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Morgan Stanley | RESEARCH

IDEA

July 10, 2026 02:36 AM GMT

NVIDIA Corp. | North America

NVDA NDR highlights diversified growth opportunities

NVIDIA NDR with the executive team highlighted high confidence in an accelerating and diversifying growth story that should show appeal to value investors as well as growth.

Key Takeaways

- Accelerating growth still the focus from here
- Citing growth from AI lab share gains, from hyperscalers, but also from a broader base of neoclouds, enterprise, and sovereigns
- Hyperscale remains a strong growth vector with networking & CPU adding to SAM
- As space, power, and geopolitics are central to decision making sovereign and neoclouds could outpace over time
- Increasing focus on value based investors - in addition to core growth - could be key to closing value gap vs. peers; reiterate OW/top pick in semis

This week, we hosted a number of investor meetings in California as part of an NDR with Nvidia CEO Jensen Huang, CFO Colette Kress, and head of IR Toshiya Hari. The meetings were upbeat, as expected, with the company describing "accelerating growth rates" even as revenues approach the $100 bn per quarter mark.

Orienting the commentary around the new segmentation, the company described 3 segment based growth drivers:

1) **Growth within AI labs**, which they said make up about 20% of total demand currently. Notably, one of the more prominent frontier models was developed mostly on an ASIC, so NVIDIA had minimal exposure, but that has risen to close to 50%, while other frontier models continue to be mostly on NVDA.

2) **Growth within traditional hyperscalers**, which (per the new segmentation) is about half of the revenue. Increasingly growth in this segment is limited by land space and power, but growth remains very strong, and NVIDIA is seeing SAM expansion based on networking, and more recently CPU. The company repeated its $20 bn cpu target for this year, with a sense that close to half of that is outside the head node - meaning a very substantial presence in standalone CPU racks with Vera in the second half, due to the chip being purpose built for single threaded workloads with a large die, smaller core counts, and memory optimization for AI.

We continue to believe that two things can be true at once: hyperscalers will look to develop and deploy custom silicon alternatives (ASICs), while NVIDIA will retain a very large portion of the business. Our contacts substantiate management's contention that the lowest cost per token is quite frequently from NVIDIA, and that

MORGAN STANLEY & CO. LLC

Joseph Moore
Equity Analyst
Joseph.Moore@morganstanley.com +1 212 761-7516

Mason Wayne
Research Associate
Mason.Wayne@morganstanley.com +1 212 761-6012

Ella Tulchinsky
Research Associate
Ella.Tulchinsky@morganstanley.com +1 212 761-2222

Nicole Kozhukhov
Research Associate
Nicole.Kozhukhov@morganstanley.com +1 212 761-1636

Shane Brett
Equity Analyst
Shane.Brett@morganstanley.com +1 212 761-1022

NVIDIA Corp. (NVDA.O, NVDA US)
Top Pick

Semiconductors | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$288.00**
Shr price, close (Jul 9, 2026)	$202.78
Mkt cap, curr (mm)	$4,967,391
52-Week Range	$236.54-161.16

Fiscal Year Ending	12/26	12/27e	12/28e	12/29e
EPS ($)**	4.77	8.98	13.15	17.69
Prior EPS ($)**	-	-	-	-
P/E	44.0	22.6	15.5	11.5
EPS ($)§	8.92	12.70	15.51	20.54
Div yld (%)	0.0	0.4	0.5	0.5

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2026	2027e Prior	2027e Current	2028e Prior	2028e Current
Q1	0.81	-	1.87a	-	2.84
Q2	1.05	-	2.07	-	3.06
Q3	1.30	-	2.34	-	3.41
Q4	1.62	-	2.70	-	3.85

e = Morgan Stanley Research estimates, a = Actual Company reported data

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less expensive silicon does not drive better token economics. NVDA's share of compute has climbed from 2024 to 2026, and with both NVDA and AVGO AI businesses growing 80%+ next year (and supply constrained at those levels), we don't see dramatic shift going forward, and have enthusiasm for growth in both categories.

3) Growth in the "AI clouds, Industrial, and enterprise" segment, now about half of data center revenue. The company emphasized that limitations on power and space, as well as geopolitical/reshoring initiatives, will drive dramatic growth in this segment, where there is likely to be minimal competition.

Management emphasized the breadth of demand within sovereign and industrial applications, citing among other things retail, finance, and biotech users. Each region is working hard to develop its own AI capacity given various reshoring pressures, driving a fragmented opportunity that can take time to get started - but with substantial scale when the time comes.

The growth from neocloud customers also remains quite strong, Last week, the company announced a new business model which would allow for co-investment, credit assurance, but also revenue sharing. Investors have mostly looked at the cautious aspects of NVIDIA backstopping credit, but revenue sharing should drive a bit more focus on the upside opportunities from those deals, as the company potentially could become a partial owner of a large network of GPU clouds.

