

NVIDIA Announces Financial Results for Fourth Quarter and Fiscal 2017

SANTA CLARA, CA - NVIDIA (NASDAQ: NVDA)

- Record quarterly revenue of \$2.17 billion, up 55 percent from a year ago
- Record full-year revenue of \$6.91 billion, up 38 percent from a year ago
- Record quarterly GAAP gross margin at 60.0 percent, non-GAAP gross margin at 60.2 percent
- GPU computing platform continues to power gains across full product line

NVIDIA (NASDAQ: NVDA) today reported revenue for the fourth quarter ended January 29, 2017, of \$2.17 billion, up 55 percent from \$1.40 billion a year earlier, and up 8 percent from \$2.00 billion in the previous quarter.

GAAP earnings per diluted share for the quarter were \$0.99, up 183 percent from \$0.35 a year ago and up 19 percent from \$0.83 in the previous quarter. Non-GAAP earnings per diluted share were \$1.13, up 117 percent from \$0.52 a year earlier and up 20 percent from \$0.94 in the previous quarter.

For fiscal 2017, revenue reached a record \$6.91 billion, up 38 percent from \$5.01 billion a year earlier. GAAP earnings per diluted share were \$2.57, up 138 percent from \$1.08 a year earlier. Non-GAAP earnings per diluted share were \$3.06, up 83 percent from \$1.67 a year earlier.

"We had a great finish to a record year, with continued strong growth across all our businesses," said Jen-Hsun Huang, founder and chief executive officer of NVIDIA. "Our GPU computing platform is enjoying rapid adoption in artificial intelligence, cloud computing, gaming, and autonomous vehicles.■

"Deep learning on NVIDIA GPUs, a breakthrough approach to AI, is helping to tackle challenges such as self-driving cars, early cancer detection and weather prediction. We can now see that ■GPU-based deep learning will revolutionize major industries, from consumer internet and transportation to health care and manufacturing. The era of AI is upon us," he said.

Capital Return

During fiscal 2017, NVIDIA paid \$739 million in share repurchases and \$261 million in cash dividends. As a result, the company returned an aggregate of \$1.00 billion to shareholders in fiscal 2017.

For fiscal 2018, NVIDIA intends to return \$1.25 billion to shareholders through ongoing quarterly cash dividends and share repurchases.

NVIDIA will pay its next quarterly cash dividend of \$0.14 per share on March 17, 2017, to all shareholders of record on February 24, 2017.

Q4 Fiscal 2017 Summary

GAAP					
(\$ in millions except earnings per share)	Q4 FY17	Q3 FY17	Q4 FY16	Q/Q	Y/Y
Revenue	\$2.17	\$2.00	\$1.40	up 8%	up 55%
Gross margin				up 100 bps	up 350 bps
Operating expenses	60.0%	59.0%	56.5%	up 5%	up 6%
Operating income	\$570	\$544	\$539	up 15%	up 191%
Net income	\$655	\$542	\$207	up 21%	up 216%
Diluted earnings per share	\$0.99	\$0.83	\$0.35	up 19%	up 183%

Non-GAAP					
(\$ in millions except earnings per share)	Q4 FY17	Q3 FY17	Q4 FY16	Q/Q	Y/Y
Revenue	\$2.17	\$2.00	\$1.40	up 8%	up 55%
Gross margin				up 100 bps	up 300 bps
Operating expenses	60.2%	59.2%	57.2%	up 4%	up 12%
Operating income	\$498	\$478	\$445	up 14%	up 127%
Net income	\$704	\$570	\$297	up 24%	up 137%
Diluted earnings per share	\$1.13	\$0.94	\$0.52	up 20%	up 117%

Fiscal 2017 Summary

GAAP			
(\$ in millions except earnings per share)	FY17	FY16	Y/Y
Revenue			up 38%
Gross margin	\$6.91%	\$5.01%	up 270 bps
Operating expenses	\$2.12%	\$2.06%	up 3%
Operating income	\$1.93%	\$747	up 159%
Net income	\$1.68%	\$614	up 171%
Diluted earnings per share	\$2.57	\$1.08	up 138%

