NVIDIA vs. DeepSeek vs.

Will NVDA Sink?

BetterInvesting™ Rocky Mountain Chapter

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Agenda

- Looking at NVIDIA
- Digging into DeepSeek, the disrupter
- What's the AI Demand?
- Is NVDA worth further study?
- Classes coming soon

Used Microsoft Copilot AI software

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LOOKING AT NVIDIA

NVIDIA

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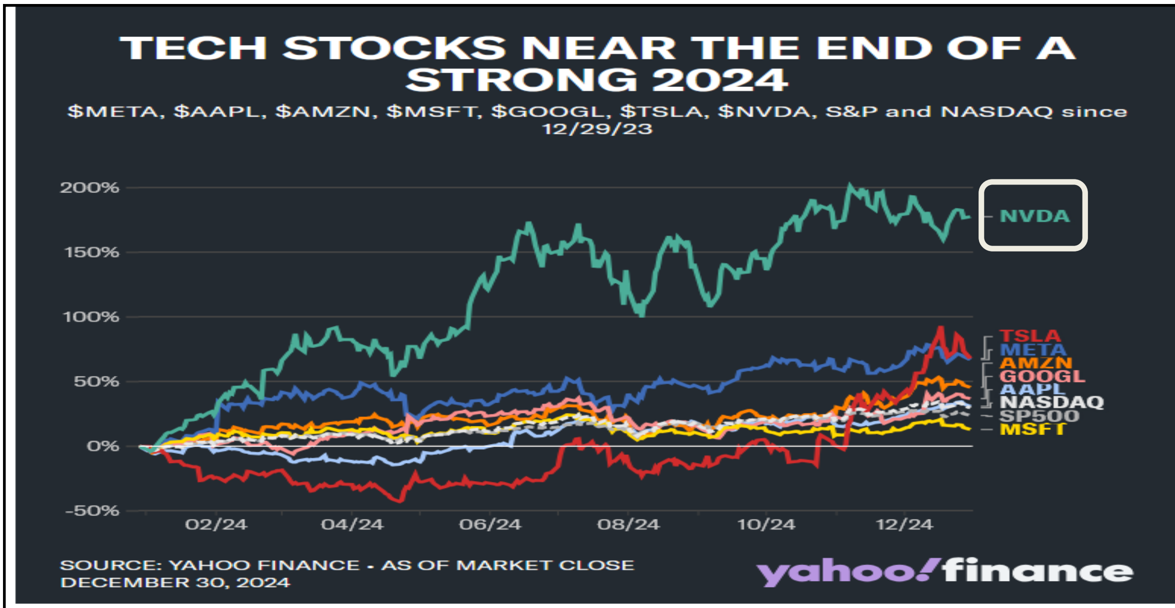

Reminder: All rapid growth slows down sometime in the future. Be cautious about your projections and keep a watch for the slow down. Look, the other six stocks have slowed.

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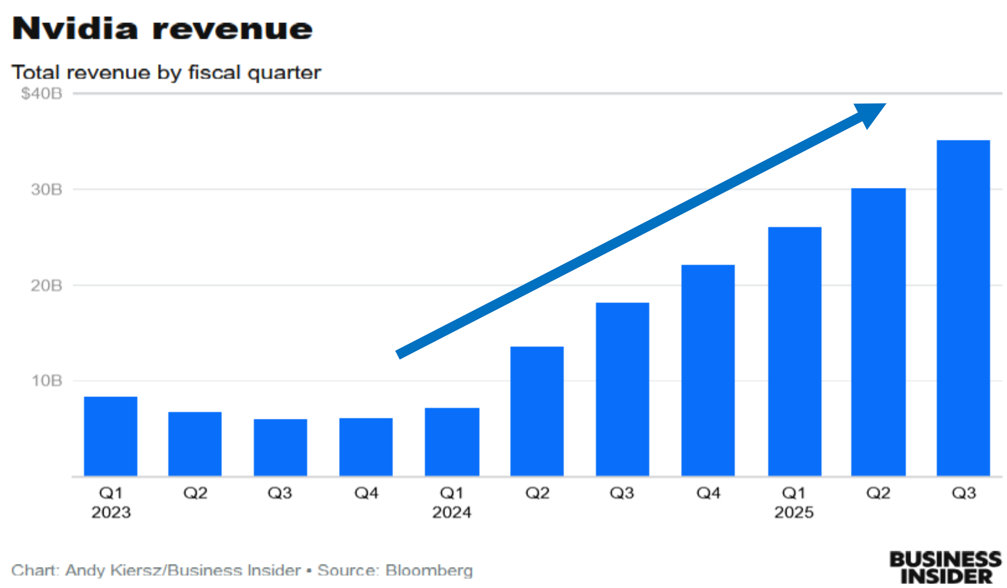

