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IDEA

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NVIDIA Corp. | North America

NVIDIA GTC Berlin: paving the way to a strong 2027

We attended Nvidia's GTC Berlin this week, and come away with ongoing conviction that the company continues to effectively manage challenges in supply chain, land/power/shell, and funding - and even benefit from those challenges; reiterate OW/ Top Pick in semis.

Key Takeaways

- Focus on supply chain, with substantial long term commitment on substrates (adding SEMCO), expansions in CoWoS, and commitment for test capacity
- "DSX POD" has an understated importance; could lead to dramatic improvement in bring-up times, which can significantly improve cash flows of a neocloud
- The market is reacting to concerns around supply chain, land power shell, and funding - we remain convinced that all 3 aspects are opportunities for NVDA
- Reiterate OW, $300 target, Top Pick in semis

No big surprises, but NVIDIA continues to add to its considerable advantages heading into 2027. The Vera Rubin cycle is starting to pick up steam, though we didn't get some of the details we might have expected on next year's Rubin Ultra. But with demand remaining very strong, the focus is on closing the gap between CY27 revenue guidance of 70%, and demand growth which mgmt has characterized as 100%. To that end, the supply chain additions on substrate, packaging and test, are an important bit of blocking and tackling. We continue to see the biggest bottleneck as TSMC 3 nm wafers, which could free up over time.

The DSX POD, detailed below, won't get the attention of more technology oriented announcements, but could be an important differentiator. We see NVIDIA's advantage coming from higher tokens per GW vs. competitors, but have also found the arguments that NVIDIA provides faster bring-up time, longer mean time between failure, and longer asset life than competing products as very compelling. DSX POD deals with the bring-up time, reducing months of wait time before assets can become productive by providing references for ODMs to build completely functional clusters than can be brought up very rapidly. This directly speaks to the cash flow issues of neoclouds, which will be able to reduce the time that assets are unproductive which could help bridge funding concerns.

Details from Jensen's keynote presentation: Nvidia usually opts to discuss the most relevant product announcements at its flagship GTC in March, limiting the amount of new color on the roadmap around the event. However, we did hear key updates in terms of Nvidia's product momentum outside of the core business (software, PCs, physical AI), and Nvidia's role in alleviating LPS constraints with DSX,

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NVIDIA Corp. (NVDA.O, NVDA US)
Top Pick

Semiconductors | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$300.00**
Shr price, close (Oct 21, 2026)	$221.97
Mkt cap, curr (mm)	$5,411,711
52-Week Range	$243.37-164.27

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DSX POD, and DSX MaxLPS, and continued Rubin leadership in terms of tokens per watt and tokens per dollar, both contributing to ongoing excitement about the company's strategic positioning.

The Nvidia DSX POD is a new reference design for Vera Rubin systems built inside modular containers, with integration and validation occurring before delivery. That streamlines the deployment process, allowing the customer to take delivery and begin producing tokens in days vs several months. The new form factor can help improve working capital cycles for their customers, and extend Nvidia's platform advantage with a quicker time to first token. The DSX POD is part of the broader DSX AI factory reference architecture, where during the keynote we heard about MaxLPS allowing customers to use 30% less power with no change in token output. Nvidia will have 10+ customers in Europe adopting the DSX platform for Vera Rubin AI factories.

Nvidia is also releasing new software for agentic AI safety, the OpenShell Reference Architecture. OpenShell is an open-source framework built on Linux that keeps each AI agent in its own sandbox and limits what it can access. Nvidia Sentry, which runs on BlueField-4, adds a second layer that monitors agents from outside the system. Management said most major frontier labs, OS vendors, and security companies have adopted it, and Nvidia is working with an AI lab on OpenShell agents. For Nvidia, it extends its content in agent deployments beyond Rubin GPUs to Vera CPUs and BlueField-4.

Nvidia's AI RAN initiative continues to make progress, Nvidia made the first commercial phone call on T-Mobile's network with Nokia on CUDA, after roughly eight years of work, with AI to be layered on top. Jensen talked to ~100,000 sites and ~100 GW of distributed telco base stations and data centers eventually becoming distributed AI infrastructure.