Other important takeaways from the meeting include:

A focus on value investors. Part of this road show was designed to broaden the investor base to include more value-centric investors. We highlight this because it could be important for a stock that feels like it is struggling with boundaries of being widely owned - in some cases with maximum position size - across a wide range of growth investors. This remains a growth company, obviously, with very high growth visibility for the next couple of years and a strong set of longer term drivers. But with 50% or more of cash flow moving to cash return starting now, it's also a very clear value name amid large caps, and broadening the investor base could be an important factor. The management team has navigated from small cap to mid cap to large cap to megacap and is now the largest cap company in the world, and has adapted at each stage.

Product roadmap tracking expectations. We see a strong Vera Rubin cycle driving the next 12 months. With regards to recent stories that Rubin ultra could slip to 2028, the company said that is not true and that Rubin Ultra will ship next year - but also acknowledged that there would be form factor changes as the kyber rack is being replaced by a "better solution", potentially supporting a larger single rack scale up domain. The company presented this as a positive; they continue to take risks with the product roadmap but also will quickly course correct to derisk the ramps. Important technologies including 800 volt and optical scale-up between racks remains on schedule.

Memory shortage causing adjustments. The memory shortage looks to last for several years. But if an industry requires 10x token growth each year and memory supply is "basically static" relative to that ramp, something has to give and the

industry will find ways to keep compute supply on track. This may in part be a reference to something that we have written about in the past - that NVIDIA cut the LPDDR5 content per rack in half so that they can meet rack demand - or could imply future shifts. They said that compute, networking, and memory are all inter-related, and it is possible to use the other two to optimize a shortage of the third. The company also highlighted the importance of Groq technology, which uses SRAM that "used to be much more expensive than DRAM". While some of this commentary could dampen enthusiasm for memory stocks, we would highlight the starting place that the offsets are happening due to a multi year shortage.

Importance of "nemotron" and open source model development. NVIDIA developed the nemotron model to enable more application specific AI designs that can't use more generic closed models; they used the example of circuit design. Open model development allows enterprise customers to own the full stack, with the ability to customize that usage around their own expertise.

Thoughts on the stock: NVIDIA remains our top pick in semis, which has been a tough call since we made it in March the stock is higher but has underperformed a sharp runup in the peer group - but our conviction remains high. We understand that there is more leverage in other parts of the supply chain - in fact that was our reason for rotating our top pick on NVDA last year to first Sandisk, then Micron - but we now feel that this is the best value in the group. To be sure, the multiple is likely constrained by the large market cap and index weighting, but in our view the value disparity will revert over time. The points made here reinforced our enthusiasm, and we reiterate our call.

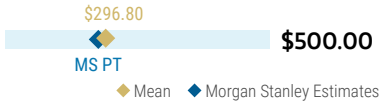
Risk Reward – NVIDIA Corp. (NVDA.O) Top Pick

OW as large language model enthusiasm is transforming cloud capex

PRICE TARGET $288.00

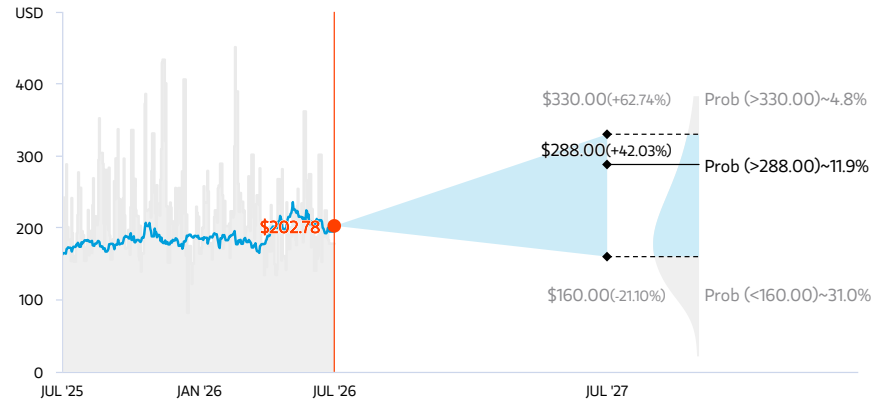
~22 our MW CY27 EPS estimate of $13.08, in-line with the broader market and a discount to compute semis peers (AMD/AVGO/INTC) as high marketshare and gross margins leave limited levers for multiple expansion in the near term.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



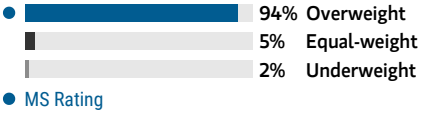
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 9 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- Blackwell remains the premiere solution for gen-AI workloads, where compute demand continues to outstrip supply
- We see continued upward pressure to estimates as demand strength continues, with Rubin expected to maintain Nvidia's performance leadership position