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History…

NVDA has historically been known for “Gaming” software.

That is how the company formed.

But times have changed.

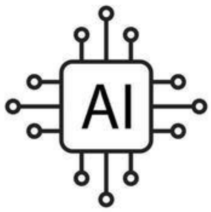
NVDA is now heavily involved in Artificial Intelligence aka “AI.”

NVDA’s revenues for “Gaming” and “Data Center” where “AI” is conducted.

1st quarter 2022, just three years ago, revenue was 57% “Gaming” and 43% “Data Center.”

Two years and half years later, 3rd quarter 2024 “Gaming” was only 10% and “Data Center” was is 90%.

It would appear the future with NVDA is in



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What it does now…

NVDA is known for graphics processing and artificial intelligence solutions

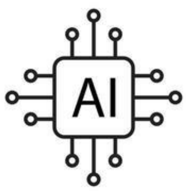
Manufacture GPUs for gaming, visualization, data centers and automotive markets

Used in gaming, AI research, and high-performance computing

Develop AI software and platforms such as CUDA, which enables developers to harness power of GPUs

Involved in autonomous vehicle technology with partnerships to develop self-driving cars

On January 27, 2025 DeepSeek appeared!



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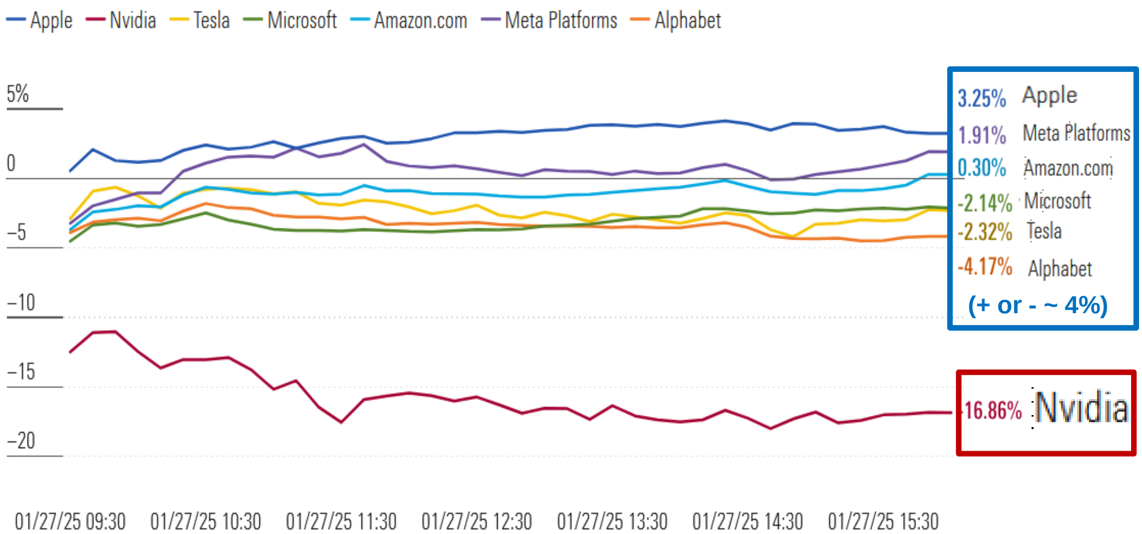
Magnificent Seven Stock Performance

January 27, 2025



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DIGGING INTO DEEPSEEK, THE DISRUPTOR

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What is DeepSeek?

