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NVDA Credit: All Roads Lead to Compute

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Key Takeaways

- FY2Q27 reinforces our credit initiation thesis: exceptional growth is turning balance-sheet strength into a strategic tool while creating new contingent risks.
- Fundamentals remain strong, with a revenue beat and ~70% guided FY28 growth, while the credit trades optically cheap for its rating vs. tech/telco peers.
- Meanwhile, the support toolkit is broadening across shells, chips, and compute, even ahead of the >$500bn third-party capital deployment.
- Specifically, lease reassignment, compute price floors, extended terms, guarantees, and other enhancements increasingly lean on NVIDIA's balance sheet.
- We therefore remain sidelined in both cash and CDS, as the key question is less the capacity to provide support but more in what form and with what visibility.

See our recent credit initiation report: NVDA Credit: Balance Sheet-as-a-Service (24 Aug 2026)

Read more next: FY2Q27 Balance Sheet-as-a-Service Updates

Exhibit 1: FY2Q27 disclosures outline broader balance sheet deployment

NVDA FY2Q27 Select Disclosures			
Key disclosure *($bn*)*	**FY1Q27**	**FY2Q27**	**Quick details from FY2Q27**
Total balance sheet debt	8.5	33.4	$25bn bond deal
Operating lease liabilities	4.3	5.5	PV net future min lease payments, 10.9Y wavg remaining term
DC leases not commenced**	32.4	25.0	To begin btwn third quarter FY27 and FY33, with terms up to 20Y
Facility lease guarantee	3.5	3.5	L/P/S gtes for select AI cloud partners' DC lease ob, max gross exposure $3.5bn
PORTS-Pike guarantees	–	105.0	Announced Aug '26, ~4.25GW, gtes capped at $105bn
DC leases not commenced for third party**	–	20.0	~15Y leases, commence FY28-29, expected reassignment to third parties
AI cloud agreements (future commit)	–	36.0	NVDA commits, AI clouds can sell capacity at higher third-party rates w/ rev share
Supply and capacity commitments	119.0	279.0	Primarily related to procurement of memory
A/R / DSO	40.7 / 45d	63.1 / 60d	Extended terms on large, multi-quarter agreements with certain IG customers
Total inventories	25.8	31.6	Increase ahead of Vera Rubin introduction in FY3Q27

Source: Company filings, Morgan Stanley Research. Note: *Not all information provided with a decimal point. **Possible some of the $32.4bn disclosure is now reflected in third-party to-be-reassigned number.

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FY2Q27 Balance Sheet-as-a-Service Updates

Lease reassignment is a new mechanism. NVIDIA disclosed ~$20bn of uncommenced ~15Y data-center shell leases expected to commence in FY28-29 and ultimately to be reassigned to third parties. The approach appears to use NVIDIA's credit profile to facilitate construction financing before transferring the lease to an end customer, extending beyond traditional lease guarantees, backstops, and RVGs. Key mechanics remain unclear, including whether reassignment fully releases NVIDIA and what credit rating, enterprise value, or other standards an assignee must meet. For context, a FT/Reuters had reported that NVIDIA is Hut 8's Beacon Point tenant (to our knowledge, NVIDIA has not confirmed the news to date), but could sublease the property to neocloud partners, while Moody's highlighted limited termination rights and transfers restricted to qualifying highly rated tenants or otherwise subject to ratings reaffirmation in the June Beacon Point DC LLC financing (HUTBPA 6.129 '42). We therefore see this development as requiring greater transparency – given limited visibility into lease terms and potential "outs" – with potentially greater ramifications for the ecosystem than NVIDIA's credit exposure itself. Other shell-related disclosures are largely unchanged: $3.5bn maximum gross exposure related to partner lease guarantees, up to $105bn of PORTS-Pike support, and minor updates to NVIDIA's own current and uncommenced leases.

The revenue-sharing credit-support model has begun. NVIDIA disclosed ~$36bn of AI cloud agreements within future commitments where AI clouds can stop providing capacity to NVIDIA and sell to third-party customers at more advantageous rates. Based on recent investor conversations this week, we continue to view this model as underappreciated, likely reflecting a quieter July 1 blog introduction relative to the higher profile of RVS within the >$500bn announcement materials. By creating a minimum compute-revenue floor, the structure could strengthen GPU or broader compute financings, lower funding costs, and potentially help weaker deals achieve investment-grade ratings, possibly even alongside RVS. This was the third major support bucket we discussed and modelled in our initiation; while average price floors per watt remain unconfirmed, NVIDIA confirmed a typical 6Y commitment duration.

Comments around circularity and fungibility were consistent with prior messaging. Management pushed back on characterizing RVG/RVS as circular financing, stressed that NVIDIA is "not making loans" under the revenue-sharing model, and reiterated that its compute is fungible and redeployable versus more customer-specific ASICs/XPUs – a distinction we think will matter for collateral value in potential new financings.

Other demands on NVIDIA's balance sheet and financial capacity are also scaling. A/R rose to $63.1bn and DSO to 60 days from 45, reflecting extended terms on large multi-quarter agreements with certain IG customers. Inventory moved slightly higher as well, amidst Vera Rubin introduction prep. Supply and capacity commitments more than doubled to $279bn from $119bn, primarily for memory procurement. While the latter are about securing supply rather than downstream credit support, together these highlight the strategic value of NVIDIA's balance sheet.

At the parent level, we continue to watch the trajectory of both debt and cash. Liquidity remains substantial, with cash and marketable securities rising to ~$99bn. However, management has returned ~60% of FCF to shareholders YTD, above its prior >50% framework, with returns exceeding FCF in the quarter, introducing some risk that future net cash accumulation could be more moderate than our longer-term assumptions. Moving to funded debt, we think it's reasonable to assume NVIDIA could opportunistically add unsecured debt with its growing business scale, a topic raised in recent investor conversations. Management did make a somewhat ambiguous comment that AI-lab demand, for which it expects to "leverage our balance sheet", could represent roughly a quarter of next year's business, though we interpret this more as support activity than necessarily incremental parent funding, given other company comments.

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Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

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