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $330.00

~23x bull case MW CY27 EPS of $14

Bull case has DC revenues continuing to grow. Upside from networking, Vera Rubin based systems, networking, and software create potential for a full stack AI computing company worthy of an even greater valuation premium

- Higher margin data center and AI-focused software and services growth accelerates

- GPU based AI PC gains traction, widely increasing the client TAM

- Automotive opportunity takes off, allowing the company to earn recurring, per-car licensing revenue

BASE CASE $288.00

~22x our MW CY27 EPS of $13.08

~22x PE in-line with the broader market and a discount to compute semis peers (AMD/AVGO/INTC) as high marketshare and gross margins leave limited levers for multiple expansion in the near term..

- Revenue grows by 82.0% in 2026 and 52.4% in 2027

BEAR CASE $160.00

~16x bear case MW CY27 EPS of $10

Two key debates both go the wrong direction, causing investors to question future prospects for growth

- Growth in DC slows substantially as supply catches up to demand faster than anticipated

- AI development costs come down materially, a strong competitor enters the market to take market share, or customers begin insourcing custom hardware solutions

- Greater than expected impact from tariff headwinds and export controls

Risk Reward – NVIDIA Corp. (NVDA.O)

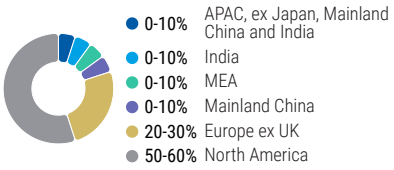
KEY EARNINGS INPUTS

Drivers	2026	2027e	2028e	2029e
GAAP Revenue ($, mm)	215,938	393,005	598,809	783,877
MW Gross Margin (%)	71.3	74.4	72.5	72.0
MW EPS ($)	4.61	8.96	13.08	17.63
Inventory ($, mm)	21,403	39,572	54,220	65,720
DOI	123.3	141.1	118.2	67.5

INVESTMENT DRIVERS

- Growth in AI capex from customers
- Next gen GPUs continue to outpace the competition
- Systems approach allows for higher monetization over time
- New drivers emerge for Nvidia such as AI PCs, autonomous vehicles, robotics, and software

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	4/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Growth in training and inference propel data center revenue
- Gaming sales accelerate as GPU based AI PCs gain traction
- Nvidia can recapture lost revenue in China

RISKS TO DOWNSIDE

- AI end markets don't materialize as expected, customers sharply reduce GPU purchases
- AMD reemerges as a viable GPU competitor
- Cloud customers outside of Google are able to develop competitive custom hardware

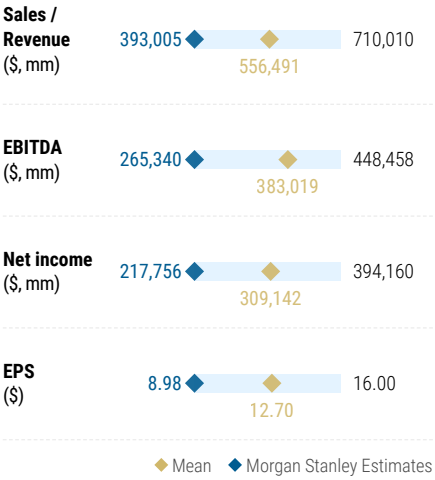
OWNERSHIP POSITIONING

Inst. Owners, % Active	50.9%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of June 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

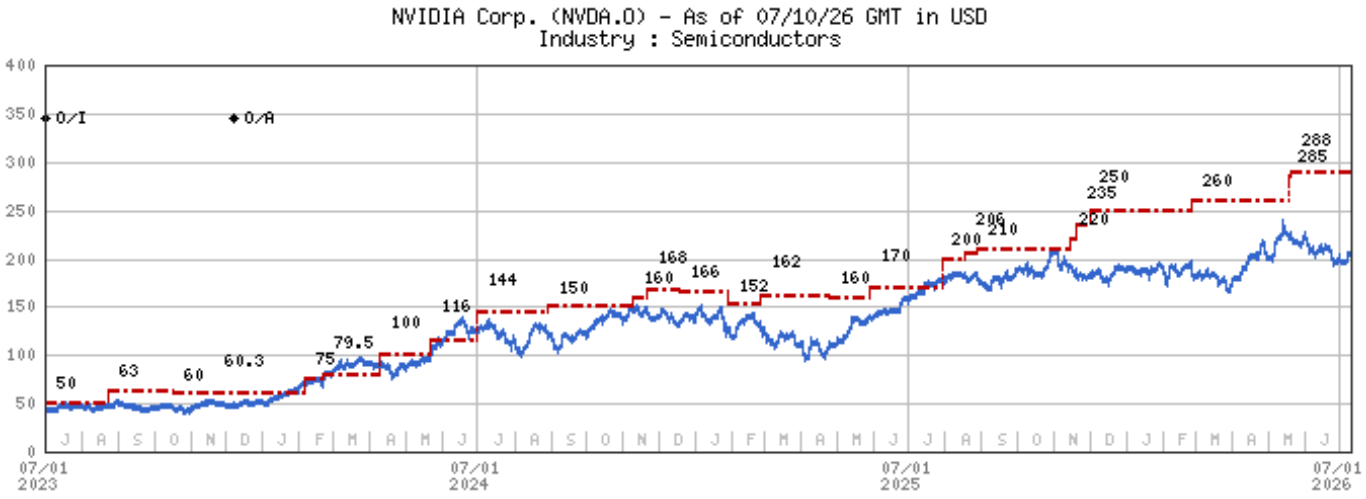
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 7/1/21 : NA/I; 5/3/22 : E/I; 3/16/23 : O/I; 12/7/23 : O/A

