NVIDIA Announces Financial Results For Third Quarter Fiscal 2015

SANTA CLARA, CA - NVIDIA (NASDAQ: NVDA)

- Record revenue of $1.23 billion in quarter, up 16 percent from a year earlier
- GAAP diluted EPS of $0.31 in quarter, up from $0.20 a year earlier; non-GAAP diluted EPS of $0.39, up from $0.26 a year earlier
- Record revenue of $3.43 billion in first three quarters, up 15 percent from a year earlier

NVIDIA today reported revenue for the third quarter ended October 26, 2014, of $1.23 billion, up 16 percent from $1.05 billion a year earlier and up 11 percent from $1.10 billion the previous quarter. Revenue for the first three quarters of fiscal 2015 was a record $3.43 billion, up 15 percent from $2.99 billion a year earlier.

GAAP earnings per diluted share for the quarter were $0.31, up 55 percent from $0.20 a year earlier and up 41 percent from the previous quarter. Non-GAAP earnings per diluted share were $0.39, up 50 percent from $0.26 a year earlier and up 30 percent from the previous quarter.

"NVIDIA's focus on creating visual computing platforms for datacenter, mobile and PC drove record revenue this quarter," said Jen-Hsun Huang, president and chief executive officer of NVIDIA.

"Growth drivers have kicked in for us on several fronts. High-performance computing, virtualization and web service providers have created demand for our GPU-accelerated datacenter platforms. Automakers are using Tegra to help reinvent the driving experience. And our new Maxwell architecture is a giant leap forward that has triggered a major upgrade cycle by PC gamers."

During the third quarter, NVIDIA paid $46 million in cash dividends and received 16.8 million shares under a $310 million structured repurchase agreement it entered into in the quarter. During the first three quarters of fiscal 2015, the company paid $140 million in cash dividends and repurchased 44.2 million shares. As a result, the company has returned to shareholders $950 million in the first three quarters of fiscal 2015.

Since restarting its capital return program in the fourth quarter of fiscal 2013, NVIDIA has returned approximately $2.17 billion to shareholders. This represents 136 percent of the company's cumulative free cash flow for fiscal years 2013 to 2015 to date, and reflects the acceleration of the capital return program of cash generated in previous years.

The company intends to return approximately $600 million to shareholders in fiscal 2016 through ongoing quarterly cash dividends and share repurchases.

NVIDIA will pay its next quarterly cash dividend of $0.085 per share on Dec. 15, 2014, to all shareholders of record on Nov. 21, 2014. NVIDIA expects that a portion of this dividend payment may be considered a return of capital for U.S. federal income tax purposes.

GAAP Quarterly Financial Comparison

($ in millions except earnings per share)	**Q3 FY15**	**Q2 FY15**	**Q3 FY14**	**Q/Q**	**Y/Y**
Revenue	$1,225	$1,103	$1,054	up 11%	up 16%
Gross margin	55.2%	56.1%	55.4%	down 90 bps	down 20 bps
Operating expenses	$463	$456	$443	up 2%	up 5%
Net income	$173	$128	$119	up 35%	up 45%
Diluted earnings per share	$0.31	$0.22	$0.20	up 41%	up 55%

Non-GAAP Quarterly Financial Comparison

($ in millions except earnings per share)	**Q3 FY15**	**Q2 FY15**	**Q3 FY14**	**Q/Q**	**Y/Y**
Revenue	$1,225	$1,103	$1,054	up 11%	up 16%
Gross margin	55.5%	56.4%	55.7%	down 90 bps	down 20 bps
Operating expenses	$415	$411	$405	up 1%	up 2%
Net income	$220	$173	$154	up 27%	up 43%
Diluted earnings per share	$0.39	$0.30	$0.26	up 30%	up 50%

NVIDIA's outlook for the fourth quarter of fiscal 2015 is as follows:

- Revenue is expected to be $1.20 billion, plus or minus two percent.
- GAAP and non-GAAP gross margins are expected to be 55.2 percent and 55.5 percent, respectively, plus or minus 50 basis points.
- GAAP operating expenses are expected to be approximately $470 million; non-GAAP operating expenses are expected to be approximately $422 million, inclusive of litigation costs.
- GAAP and non-GAAP tax rates for the fourth quarter of fiscal 2015 are both expected to be 18 percent, plus or minus one percentage point. This estimate excludes any discrete tax events that may occur during a quarter which, if realized, may increase or decrease NVIDIA's actual effective tax rates in such quarter.
- Capital expenditures are expected to be approximately $40 million to $50 million.