- **Private Chinese company** founded in July 2023 by Liang Wenfeng, a graduate of a Chinese university,
- Focused on AI
- **Bought a "stockpile of Nvidia chips**“
- Which are **dated and inferior** to current Nvidia chips

- DeepSeek does not make chips, however it used outdated NVDA chips

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What’s all the fuss about?

- **Cheap and dated hardware:** trained on dated Nvidia chips
  - Cost $5.6m, a fraction of the cost **new techniques:** uses several innovative techniques to reduce memory
- **Outperformance:** of other modes apart from OpenAI’s o1.
  - Less competitive with mathematics questions and coding tasks

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What does it prove?

- **Capabilities of a large model can be transferred to a smaller, more efficient model** to perform specific tasks
- **China isn't as far behind:** banning chip exports to China might not be very effective
- **Open-source projects often attract talented engineers**
- **Confirms the AI race is on**

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How does DeepSeek affect NVDA and tech?

- **Lowering Entry Barriers –** allows more players to develop and compete
- **Reducing Hardware Demand –** fewer, less advanced GPUs can be used
- **Disrupting Business Models –** rethink monetization strategies
- **Boosting Innovation – could lead to new applications**
- **Market Reactions – reflects investors concerns on profitability**

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DeepSeek Risks

- **Data Privacy and Security –** has **faced significant security breaches** and targeted by cyberattacks
- **Cybersecurity Threats –** attackers may tamper with models and software
- **Censorship and Bias - subject to Chinese regulations**, access
- **Compliance Issues -** can be manipulated to produce harmful outputs
- **Potential for Misuse - underscores the importance of ethical considerations and safeguards**

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Implications for Investors

- **Can reduce risk by investing across the AI industries**
  - **Hardware:** Nvidia, Broadcom, Super Micro Computer
  - **Cloud Providers**: Microsoft, Alphabet, Amazon
    - **Electricity generation**: BWK Technologies, Vertiv Holdings, and Powell Industries
  - **LLM** (**L**arge **L**anguage **M**odel) **developers**: Alphabet, Meta, Anthropic
  - **Model hubs and MLOps** (set of practices and tools that automate the process) **:** Databricks, Microsoft Azure ML, Hugging Face
  - **Applications**: Meta, Alphabet, Salesforce, AppLovin, Palantir Technologies
  - **Services:** IBM, Kyndrl, HPE, and Accenture

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WHAT IS THE AI DEMAND?

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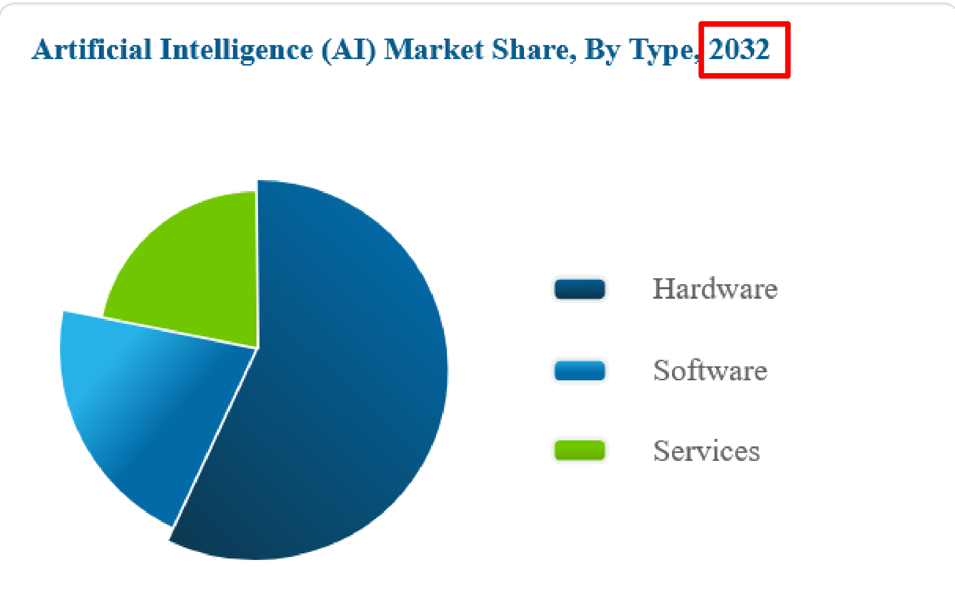

