

EQUITY PERSPECTIVE

NVIDIA Corporation (NVDA)

The Three-Cent Company: What a \$4.9 Trillion Price Tag Is Really Asking You to Believe

Three Cents of Today. Ninety-Seven Cents of Tomorrow.

Here is something strange about the most talked-about company on Earth.

If you buy NVDA at today's price of \$201.68, you are paying for a company worth roughly \$4.9 trillion. And yet, of every dollar in that price, only about **three cents** is backed by what the business actually owns and earns today. The other **ninety-seven cents** is a bet on what the business will become.

You are not buying a chipmaker. You are buying a multi-decade thesis about accelerated computing, wrapped in a stock certificate. — Financial Beings

This is the single most important sentence in this note, so we are going to say it twice: **97% of the price is the future.** That is not an opinion. It falls directly out of the math when we weigh the company's current operating base against its market capitalization. Whether the stock does well from here has almost nothing to do with what happened last quarter, and almost everything to do with what the world looks like in the 2030s and beyond.

The Number the Market Has Quietly Agreed On

Every stock price is, secretly, a forecast. If you reverse-engineer NVDA's price through our valuation framework — at a disciplined 10% hurdle rate, the kind a serious allocator would demand — out falls a single number: **8.67%**.

That is the long-term compound growth rate the market is silently asking the company to deliver, *forever*. Not for three years. Not for a decade. In perpetuity.

Eight-point-six-seven percent is a demanding bar. Inside the very universe NVDA trades in — the AI-adjacent megacaps that dominate this cycle — only a small group of companies has ever embedded a year-end perpetuity growth rate at that level. The honest question is not whether that bar is ever achievable. It is. The honest question is who has achieved it, for how long, and what it took to get there.

Microsoft is the benchmark. It has embedded an implied perpetuity growth rate above 8% for **nine consecutive years** — from 10.85% in 2017 through 8.06% in 2025. That is the good news for the NVDA bull case: these numbers *are* sustainable, by the right kind of business. ASML has mostly held the line too, running above 8% from 2019 to 2023, dipping to 6.07% in 2024, and recovering to 8.40% in 2025.

The hard news is what it took to get there. Microsoft spent two decades and **two full business reinventions** — from a desktop software company into a cloud-and-productivity platform, and from there into an AI infrastructure layer — to earn the right to that implied

rate. ASML built a near-monopoly on the most critical tool in global semiconductor manufacturing. NVDA itself has embedded a year-end implied growth rate above 8% for exactly two years — 10.04% in 2024 and 9.43% in 2025.

The tension is not whether NVDA is a good business. It manifestly is. The tension is this: the price is already asking NVDA to compound at the rate Microsoft spent twenty years proving it could. Every dollar of upside from here depends on NVDA joining — and staying in — that small group. Every dollar of downside lives in the gap between today's embedded forecast and any trajectory short of it.

The Grid: What the Future Is Worth

We hold the hurdle rate at 10% and ask a simple question: if the company compounds at g % forever, what is it actually worth today? Here is the honest answer, at every growth rate from pessimistic to euphoric.

Growth (g)	Estimated Value (\$B)	Value / Share	Value / Price	Expected Return
2.0%	1,294	\$53.24	26%	8.6%
3.0%	1,456	\$59.92	30%	9.6%
4.0%	1,673	\$68.83	34%	10.5%
5.0%	1,976	\$81.30	40%	11.5%
6.0%	2,430	\$100.01	50%	12.5%
7.0%	3,188	\$131.18	65%	13.4%
7.5%	3,794	\$156.13	77%	13.9%
8.0%	4,703	\$193.54	96%	14.4%
8.5%	6,218	\$255.90	127%	14.9%
9.0%	9,249	\$380.61	189%	15.4%

Market cap reference: \$4,902B at \$201.68 / share. Highlighted rows bracket the live market-implied growth rate of 8.67%. At a 10% hurdle, growth above roughly 8.1% is required to avoid a loss: at the 8% row value equals 96% of price; at the 8.5% row it equals 127%.

How to read this without a finance degree

Each row is a possible future. Walk across:

- **Growth (g)** — how fast NVDA compounds forever.
- **Value / Share** — what the stock is worth if that future is right.
- **Value / Price** — the share of today's price backed by estimated value. Below 100% means the market is paying more than the math supports. 50% means the math only backs half the price.
- **Expected Return** — what a buyer at today's price earns annually if that future plays out.