Third Quarter Fiscal 2015 Highlights

During the third quarter, NVIDIA:

- Launched flagship NVIDIA® GeForce® GTX™ GPUs for gaming based on Maxwell™, its 10th generation GPU architecture, which sets new standards of efficiency and performance.
- Extended Maxwell-based processors into the company's upgraded NVIDIA Quadro® lineup.
- Continued Tesla®'s push into the big data analytics market. IBM announced future support for GPU acceleration in its IBM DB2 with BLU database software; NVIDIA released a deep learning library to enable faster growth in machine learning; and nearly all teams in the recent ImageNet international computer-vision competition used GPUs.
- Announced its early customer access program for NVIDIA GRID™ with VMware, which is drawing strong interest from companies worldwide. Among those signing up were airline-manufacturer Airbus, international construction group CH2M Hill and U.S. healthcare-provider MetroHealth.
- Added new wins for the Tegra® K1 mobile processor, including the Google Nexus 9 tablet and NVIDIA's SHIELD™ tablet with 32GB of memory and LTE connectivity. Acer and HP also announced Chromebooks with Tegra K1.
- Surpassed 6 million cars on the road with infotainment systems powered by NVIDIA. Honda also announced that three of its models -- the Civic, Civic Tourer and CR-V -- will include Tegra-based systems in the European market.
- Filed lawsuits against Samsung and Qualcomm in the International Trade Commission (ITC) and U.S. District Court in Delaware for using NVIDIA GPU patents without a license. The ITC has subsequently determined that it will investigate the case and hold an evidentiary hearing in June of 2015.

CFO Commentary
Commentary on the quarter by Colette Kress, NVIDIA's executive vice president and chief financial officer, is available at http://investor.nvidia.com/.

Conference Call and Webcast Information
NVIDIA will conduct a conference call with analysts and investors to discuss its third quarter fiscal 2015 financial results and current financial prospects today at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time). To listen to the conference call, dial (303) 223-2684; no password is required. A live webcast (listen-only mode) of the conference call will be accessible at the

NVIDIA investor relations web site http://investor.nvidia.com/ and at www.streetevents.com. The webcast will be recorded and available for replay until the company's conference call to discuss its financial results for its fourth quarter fiscal 2015.

Non-GAAP Measures

To supplement NVIDIA's Condensed Consolidated Statements of Operations and Condensed Consolidated Balance Sheets presented in accordance with GAAP, the company uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP other income and expense, non-GAAP income tax expense, non-GAAP net income, non-GAAP net income, or earnings, per diluted share, and free cash flow. In order for NVIDIA's investors to be better able to compare its current results with those of previous periods, the company has shown a reconciliation of GAAP to non-GAAP financial measures. These reconciliations adjust the related GAAP financial measures to exclude stock-based compensation, legal settlements, acquisition-related costs, gains and losses from non-affiliated investments, interest expense related to the amortization of debt discount, other expense and the associated tax impact of these items, where applicable. Free cash flow is calculated as GAAP net cash provided by operating activities less purchases of property and equipment and intangible assets. NVIDIA believes the presentation of its non-GAAP financial measures enhances the user's overall understanding of the company's historical financial performance. The presentation of the company's non-GAAP financial measures is not meant to be considered in isolation or as a substitute for the company's financial results prepared in accordance with GAAP, and our non-GAAP measures may be different from non-GAAP measures used by other companies.

NVIDIA CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 26, 2014	October 27, 2013	October 26, 2014	October 27, 2013
Revenue	$ 1,225,382	$ 1,053,967	$ 3,430,993	$ 2,985,944
Cost of revenue	548,684	469,552	1,531,119	1,337,423
Gross profit	676,698	584,415	1,899,874	1,648,521
Operating expenses				
Research and development	340,085	340,294	1,011,472	999,193
Sales, general and administrative	123,298	103,133	360,549	320,025
Total operating expenses	463,383	443,427	1,372,021	1,319,218
Operating income	213,315	140,988	527,853	329,303
Interest income	7,422	4,022	19,961	12,963
Interest expense	11,542	819	34,539	2,508
Other income (expense), net	(125)	(2,707)	13,702	1,608
Income before income tax expense	209,070	141,484	526,977	341,366
Income tax expense	36,103	22,750	89,518	48,293
Net income	$ 172,967	$ 118,734	$ 437,459	$ 293,073
Net income per share:				
Basic	$ 0.32	$ 0.20	$ 0.79	$ 0.49

Diluted	$ 0.31	$ 0.20	$ 0.77	$ 0.49
Weighted average shares used in per share computation:				
Basic	547,789	580,870	555,035	594,363
Diluted	558,201	588,752	565,653	600,108

NVIDIA CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	October 26, 2014	January 26, 2014
ASSETS		
Current assets:		
Cash, cash equivalents and marketable securities	$ 4,240,797	$ 4,671,810
Accounts receivable, net	563,400	426,357
Inventories	408,081	387,765
Prepaid expenses and other current assets	128,831	138,779
Total current assets	5,341,109	5,624,711
Property and equipment, net	566,601	582,740
Goodwill	643,179	643,179
Intangible assets, net	241,301	296,012
Other assets	93,679	104,252
Total assets	$ 6,885,869	$ 7,250,894
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 328,097	$ 324,391
Accrued liabilities and other current liabilities	605,810	621,105
Total current liabilities	933,907	945,496
Long-term debt	1,377,259	1,356,375
Other long-term liabilities	355,133	475,125