Non-GAAP			
(\$ in millions except earnings per share)	FY17	FY16	Y/Y
Revenue			up 38%
Gross margin	\$9.2%	\$6.8%	up 240 bps
Operating expenses	\$1.86%	\$1.72%	up 8%
Operating income	\$2.22%	\$1.12%	up 97%
Net income	\$1.85%	\$929	up 99%
Diluted earnings per share	\$3.06	\$1.67	up 83%

NVIDIA's outlook for the first quarter of fiscal 2018 is as follows:

- Revenue is expected to be \$1.90 billion, plus or minus two percent.
- GAAP and non-GAAP gross margins are expected to be 59.5 percent and 59.7 percent, respectively, plus or minus 50 basis points.
- GAAP operating expenses are expected to be approximately \$603 million. Non-GAAP operating expenses are expected to be approximately \$520 million.
- GAAP other income and expense, net, is expected to be an expense of approximately \$20 million, inclusive of additional charges from early conversions of convertible notes. Non-GAAP other income and expense, net, is expected to be an expense of approximately \$4 million.
- GAAP and non-GAAP tax rates for the first quarter of fiscal 2018 are both expected to be 17 percent, plus or minus one percent, excluding any discrete items.
- Weighted average shares used in the GAAP and non-GAAP diluted EPS calculations are dependent on the weighted average stock price during the quarter.
- Capital expenditures are expected to be approximately \$50 million to \$60 million.

Fourth Quarter Fiscal 2017 Highlights

During the fourth quarter, NVIDIA achieved progress in each of its four major platforms.

Gaming:

- Introduced [GeForce® GTX 1050 and 1050 Ti](#) mobile GPUs, which debuted in more than 30 gaming laptops at CES 2017.
- Launched the [new SHIELD™ TV](#), integrating Google Assistant for TV, SmartThings Hub technology and the NVIDIA SPOT™ AI mic.
- Unveiled the [GeForce NOW™ service](#), delivering an NVIDIA Pascal™ gaming PC, on demand, from the cloud to all computers.

Professional Visualization:

- Launched NVIDIA's new workstation-product lineup with [Quadro® GP100](#), enabling a new class of supercomputing workstations.
- Introduced [Quadro P5000](#), powering the first VR-ready mobile workstations from Dell and MSI.

Datacenter:

- Collaborated with [Microsoft](#) to accelerate AI with a GPU-accelerated Microsoft Cognitive Toolkit available on the Microsoft Azure cloud and NVIDIA DGX-1™.
- Partnered with the National Cancer Institute and the U.S. Department of Energy to build CANDLE, an AI framework that will [advance cancer research](#).
- Unveiled the NVIDIA [DGX SATURNV](#) AI supercomputer, powered by 124 Pascal-powered DGX-1 server nodes, which is the [world's most efficient supercomputer](#).

Automotive:

- Partnered with [Audi](#), to put advanced AI cars on the road by 2020.
- Partnered with [Mercedes-Benz](#), to bring an NVIDIA AI-powered car to the market.
- Partnered with [Bosch](#), the world's largest automotive supplier, to bring self-driving systems to production vehicles
- Partnered with Germany's [ZF](#), to create a self-driving system for cars, trucks and commercial vehicles based on the [NVIDIA DRIVE™ PX 2](#) AI car computer.
- Partnered with Europe's [HERE](#), to develop HERE HD Live Map into a real-time, high-definition mapping solution for autonomous vehicles.
- Partnered with Japan's [ZENRIN](#), to develop a cloud-to-car HD map solution for self-driving cars.

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 fourth quarter and fiscal 2017 financial results and current financial prospects today at 2 p.m. Pacific time (5 p.m. Eastern time). To listen to the conference call, dial (877) 223-3864 in the United States or (574) 990-1377 internationally, and provide the following conference ID: 52907909. A live webcast (listen-only mode) of the conference call will be accessible at NVIDIA's investor relations website, <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 first quarter of fiscal 2018.

Non-GAAP Measures

To supplement NVIDIA's Condensed Consolidated Statements of Income 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 income from operations, non-GAAP other income (expense), net, non-GAAP income tax expense, non-GAAP net income, non-GAAP net income, or earnings, per diluted share, non-GAAP diluted shares, 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 expense, legal settlement costs, product warranty charge, acquisition-related costs, contributions, restructuring and other charges, gains from non-affiliated investments, interest expense related to amortization of debt discount, loss on early debt conversions, and the associated tax impact of these items, where applicable. Weighted average shares used in the non-GAAP diluted net income per share computation includes the anti-dilution impact of the company's Note Hedge. 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 its non-GAAP measures may be different from non-GAAP measures used by other companies.