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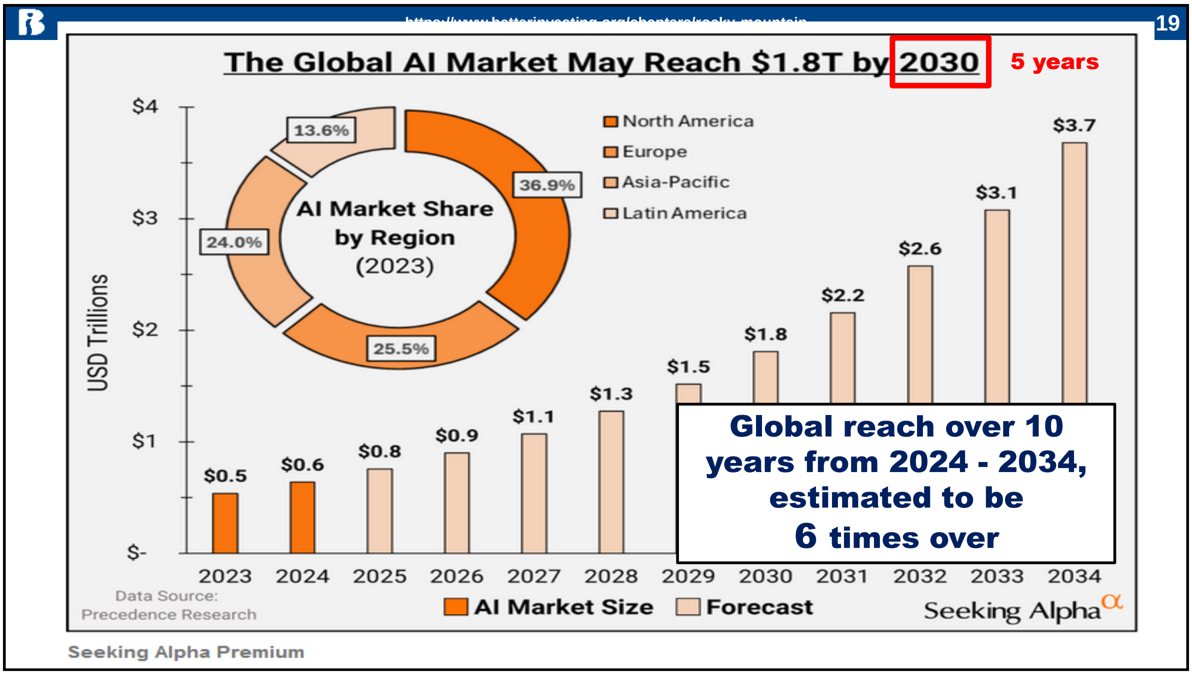
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The Global AI Market May Reach $1.8T by 2030
5 years
AI Market Share by Region (2023)
13.6%
36.9%
24.0%
25.5%
North America
Europe
Asia-Pacific
Latin America
USD Trillions
$4
$3
$2
$1
$-
$0.5
$0.6
$0.8
$0.9
$1.1
$1.3
$1.5
$1.8
$2.2
$2.6
$3.1
$3.7
2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034
Global reach over 10 years from 2024 - 2034, estimated to be 6 times over
Data Source: Precedence Research
AI Market Size
Forecast
Seeking Alpha
Seeking Alpha Premium