As far as autonomous vehicles, four more brands will be Hyperion-compatible, which supports Nvidia's push to make Hyperion the industry-standard autonomous vehicle architecture, which will eventually be connected to ride-hailing networks. **In humanoids, Nvidia is launching Agile ONE SN**, a reference humanoid built with Agile Robots, shipping preassembled with compute and software in 1Q next year.

Separately from the keynote, Nvidia announced new plans for further capacity expansion in substrates, advanced packaging, testing and optical engines. In substrates the combination of IBIDEN, SEMCO, and Unimicron will 2.5x capacity over the next three years. Amkor plans to expand CoWoS-R wafer capacity by more than 300% by the end of 2028 to support growth across CPUs and LPUs. In the back-end Nvidia has committed a $1.1bn capacity reservation to support KYEC's new US facilities and equipment, with HVM expected in April 2027. Nvidia expects its total semi test capacity to 2x from 2026 to 2027. In CPO SPIL's expansion targets a 15x increase by mid-2027, with expectations for another 2x by the end of 2028.

Risk Reward – NVIDIA Corp. (NVDA.O) Top Pick

OW as large language model enthusiasm is transforming cloud capex

PRICE TARGET $300.00

~20 our MW CY27 EPS estimate of $15.01, in-line with the broader market and a discount to compute semis peers (AMD/AVGO/INTC) as high marketshare and gross margins leave limited levers for multiple expansion in the near term.

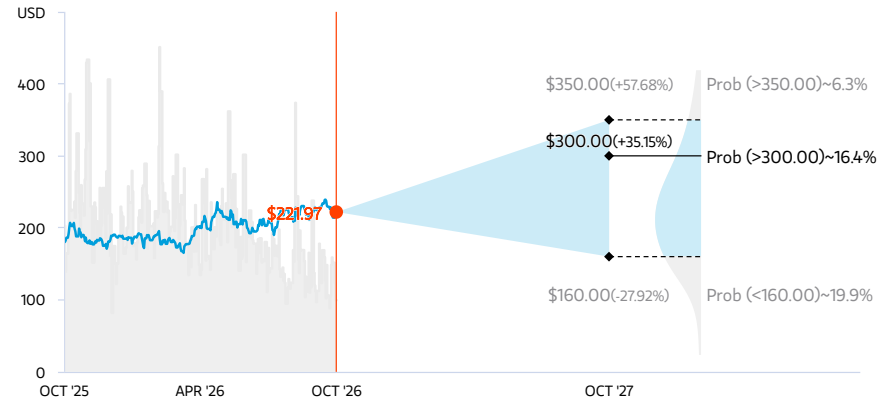
Consensus Price Target Distribution $180.00 $324.55 $515.00

MS PT

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 21 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- Blackwell remains the premiere solution for gen-AI workloads, where compute demand continues to outstrip supply
- We see continued upward pressure to estimates as demand strength continues, with Rubin expected to maintain Nvidia's performance leadership position

Consensus Rating Distribution

97%	Overweight
2%	Equal-weight
2%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $350.00

~22x bull case MW CY27 EPS of $16

Bull case has DC revenues surprising to the upside as supply becomes more available and other products gain steam (CPUs, Groq)

- Higher margin data center and AI-focused software and services growth accelerates

- Revenue sharing agreements add billions in 100% margin revenue

- GPU based AI PC gains traction, widely increasing the client TAM

BASE CASE $300.00

~20x our MW CY27 EPS of $15.01

~20x PE in-line with the broader market and a discount to compute semis peers (AMD/AVGO/INTC) as high marketshare and gross margins leave limited levers for multiple expansion in the near term..