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NVIDIA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share data)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	January 29, 2017	January 31, 2016	January 29, 2017	January 31, 2016
Revenue	2,173	1,401	6,910	5,010
Cost of revenue	870	610	2,847	2,199
Gross profit	1,303	791	4,063	2,811
Operating expenses				

Research and development	394	344	1,463	1,331
Sales, general and administrative	176	161	663	602
Restructuring and other charges	-	34	3	131
Total operating expenses	<u>570</u>	<u>539</u>	<u>2,129</u>	<u>2,064</u>
Income from operations	733	252	1,934	747
Interest income	17	11	54	39
Interest expense	(18)	(12)	(58)	(47)
Other income (expense), net	(6)	2	(25)	4
Income before income tax expense	<u>726</u>	<u>253</u>	<u>1,905</u>	<u>743</u>
Income tax expense	71	46	239	129
Net income	<u>655</u>	<u>207</u>	<u>1,666</u>	<u>614</u>
Net income per share:				
Basic	1.18	0.38	3.08	1.13
Diluted	<u>0.99</u>	<u>0.35</u>	<u>2.57</u>	<u>1.08</u>
Weighted average shares used in per share computation:				
Basic	553	539	541	543
Diluted	660	593	649	569

NVIDIA CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	January 29, 2017	January 31, 2016
ASSETS		
Current assets:		
Cash, cash equivalents and marketable securities	6,798	5,037
Accounts receivable, net	826	505
Inventories	794	418
Prepaid expenses and other current assets	118	93
Total current assets	<u>8,536</u>	<u>6,053</u>
Property and equipment, net	521	466
Goodwill	618	618
Intangible assets, net	104	166
Other assets	62	67
Total assets	<u>9,841</u>	<u>7,370</u>
LIABILITIES, CONVERTIBLE DEBT CONVERSION OBLIGATION AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	485	296
Accrued and other current liabilities	507	642
Convertible short-term debt	796	1,413
Total current liabilities	<u>1,788</u>	<u>2,351</u>
Long-term debt	1,983	-
Other long-term liabilities	271	453
Capital lease obligations, long-term	6	10
Total liabilities	<u>4,048</u>	<u>2,814</u>
Convertible debt conversion obligation	31	87
Shareholders' equity	<u>5,762</u>	<u>4,469</u>

NVIDIA CORPORATION
 RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
 (In millions, except per share data)
 (Unaudited)

	Three Months Ended			Twelve Months Ended	
	January 29, 2017	October 30, 2016	January 31, 2016	January 29, 2017	January 31, 2016
GAAP gross profit	1,303	1,183	791	4,063	2,811
GAAP gross margin	60.0	59.0	56.5	58.8	56.1
Stock-based compensation expense (A)	4	3	5	15	15
Legal settlement costs (B)	-	-	-	10	-
Product warranty charge (C)	-	-	5	-	20
Non-GAAP gross profit	<u>1,307</u>	<u>1,186</u>	<u>801</u>	<u>4,088</u>	<u>2,846</u>
Non-GAAP gross margin	60.2	59.2	57.2	59.2	56.8
GAAP operating expenses	570	544	539	2,129	2,064
Stock-based compensation expense (A)	(68)	(62)	(56)	(233)	(190)
Legal settlement costs (B)	-	-	-	(6)	-
Acquisition-related costs (D)	(4)	(4)	(4)	(16)	(22)
Contributions	-	-	-	(4)	-
Restructuring and other charges	-	-	(34)	(3)	(131)
Non-GAAP operating expenses	<u>498</u>	<u>478</u>	<u>445</u>	<u>1,867</u>	<u>1,721</u>
GAAP income from operations	733	639	252	1,934	747
Total impact of non-GAAP adjustments to income from operations	76	69	104	287	378
Non-GAAP income from operations	<u>809</u>	<u>708</u>	<u>356</u>	<u>2,221</u>	<u>1,125</u>
GAAP other income (expense), net	(7)	(18)	1	(29)	(4)
Gains from non-affiliated investments	(1)	-	-	(4)	(5)
Interest expense related to amortization of debt discount	4	6	7	25	29
Loss on early debt conversions	6	15	-	21	-
Non-GAAP other income, net	<u>2</u>	<u>3</u>	<u>8</u>	<u>13</u>	<u>20</u>

