What’s Hot: Nvidia Earnings

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Punti chiave

- Nvidia reported record-breaking Q3 earnings, with revenue and profits exceeding expectations, showcasing its continued leadership in high performance AI chips.
- Demand for AI infrastructure remains robust, driven by the widespread adoption of generative AI and expanding investments in data centers.
- AI is set to disrupt industries like healthcare, finance, transportation, and beyond, attracting significant investment and transforming global markets over the next five years.

“The era of artificial intelligence is upon us...and it is big and diverse.” - Jensen Huang, founder and CEO of Nvidia

Nvidia reported a surge in profits and sales in the third quarter, thanks to the strength of demand for its specialized computer chips that power artificial intelligence systems. In the August-October 2024 quarter, the California-based tech giant achieved revenues of $35.08 billion, up +94% compared to $18.10 billion in the same period of 2023, and beating analyst consensus estimates of $33.17 billion (source FactSet).

Nvidia earned $19.31 billion in the quarter, more than double the $9.24B of the third quarter of 2023, or $0.81 per share, well above the $0.75 per share expected (source: FactSet). Nvidia shares lost between -1 and -3% in after-hours trading on Wednesday, but little compared to the +195% increase since the beginning of the year.

For the quarter, the data center division revenue was $30.8 billion, up 112% year-on-year, driven by demand for the Hopper computing platform for large language models, recommendation engines and generative AI applications. Nvidia guided higher for the fourth-quarter with revenue of $37.5 billion, +/- 2%, and above the average analyst estimate of $37.09B.

Blackwell ramp up

Analysts were keen for insights from management on the progress of the new Blackwell graphics processor, a next-generation artificial intelligence chip that should attract strong demand from companies like OpenAI and others that build AI-based data centers. Nvidia’s Chief Financial Officer Colette Kress said Blackwell is expected to begin shipping in Q4 of fiscal 2025 and ramp up into fiscal 2026.

Kress acknowledged that both the Hopper GPU and Blackwell systems are “constrained by supply…and we expect demand for Blackwell to exceed supply for several quarters in fiscal 2026.”

“Every customer is racing to be first to market…Blackwell is now in the hands of all our key partners who are piloting it to get their data centers up and running.”

Nvidia is seen as a barometer for AI demand, and its CEO indicated Blackwell’s demand for experimental purposes is higher than previously estimated. The firm has been propelled by the AI boom, capitalizing on its early advantage in the race to build AI solutions, becoming one of the world’s largest company by stock market capitalization. Tech giants are driving this growth by investing heavily in the chips and data centers essential for powering, training, and managing AI systems.

Leader in the AI revolution

The company is no stranger to game-changing inventions: Nvidia is credited with pioneering graphics processing unit (GPU) chips in 1999, an invention that helped drive the growth of the PC gaming market, and still generated $3.3 billion in Q3 2024, up 15% annually.

But, in the words of CEO Huang, “the AI revolution is still in its infancy” and demand for generative AI software capable of composing documents, creating images and acting as personal assistants is driving a boom in sales of specialized chips. Nvidia remains the clear leader in artificial intelligence (AI), accelerated computing and deep learning, but expects further growth, thanks to its technological and market competitive advantage, fueled by the global adoption of generative AI in sectors such as healthcare, finance and automotive.

Analysts project annual revenues exceeding $96 billion for the fiscal year ending January 2025, driven by extraordinary operating profitability as the limited supply of GPUs continues to support strong margins. Although some analysts point to regulatory changes in the use of AI, future export controls in the US, and competition from giants such as Google and Amazon as possible threats, for now Nvidia's leadership in AI is beyond question. This is particularly evident given their market share of around 80% in the most advanced AI chips.

The bottom line is, despite stellar increases in the share price, and very high valuation multiples (P/E close to 3 digits), analysts’ and investors’ expectations remain high, almost as if the growth trajectory at prohibitive rates were obvious.

Continued demand for AI infrastructure

Top management confirms the still bright expectations in the short-term future, thanks to the demand for AI infrastructures and the continuous development of innovative products adopted in key sectors, proposing itself not only as a manufacturer of high-performance chips but also as an “integrated ecosystem” that brings together hardware and software. Nvidia’s famous CUDA system serves as a good example.

CFO Colette Kress said cloud providers are helping drive data center revenues to a record high, accounting for about 45% of sales, while consumer, internet and enterprise customers account for half of revenue.

That’s consistent with what major cloud providers say: Microsoft (MSFT), Alphabet and Amazon - all Nvidia customers - expect to increase spending on AI infrastructure, especially data centers.

CEO Huang has often said he expects the Blackwell platform to be the “most successful product” in the company’s history, with analysts calling it “Silicon Valley’s most ambitious project.” While Blackwell is not yet available, demand for Hopper remains strong as many Nvidia customers “simply can’t afford” to wait for new AI chips, Huang said.

The transformative impact of AI

In a longer-term perspective, growth is expected to continue to be strong, as the global AI market is estimated to exceed $1.8 trillion by 2030, with a compound annual growth rate (CAGR) of around 35-40% (source: McKinsey). Technological developments and the growing integration of AI in various sectors support the prospect of growing investments in AI, including:

1. **Healthcare**, with applications in advanced diagnostics, personalized therapies and management of medical records. The most important impacts will be in improving disease prevention and diagnosis and optimizing healthcare costs. Investments in the healthcare AI sector could exceed $190 billion by 2030.

2. **Finance**, with vast applications in predictive analytics, fraud detection, and automation in banking services. The main objectives are in risk management and customer experience. The related investments will be in the order of several hundred billion dollars.

3. **Manufacturing**, with applications in industrial automation, predictive maintenance and advanced robotics, with the aim of reducing operating costs and improving quality. McKinsey predicts investment in AI for manufacturing of up to 100 billion dollars by 2028.

4. **Retail**, with applications in supply chain optimization, virtual assistants, analysis of purchasing behaviors, aimed at improving and personalizing the purchasing experience and logistics efficiency.

5. **Transportation and mobility**, in support of autonomous vehicles, route optimization, traffic management systems. The main targets are the reduction of accidents and greater energy efficiency. Investments in autonomous vehicles and smart mobility could be worth up to 500 billion dollars between now and 2030.

6. **Media and entertainment**, supporting automatic content creation, personalization of the offer, as well as speech and graphic synthesis to develop increasingly engaging experiences.

7. **Big Tech**. Companies such as Google, Microsoft, Amazon and Nvidia itself invest tens of billions of dollars every year to develop new products and improve their infrastructure.

In general, AI is one of the most promising sectors in terms of future investments, with significant development opportunities in many key sectors of the economy. Its impact will be transformative on a global scale, especially if its regulation is timely, adequate and not oppressive. In this sense, the introduction of regulations to guarantee the ethical use of AI will be crucial.

Its growing use will therefore require a deep collaboration between the public and private sectors to promote research and development and regulate its use. In this way, the fundamental objective of sustainable development can be achieved, with a positive impact on the environment and society.

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