Risk Against Reward, In Plain English

Let's pair every scenario with its consequence — the price gap if the market is wrong, and the reward if the future arrives as sketched.

Scenario	Price Gap vs. Value	Expected Return
A cautious world: $g = 4\%$	-66%	10.5%
A measured world: $g = 5\%$	-60%	11.5%
A high-growth world: $g = 7\%$	-35%	13.4%
A Microsoft-like world: $g = 8\%$	-4%	14.4%
Break-even requires g above ~8.1%	0%	~14.5%
A strong-compounder world: $g = 8.5\%$	+27%	14.9%
An above-Microsoft world: $g = 9\%$	+89%	15.4%

Price Gap vs. Value = $(\text{Value} \div \text{Price}) - 1$. Negative = price exceeds estimated value. Positive = cushion. Expected Return = what a buyer earns if that scenario is the true one.

At $g = 8\%$ — the Microsoft bar — you are paying essentially fair value. Anything less, the cushion disappears. Anything more, it compounds quickly. The narrow ribbon between them is where the entire debate lives.

We Understand Why This Is Hard

If you are holding NVDA, you have lived through one of the great equity runs of modern history. You have probably been told, repeatedly, that you are either a genius or about to be embarrassed. Neither story is very useful. We prefer a quieter one.

The discomfort most thoughtful investors feel about NVDA is not irrational. It is the recognition that two things can be true at the same time: **the business is extraordinary, and the price already knows it.** Living inside that contradiction is the actual job of an allocator. There is no clever formula that dissolves it.

If you are underweight, the pain is different but symmetrical. The temptation is to chase — to decide that this time really is different, that the convex region of the growth surface is safer than it looks, that you can always trim later. We have sat on both sides of that table. Neither side is comfortable. Both sides are honest.

What Financial Beings Actually Thinks

We do not issue buy or sell calls, because we believe that is the investor's job, not ours. What we will tell you is what we see.

What we see

- **The price asks for 8.67% perpetual growth.** That is 61 basis points above Microsoft's own 2025 embedded rate of 8.06%. MSFT has held above 8% for nine years running, but earned that rate over two decades and two full business reinventions. NVDA is being asked to deliver a little more, having held the bar for two.

- **Growth above roughly 8.1% is required to avoid a loss.** At the grid's 8% row, estimated value sits at 96% of current market capitalisation — a 4% shortfall. At 8.5% it sits at 127%, a 27% cushion. The step from 8.5% to 9% takes value to 189% of current market capitalisation — a further leap of 62 percentage points from just 50 basis points of extra growth. In the other direction, 7.5% takes value down to 77% of current market capitalisation, and 7% to 65%. The stock lives on a steep slope — concave on the downside, convex on the upside — and that slope begins almost exactly at today's price.
- **Today anchors almost nothing.** Only about 3% of the price rests on what the business owns and earns today. The other 97% is a claim on futures that are difficult to underwrite with high confidence.
- **The question has changed.** For the long-term holder, the question is no longer “is this a great company?” It is “is this the kind of company that compounds economic profit for thirty years?” Those are different questions with different answers.

What would move us

We will lean more constructive if we see durable evidence that accelerated computing is widening into a multi-trillion-dollar end market — not through narrative, but through sustained operating margins, rising asset productivity, and customer diversification away from a handful of hyperscalers. We will lean more cautious if margins compress, if competitive silicon arrives in scale, or if the hyperscaler capex cycle breaks in a way the Street does not see coming.

We are not here to tell you what to do. We are here to make sure you understand what the price is asking you to believe. — Financial Beings

METHODOLOGY & DISCLAIMER

Estimated value is derived by capitalizing future economic profit against a specified hurdle rate. The single-stage model prices perpetuity growth directly. The grid fixes the hurdle rate at 10.0% and sweeps the growth rate (g) from 2.0% to 9.0%, holding current earnings capacity and the operating asset base constant. The three-cents / ninety-seven-cents framing expresses the share of market capitalization backed by the existing operating base versus the share that must be earned from future growth. Scenario figures are arithmetic outputs of the framework, not forecasts.

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