Capital lease obligations, long-term	14,977	17,500
Stockholders' equity	4,204,593	4,456,398
Total liabilities and stockholders' equity	$ 6,885,869	$ 7,250,894

NVIDIA CORPORATION

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

(In thousands, except per share data)

(Unaudited)

	Three Months Ended			Nine Months Ended	
	October 26, 2014	July 27, 2014	October 27, 2013	October 26, 2014	October 27, 2013
GAAP gross profit	$ 676,698	$ 618,974	$ 584,415	$ 1,899,874	$ 1,648,521
GAAP gross margin	*55.2 %*	*56.1 %*	*55.4 %*	*55.4 %*	*55.2 %*
Stock-based compensation expense included in cost of revenue (A)	3,021	2,656	3,090	8,596	7,911
Legal settlement	-	-	-	-	2,290
Non-GAAP gross profit	$ 679,719	$ 621,630	$ 587,505	$ 1,908,470	$ 1,658,722
Non-GAAP gross margin	*55.5 %*	*56.4 %*	*55.7 %*	*55.6 %*	*55.6 %*
GAAP operating expenses	$ 463,383	$ 455,795	$ 443,427	$ 1,372,021	$ 1,319,218
Stock-based compensation expense included in operating expense (A)	(38,414)	(35,759)	(31,209)	(106,775)	(92,180)
Acquisition-related costs (B)	(9,572)	(9,173)	(4,577)	(28,186)	(22,402)
Other expense (C)	-	-	(2,235)	-	(2,235)
Non-GAAP operating expenses	$ 415,397	$ 410,863	$ 405,406	$ 1,237,060	$ 1,202,401
GAAP other income (expense), net	$ (4,245)	$ (8,554)	$ 496	$ (876)	$ 12,063
Gains and losses from non-affiliated investments	-	2,500	-	(14,482)	-

Interest expense related to amortization of debt discount	7,010	6,973	-	20,884	-
Non-GAAP other income (expense), net	$ 2,765	$ 919	$ 496	$ 5,526	$ 12,063
GAAP net income	$ 172,967	$ 127,976	$ 118,734	$ 437,459	$ 293,073
Total pre-tax impact of non-GAAP adjustments	58,017	57,061	41,111	149,959	127,018
Income tax impact of non-GAAP adjustments	(10,549)	(11,606)	(6,055)	(27,497)	(19,170)
Non-GAAP net income	$ 220,435	$ 173,431	$ 153,790	$ 559,921	$ 400,921
Diluted net income per share					
GAAP	$ 0.31	$ 0.22	$ 0.20	$ 0.77	$ 0.49
Non-GAAP	$ 0.39	$ 0.30	$ 0.26	$ 0.99	$ 0.67
Shares used in diluted net income per share computation	558,201	570,572	588,752	565,653	600,108
Metrics:					
GAAP net cash flow provided by operating activities	$ 215,623	$ 96,282	$ 162,315	$ 462,927	$ 434,434
Purchase of property and equipment and intangible assets	(39,741)	(22,527)	(38,159)	(91,336)	(188,812)
Free cash flow	$ 175,882	$ 73,755	$ 124,156	$ 371,591	$ 245,622

(A) Excludes stock-based compensation as follows:	**Three Months Ended**			**Nine Months Ended**	
	October 26, 2014	**July 27, 2014**	**October 27, 2013**	**October 26, 2014**	**October 27, 2013**
Cost of revenue	$ 3,021	$ 2,656	$ 3,090	$ 8,596	$ 7,911
Research and development	$ 22,680	$ 21,462	$ 20,902	$ 64,636	$ 61,392
Sales, general and administrative	$ 15,734	$ 14,297	$ 10,307	$ 42,139	$ 30,788

(B) Consists of amortization of acquisition-related intangible assets, transaction costs, compensation charges, and other credits related to acquisitions.

(C) Consists of restructuring charges.

NVIDIA CORPORATION

RECONCILIATION OF GAAP TO NON-GAAP OUTLOOK

	Q4 FY2015 Outlook	
GAAP gross margin	55.2	%
Impact of stock-based compensation	0.3	%
Non-GAAP gross margin	55.5	%

	Q4 FY2015 Outlook	
	(In millions)	
GAAP operating expenses	$ 470	
Stock-based compensation expense and acquisition-related costs	(48	)
Non-GAAP operating expenses	$ 422	

To Keep Current on NVIDIA:

- Keep up with the NVIDIA Blog.
- Like NVIDIA on Facebook.
- Connect with NVIDIA on LinkedIn.
- Follow @NVIDIA on Twitter.
- View NVIDIA videos on YouTube.
- Use the Pulse news reader to subscribe to the NVIDIA Daily News feed.

Robert Sherbin
Corporate Communications
rsherbin@nvidia.com