Inside NVIDIA: Last Quarter's Progress

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It was another stellar quarter for NVIDIA, where revenue growth of 56% exceeded expectations and saw growth in all of its market platforms since last quarter. As the market leader of AI GPUs, essentially the supercomputers that make up data centers and allow AI models to run, its growth is directly tied to AI infrastructure spending. Spending from the top 4 largest cloud service providers (Amazon, Microsoft, Google, Alibaba) is already $600 billion this year, almost double spending from last year. NVIDIA CEO Jensen Huang believes spending will hit $3-$4 trillion by the end of the decade.

NVIDIA's current GPU generation, Blackwell, is seeing widespread adoption, with revenue increasing 17% from 3 months ago. It has launched its GB300 product, which is kind of like GB200, the original Blackwell product, on steroids. It has more memory, more compute power, and performs faster than its predecessor. The transition to GB300 is seamless for most cloud providers since it runs on the same architecture as GB200. So far, the performance of GB300 shows a 50 times increase in energy efficiency per token (unit of data processed by an AI model). This is a big deal, since the amount of energy that a data center takes to run is one of the most limiting factors for a company, both financially and physically.

Of course, NVIDIA has been in the news a lot lately regarding sales to China. Earlier in the quarter, the US government started to hand out licenses to some Chinese companies to receive NVIDIA's H20 chip, made specifically for China. Although some companies have received these licenses, no shipments have been made. The H20 has become somewhat of a symbol for China-US technology tensions, with a whole slew of underlying political issues at hand. On top of that, the US government has expressed a desire for 15% of revenues of the H20 chip sold in China. That has not been written in stone yet, though. Given all the uncertainty, NVIDIA has left out any potential H20 revenue from its estimates for the year, although if it does start selling, it sees up to $5 billion in additional sales next quarter alone.

Overall, NVIDIA continues to improve upon its products with performance and value. Even if it may be more expensive than some competitors who are trying to chip away at its market share, the quality of its products gives companies a better return over time. This company is a powerhouse running at 100 miles

per hour. Wall Street is very worried that it might drop at any time to 90 mph, or 80 mph. We're not worried. We think we'll be well paid for hanging on to a powerhouse moving at high speed for a long time.