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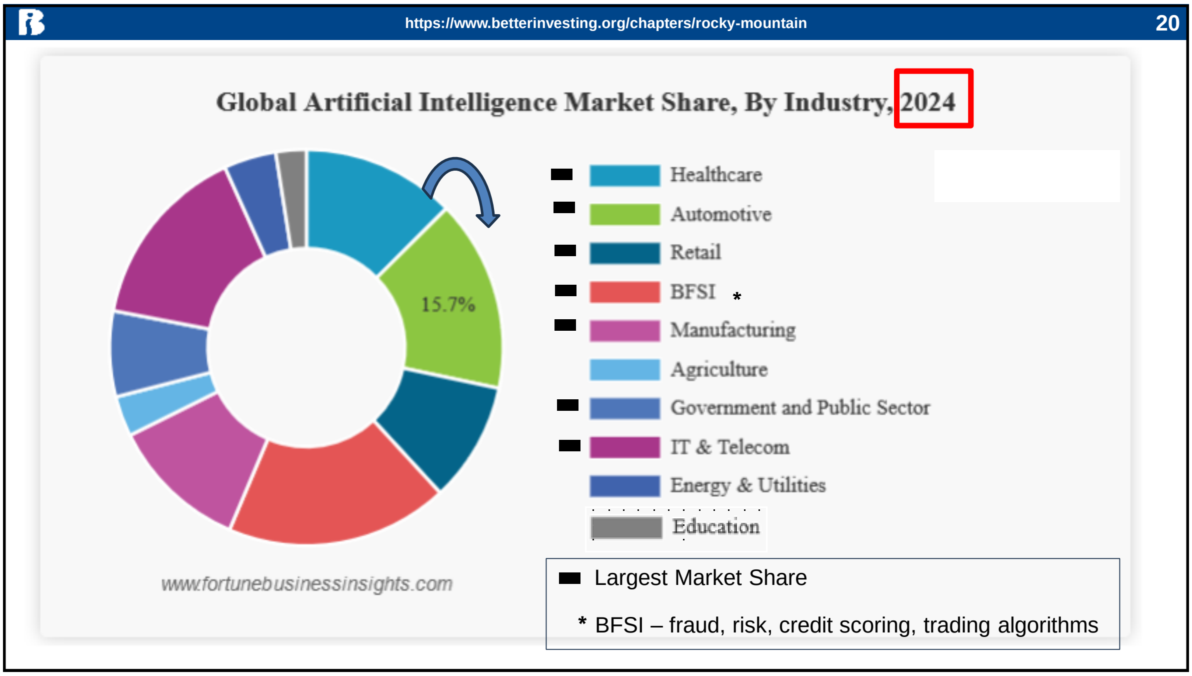
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Global Artificial Intelligence Market Share, By Industry, 2024
15.7%
Healthcare
Automotive
Retail
BFSI *
Manufacturing
Agriculture
Government and Public Sector
IT & Telecom
Energy & Utilities
Education
www.fortunebusinessinsights.com
Largest Market Share
* BFSI – fraud, risk, credit scoring, trading algorithms

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Tech Titans Remain Committed to AI Spending

- Stand by plans to spend billions
- Analysts doubted they would change investment outlooks
- Markets shaken, but not tech executives
- Silicon Valley impressed, but not scared by DeepSeek
- **DeepSeek has some real benefits and efficiency gains they hope to implement**

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IS NVDA WORTH FURTHER STUDY?

NVIDIA

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NVDA's Competitive Advantage

- **Advance Hardware** – latest Blackwell chips, performance and energy efficiency
- **Extensive Ecosystem** – CUDA platform is widely used, extensive software support
- **Research and Development** – invests heavily in R&D, ongoing innovation
- **Market Presence** - strong market presence and brand recognition
- **Strategic Partnerships** – with major tech companies and continuous innovation, **robust competitive advantage**

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Nvidia Remains Its Own Best Competition

- **Battle-seasoned** CUDA years before the AI boom in deep learning, **getting early mover advantage**
- New **systems designed to be backward-compatible**, making the transition easy
- Nvidia has **never been negligent about competition**
- **Ensures market dominance**, **by constantly evolving** its CUDA capabilities and high-performance libraries
- Nvidia is **darling of a risk-averse enterprise clientele** that prefer a proven technology as the CUDA

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Nvidia Poised To Ride The Next Wave Of AI Growth

- **Sovereign AI** revenue to approach the high single-digit billions this year, from nothing last year, by helping jumpstart the AI ambitions of **nations across the world**
- **Blackwell** next generation platform expects to see a lot of revenues this year
- **Automotive** is expected to be Nvidia's largest enterprise vertical within the data center segment this year
- **Healthcare** customers will inspire the next wave of growth
- **Spectrum-X** Ethernet networking solution should ramp to a multibillion-dollar product line within a year

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Is NVDA a Buy?

January 31, 2025

With 37 Buy and 3 Hold ratings, NVDA enjoys a Strong Buy consensus rating. The **average NVDA price target** of $178.63 suggests a potential upside of about 43%.