- Revenue grows by 88% in 2026 and 70% in 2027

BEAR CASE $160.00

~13x bear case MW CY27 EPS of $13

Two key debates both go the wrong direction, causing investors to question future prospects for growth

- Growth in DC slows substantially as supply catches up to demand faster than anticipated

- AI development costs come down materially, a strong competitor enters the market to take market share, or customers begin insourcing custom hardware solutions

- Greater than expected impact from tariff headwinds and export controls

Risk Reward – NVIDIA Corp. (NVDA.O)

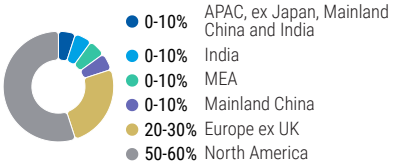
KEY EARNINGS INPUTS

Drivers	Dec 2026	Dec 2027e	Dec 2028e	Dec 2029e
GAAP Revenue ($, mm)	215,938	405,968	690,168	970,222
MW Gross Margin (%)	71.2	73.7	72.5	72.7
MW EPS ($)	4.60	9.18	15.01	22.00
Inventory ($, mm)	21,403	44,841	65,460	79,121
DOI	123.3	151.1	123.9	68.3

INVESTMENT DRIVERS

- Growth in AI capex from customers
- Next gen GPUs continue to outpace the competition
- Systems approach allows for higher monetization over time
- New drivers emerge for Nvidia such as AI PCs, autonomous vehicles, robotics, and software

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	4/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Growth in inference and training propel data center revenue
- Gaming sales accelerate as GPU based AI PCs gain traction
- Nvidia can recapture lost revenue in China

RISKS TO DOWNSIDE

- AI end markets don't materialize as expected, customers sharply reduce GPU purchases
- AMD reemerges as a viable GPU competitor
- Cloud customers outside of Google are able to develop competitive custom hardware

OWNERSHIP POSITIONING

Inst. Owners, % Active	51.2%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

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MS ESTIMATES VS. CONSENSUS

FY Dec 2027e

Sales / Revenue ($, mm)	405,968	698,340	802,617
EBITDA ($, mm)	269,866	462,444	542,215
Net income ($, mm)	223,210	382,614	448,289
EPS ($)	9.21	15.83	18.71

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

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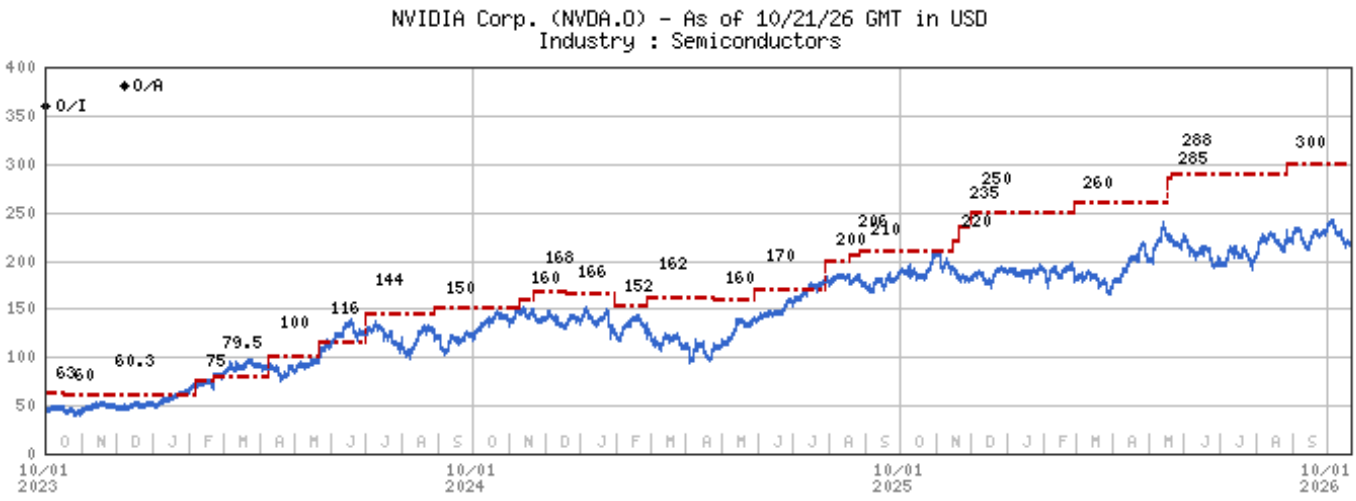
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Stock Rating History: 10/1/21 : NA/I; 5/3/22 : E/I; 3/16/23 : O/I; 12/7/23 : O/A

