

Investment Memorandum

Company: Nvidia Corporation (NASDAQ: NVDA)

Date: October 4, 2024

Executive Summary

Nvidia is a rare business that justifies paying a premium. The company's dominance in GPUs, high switching costs, and unmatched role in powering AI and cloud infrastructure make it a category-defining compounder. Nvidia sits at the center of the biggest technology wave of our time.

Key Points

- **Market Share:** Nvidia controls roughly 80% of the GPU market.
- **Switching Costs:** Customers cannot simply swap Nvidia chips for cheaper alternatives. Switching would be costly, risky, and disruptive to critical workloads.
- **Financial Strength:** Gross margins exceed 70%, underscoring pricing power and efficiency.
- **Strategic Customers:** Microsoft, Google, Amazon, and Tesla all depend on Nvidia's compute power to scale their businesses.
- **AI Adoption:** AI is not theoretical; tools like ChatGPT already rely on Nvidia hardware. As AI workloads grow, demand for Nvidia will accelerate.
- **Leadership:** Jensen Huang is a founder-CEO with exceptional vision and execution, a once-in-a-generation leader with skin in the game.
- **Macro Tailwinds:** Global data generation is compounding, driving exponential demand for advanced computing.
- **Product Superiority:** The Blackwell chip family highlights Nvidia's clear technological lead, with unprecedented demand across industries.

Conclusion

Despite the valuation, Nvidia represents a business with extraordinary market power, leadership, and long-term tailwinds. This is a stock to buy and hold for the next 10–20 years.