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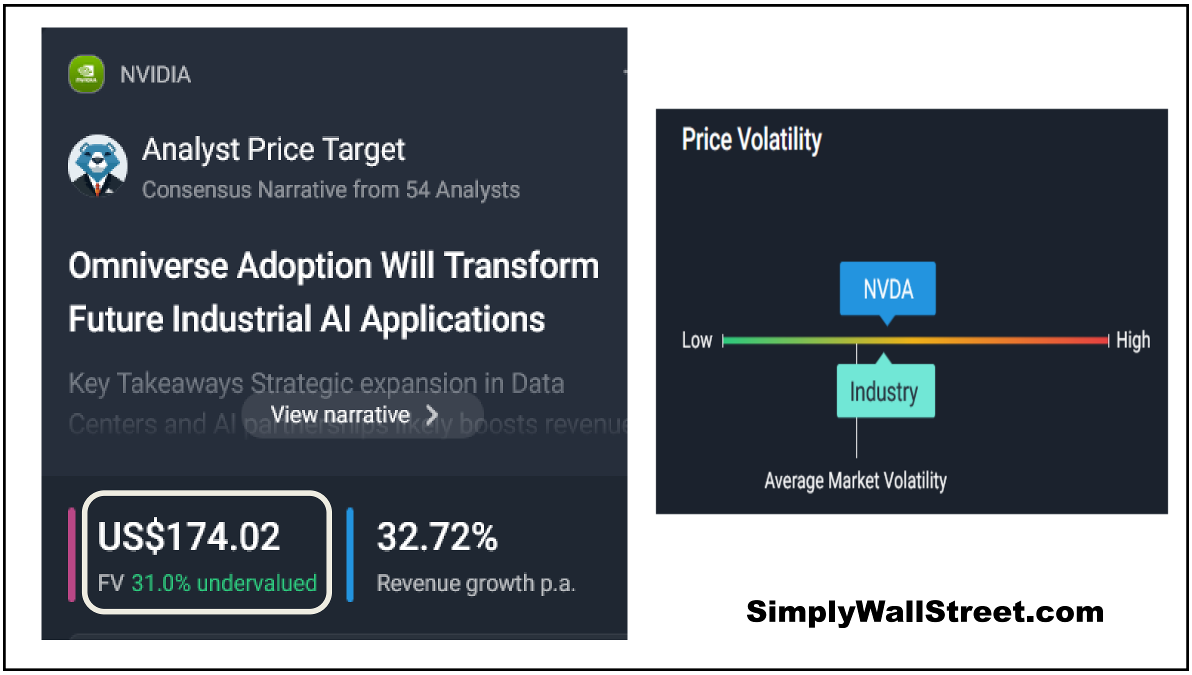
NVIDIA
Analyst Price Target
Consensus Narrative from 54 Analysts
Omniverse Adoption Will Transform Future Industrial AI Applications
Key Takeaways Strategic expansion in Data Centers and AI partnerships likely boosts revenue
View narrative
US$174.02
FV 31.0% undervalued
32.72%
Revenue growth p.a.
Price Volatility
NVDA
Low
High
Industry
Average Market Volatility
SimplyWallStreet.com

