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: 7.35%.**

**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.**

**Seven-point-three-five percent sounds modest. It isn't. Inside the very universe NVDA trades in — the AI-adjacent megacaps that dominate this cycle — only a handful of companies have ever embedded a year-end perpetuity growth rate above 7.35%, and almost none have held it.**

**Microsoft crossed that line in 2017 and stayed above it through 2021, peaking at 8.88% in 2019. By 2025, the market had quietly walked Microsoft's embedded growth rate down to 6.71%. ASML did the same dance — 8.20% in 2020, drifting to 5.35% by 2023. Broadcom and Amazon have only recently punched through the threshold, and it is too early to say whether they will hold.**

**NVDA itself has spent exactly two years above 7.35% — 8.74% in 2024 and 7.89% in 2025. The question the current $201.68 price asks is not whether NVDA can reach the club of companies that have ever traded at a 7%-plus embedded perpetuity. It clearly has. The question is whether it can *stay there*, across a horizon measured in decades, when even**

**Microsoft — the most durable AI-adjacent franchise in modern history — has seen its own embedded bar compressed by roughly 200 basis points in five years.**

**The tension is not whether NVDA is a good business. It manifestly is. The tension is this: the price has already shaken hands with a forecast that even the most durable names in this same universe have struggled to sustain. Every dollar of upside from here depends on NVDA doing what Microsoft and ASML could not — holding the line. Every dollar of downside lives in the gap between today's embedded forecast and the gravitational pull of a more ordinary trajectory.**

## 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%** | 1,621 | $66.71 | 33% | 8.6% |
| **3.0%** | 1,830 | $75.32 | 37% | 9.6% |
| **4.0%** | 2,109 | $86.79 | 43% | 10.5% |
| **5.0%** | 2,499 | $102.86 | 51% | 11.5% |
| **6.0%** | 3,085 | $126.95 | 63% | 12.5% |
| **7.0%** | 4,061 | $167.11 | 83% | 13.4% |
| **7.5%** | 4,842 | $199.24 | **99%** | 13.9% |
| **8.0%** | 6,013 | $247.43 | 123% | 14.4% |

*Market cap reference: $4,902B at $201.68 / share. Highlighted row is the approximate crossover where estimated value meets today's price.*

### 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% | -57% | 10.5% |
| A measured world: g = 5% | -49% | 11.5% |
| **Today's embedded world: g ≈ 7.35%** | **~0%** | **~13.7%** |
| A euphoric world: g = 8% | +23% | 14.4% |

***Price Gap vs. Value = (Value ÷ Price) − 1. Negative = price exceeds estimated value. Positive = cushion. Expected Return = what a buyer earns if that scenario is the true one.***

***If g comes in at 5%, you are holding a stock worth about half of what you paid. If g comes in at 8%, you are holding a bargain. 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 7.35% perpetual growth.** That is a demanding bar — achievable, but historically rare.
- **The payoff is concave on the downside and convex on the upside.** A 50bps miss in long-term growth compresses value sharply. A 50bps beat expands it disproportionately. The stock lives on a steep slope.
- **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**