With mixed evidence on product risk and operating leverage, the median industry beta is the most balanced choice.

Electronic Gaming & Multimedia (60th percentile of the industry, 1.9): Gaming GPUs are discretionary purchases and tend to weaken when consumers cut spending, making revenues more cyclical than essential tech. NVIDIA also has meaningful fixed costs in product development and software, so operating leverage increases the risk versus the median peer.

Semiconductors (70th percentile of the industry, 3.0): Data centre AI platforms are strongly driven by enterprise and hyperscaler capital spending, which is cyclical and can change quickly with budgets and technology shifts. The cost base is heavily fixed through R&D and ecosystem investment, so profitability is sensitive to demand and competitive moves.

Auto – Manufacturers (60th percentile of the industry, 1.4): This segment is tied to vehicle production cycles and long design-win timelines, so demand can swing with broader economic conditions. It also carries high fixed engineering and platform costs, which can amplify earnings volatility when volumes move.

Equity risk premium (ERP) calculation

Equity risk premium (ERP) calculation (continued)

Geographic segment	Sales	Weight, %	ERP, %	Tax rate, %
Latin America (LATAM)	7,875	6.0%	9.8%	31.3%
United States of America	61,257	46.9%	4.5%	21.0%
Taiwan	20,573	15.8%	5.1%	20.0%
Singapore	23,684	18.1%	4.0%	17.0%
China	17,108	13.1%	5.3%	25.0%

Company ERP, %	4.9%

Cost of equity calculation

Risk-free rate, %	3.8%
Beta x ERP	14.3%
Equity beta	2.9
Equity risk premium, %	4.9%
Cost of equity, %	18.1%

Stable cost of equity calculation

Risk-free rate, %	3.8%
Beta x ERP	5.9%
Stable beta (clamped)	1.2
Equity risk premium, %	4.9%
Stable cost of equity, %	9.7%

10.6 Reverse DCF

Expected IRR	6.8%

Driver	Base value	Market-implied value	Difference
Revenue growth rate, %	25.0%	32.4%	+7.4
Stable net profit margin, %	32.0%	41.5%	+9.5
Years to stability	12	16	+4