Price Target History: 9/13/20 : NA; 5/3/22 : 21.7; 5/25/22 : 18.2; 11/17/22 : 17.5; 2/21/23 : 24.6; 2/22/23 : 25.5; 3/16/23 : 30.4; 5/24/23 : 45; 6/15/23 : 50; 8/24/23 : 63; 10/17/23 : 60; 11/21/23 : 60.3; 2/6/24 : 75; 2/21/24 : 79.5; 4/9/24 : 100; 5/22/24 : 116; 6/30/24 : 144; 8/29/24 : 150; 11/10/24 : 160; 11/21/24 : 168; 12/19/24 : 166; 1/29/25 : 152; 2/26/25 : 162; 4/25/25 : 160; 5/29/25 : 170; 7/29/25 : 200; 8/18/25 : 206; 8/28/25 : 210; 11/14/25 : 220; 11/20/25 : 235; 12/1/25 : 250; 2/26/26 : 260; 5/18/26 : 285; 5/21/26 : 288

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --· No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/09/2026)
Joseph Moore		
Advanced Micro Devices (AMD.O)	E (06/09/2024)	$546.72
Aeva Technologies Inc (AEVA.O)	E (07/19/2021)	$22.03
Allegro Microsystems Inc (ALGM.O)	O (02/13/2026)	$57.38
Ambarella Inc (AMBA.O)	O (03/29/2016)	$78.38
Amkor Technology Inc (AMKR.O)	E (11/08/2023)	$72.16
Analog Devices Inc. (ADI.O)	O (11/16/2023)	$393.64
Astera Labs Inc (ALAB.O)	O (05/11/2025)	$417.45
Broadcom Inc. (AVGO.O)	O (06/09/2024)	$401.11
Cerebras Systems (CBRS.O)	O (06/08/2026)	$198.53
GlobalFoundries Inc (GFS.O)	E (10/28/2024)	$69.71
Intel Corporation (INTC.O)	E (02/22/2023)	$112.54
IonQ Inc (IONQ.N)	E (04/25/2023)	$44.77
Marvell Technology Group Ltd (MRVL.O)	E (09/14/2015)	$243.27
Microchip Technology Inc. (MCHP.O)	E (07/10/2024)	$88.26
Micron Technology Inc. (MU.O)	O (10/06/2025)	$991.64
Navitas Semiconductor Corp (NVTS.O)	U (04/06/2025)	$14.18
NVIDIA Corp. (NVDA.O)	O (03/16/2023)	$202.78
NXP Semiconductor NV (NXPI.O)	O (02/11/2025)	$290.54
ON Semiconductor Corp. (ON.O)	++	$97.87
Qorvo Inc (QRVO.O)	E (10/28/2025)	$85.45
Qualcomm Inc. (QCOM.O)	E (06/24/2026)	$191.11
Quantinuum (QNT.O)	E (06/29/2026)	$73.51
SanDisk Corporation. (SNDK.O)	O (03/03/2025)	$1,858.27
Semtech Corp. (SMTC.O)	E (04/06/2025)	$137.50
Silicon Laboratories Inc. (SLAB.O)	E (01/19/2021)	$218.68
Skyworks Solutions Inc (SWKS.O)	E (11/28/2018)	$59.95
Texas Instruments (TXN.O)	U (04/13/2020)	$308.53

Wolfspeed, INC (WOLF.N)	NR (04/06/2025)	$37.25
Lee Simpson		
Arm Holdings plc (ARM.O)	E (04/07/2026)	$327.87
Cadence Design Systems Inc (CDNS.O)	O (02/14/2024)	$385.95
Synopsys Inc. (SNPS.O)	E (02/27/2026)	$443.37

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