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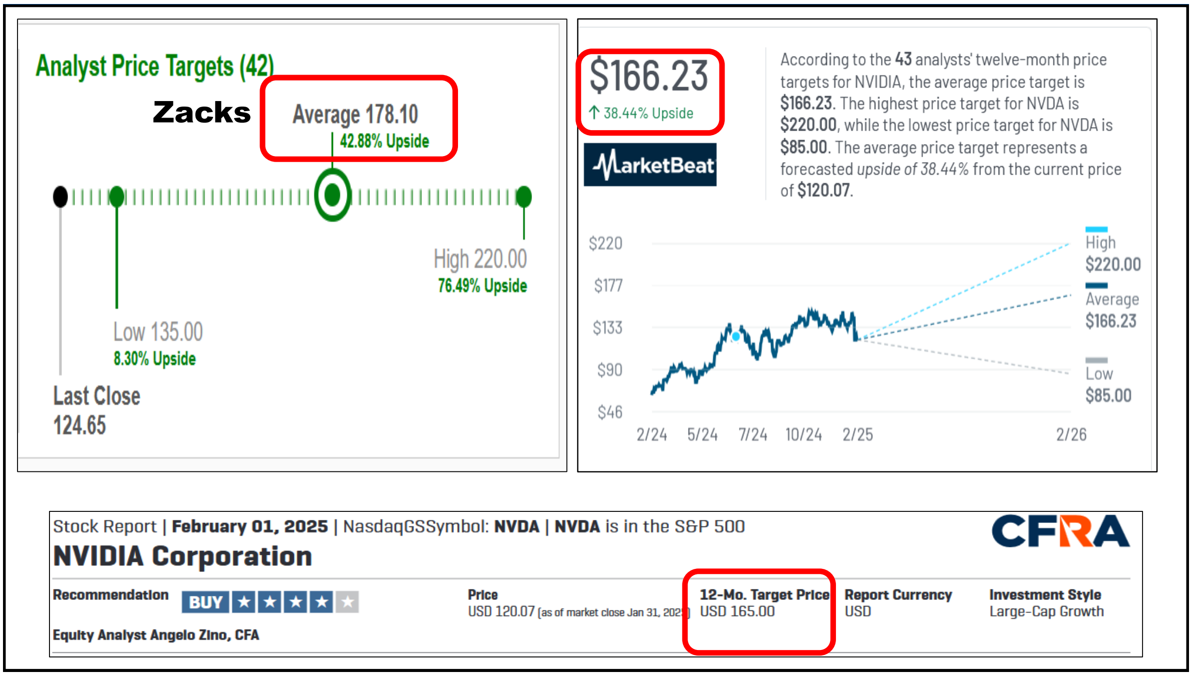
Analyst Price Targets (42)
Zacks
Average 178.10
42.88% Upside
High 220.00
76.49% Upside
Low 135.00
8.30% Upside
Last Close
124.65
$166.23
38.44% Upside
MarketBeat
According to the 43 analysts' twelve-month price targets for NVIDIA, the average price target is $166.23. The highest price target for NVDA is $220.00, while the lowest price target for NVDA is $85.00. The average price target represents a forecasted upside of 38.44% from the current price of $120.07.
$220
$177
$133
$90
$46
2/24
5/24
7/24
10/24
2/25
2/26
High
$220.00
Average
$166.23
Low
$85.00
Stock Report | February 01, 2025 | NasdaqGSSymbol: NVDA | NVDA is in the S&P 500
CFRA
NVIDIA Corporation
Recommendation
BUY ★★★★★
Equity Analyst Angelo Zino, CFA
Price
USD 120.07 (as of market close Jan 31, 2025)
12-Mo. Target Price
USD 165.00
Report Currency
USD
Investment Style
Large-Cap Growth

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Price Targets – Looking forward 12 months

- **Range of Price Targets**
  - **$178.63**
  - **$178.10**
  - **$174.02**
  - **$166.23**
  - **$165.00**
- **Average of five target prices: $172.40**
- **Potential appreciation from Current Price of $131.41 = 31.2%**

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Learning Opportunities

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March 19 - Model Club Meeting

- **Stock Study NVDA**
- **February 26, 2025** - 4TH Q & Year End report scheduled
- Use the "Acid Tests," does NVDA pass the "Acid Tests" ?
- **Should RM Chapter MIC consider NVDA since it is Large Cap growing like a Small Cap?**

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Learning Opportunities – NE Ohio Chapter

- **Free Recording** – **Basic Acids Tests, NE Ohio Chapter site**
  - Is this stock worth further study? - "***Sales* drives *Profit*, *Profit* drives *EPS*, *EPS* drives *Price*"**
- **March 29** - **Advanced Acids Tests**
  - Focus on Pre-Tax Profit
  - ***"Profit drives EPS and EPS drives Stock Price"***
  - $10 fee
- **April 23** – **Are High P/Es Irrational?**
  - How do BI investors analyze stocks with high P/Es
  - **Using the SSG, learn methods not taught in BI investors classes**
  - Webinar is for Intermediate and Advanced Investors
  - $10 fee

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Discussion or Questions?

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