Price Target History: 9/13/20 : NA; 5/3/22 : 21.7; 5/25/22 : 18.2; 11/17/22 : 17.5; 2/21/23 : 24.6; 2/22/23 : 25.5; 3/16/23 : 30.4; 5/24/23 : 45; 6/15/23 : 50; 8/24/23 : 63; 10/17/23 : 60; 11/21/23 : 60.3; 2/6/24 : 75; 2/21/24 : 79.5; 4/9/24 : 100; 5/22/24 : 116; 6/30/24 : 144; 8/29/24 : 150; 11/10/24 : 160; 11/21/24 : 168; 12/19/24 : 166; 1/29/25 : 152; 2/26/25 : 162; 4/25/25 : 160; 5/29/25 : 170; 7/29/25 : 200; 8/18/25 : 206; 8/28/25 : 210; 11/14/25 : 220; 11/20/25 : 235; 12/1/25 : 250; 2/26/26 : 260; 5/18/26 : 285; 5/21/26 : 288; 8/27/26 : 300

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
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INDUSTRY COVERAGE: Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/21/2026)
Ella Tulchinsky		
Infleqtion, Inc. (INFQ.N)	E (10/15/2026)	$9.28
Xanadu Quantum Technologies Limited (XNDU.O)	E (10/15/2026)	$2.84
Joseph Moore		
Advanced Micro Devices (AMD.O)	E (06/09/2024)	$552.72
Aeva Technologies Inc (AEVA.O)	E (07/19/2021)	$10.60
Allegro Microsystems Inc (ALGM.O)	O (02/13/2026)	$34.51
Ambarella Inc (AMBA.O)	O (03/29/2016)	$66.00
Amkor Technology Inc (AMKR.O)	E (11/08/2023)	$43.73
Analog Devices Inc. (ADI.O)	O (11/16/2023)	$405.96
Astera Labs Inc (ALAB.O)	O (05/11/2025)	$290.06
Broadcom Inc. (AVGO.O)	O (06/09/2024)	$337.80
Cerebras Systems (CBRS.O)	O (06/08/2026)	$117.98
GlobalFoundries Inc (GFS.O)	E (10/28/2024)	$47.70
Intel Corporation (INTC.O)	E (02/22/2023)	$92.96
IonQ Inc (IONQ.N)	E (04/25/2023)	$32.28
Marvell Technology Group Ltd (MRVL.O)	E (09/14/2015)	$244.76
Microchip Technology Inc. (MCHP.O)	E (07/10/2024)	$77.15
Micron Technology Inc. (MU.O)	O (10/06/2025)	$913.67
Navitas Semiconductor Corp (NVTS.O)	U (04/06/2025)	$9.16
NVIDIA Corp. (NVDA.O)	O (03/16/2023)	$221.97
NXP Semiconductor NV (NXPI.O)	O (02/11/2025)	$242.36
ON Semiconductor Corp. (ON.O)	++	$76.94
Qualcomm Inc. (QCOM.O)	E (06/24/2026)	$177.96
Quantinuum (QNT.O)	O (10/15/2026)	$38.65

SanDisk Corporation. (SNDK.O)	O (03/03/2025)	$1,378.22
Semtech Corp. (SMTC.O)	E (04/06/2025)	$141.63
Silicon Laboratories Inc. (SLAB.O)	E (01/19/2021)	$221.71
SiTime Corporation (SITM.O)	O (09/16/2026)	$509.20
Skyworks Solutions Inc (SWKS.O)	E (11/28/2018)	$82.22
Texas Instruments (TXN.O)	U (04/13/2020)	$284.65
Wolfspeed, INC (WOLF.N)	NR (04/06/2025)	$24.64
Lee Simpson		
Arm Holdings plc (ARM.O)	E (04/07/2026)	$226.59
Cadence Design Systems Inc (CDNS.O)	O (02/14/2024)	$326.07
PDF Solutions Inc (PDFS.O)	O (09/08/2026)	$44.01
Synopsys Inc. (SNPS.O)	O (09/08/2026)	$451.19

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* Historical prices are not split adjusted.

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