GAAP net income*	655	542	207	1,666	614
Total pre-tax impact of non-GAAP adjustments	85	90	111	329	402
Income tax impact of non-GAAP adjustments	(36)	(62)	(21)	(144)	(87)
Non-GAAP net income	<u>704</u>	<u>570</u>	<u>297</u>	<u>1,851</u>	<u>929</u>
Diluted net income per share					
GAAP*	<u>0.99</u>	<u>0.83</u>	<u>0.35</u>	<u>2.57</u>	<u>1.08</u>
Non-GAAP	<u>1.13</u>	<u>0.94</u>	<u>0.52</u>	<u>3.06</u>	<u>1.67</u>
Weighted average shares used in diluted net income per share computation					
GAAP*	660	653	593	649	569
Anti-dilution impact from note hedge (E)	(36)	(45)	(26)	(44)	(13)
Non-GAAP	<u>624</u>	<u>608</u>	<u>567</u>	<u>605</u>	<u>556</u>
GAAP net cash provided by operating activities*	721	432	510	1,672	1,175
Purchase of property and equipment and intangible assets	(52)	(38)	(15)	(176)	(86)
Free cash flow	<u>669</u>	<u>394</u>	<u>495</u>	<u>1,496</u>	<u>1,089</u>

* In third quarter of fiscal 2017, NVIDIA adopted an accounting standard (ASU 2016-09), which requires adjustments to be reflected beginning in fiscal 2017, including all fiscal quarters within the year.

(A) Excludes stock-based compensation as follows:

	Three Months Ended			Twelve Months Ended	
	January 29, 2017	October 30, 2016	January 31, 2016	January 29, 2017	January 31, 2016
Cost of revenue	4	3	5	15	15
Research and development	40	35	33	135	115
Sales, general and administrative	27	27	22	98	74

(B) Legal settlement with Advanced Silicon Technologies LLC and other settlement related costs.

(C) Represents warranty charge associated with a product recall.

(D) Consists of amortization of acquisition-related intangible assets and compensation charges.

(E) Represents the number of shares that would be delivered upon conversion of the currently outstanding 1.00% Convertible Senior Notes Due 2018. Under GAAP, shares delivered in hedge transactions are not considered offsetting shares in the fully diluted share calculation until actually delivered.

NVIDIA CORPORATION
RECONCILIATION OF GAAP TO NON-GAAP OUTLOOK

	Q1 FY2018 Outlook
GAAP gross margin	59.5
Impact of stock-based compensation expense	<u>0.2</u>

Non-GAAP gross margin

59.7

Q1 FY2018

Outlook

(In millions)

GAAP operating expenses

603

Stock-based compensation expense, acquisition-related costs, and other costs

(83)

Non-GAAP operating expenses

520

About NVIDIA

[NVIDIA](http://nvidianews.nvidia.com/)'s (NASDAQ: NVDA) invention of the GPU in 1999 sparked the growth of the PC gaming market, redefined modern computer graphics and revolutionized parallel computing. More recently, GPU deep learning ignited modern AI -- the next era of computing -- with the GPU acting as the brain of computers, robots and self-driving cars that can perceive and understand the world. Today, NVIDIA is increasingly known as "the AI computing company." More information at <http://nvidianews.nvidia.com/>.

Certain statements in this press release including, but not limited to statements as to: the company's GPU platform continuing to power gains and enjoying rapid adoption; the impact of GPU-based deep learning; the company's intended capital return for fiscal 2018; the company's next quarterly cash dividend; the company's financial outlook for the first quarter of fiscal 2018; the company's tax rates for the first quarter of fiscal 2018; and the impact and benefits of Quadro, CANDLE, and automotive partnerships are forward-looking statements that are subject to risks and uncertainties that could cause results to be materially different than expectations. Important factors that could cause actual results to differ materially include: global economic conditions; our reliance on third parties to manufacture, assemble, package and test our products; the impact of technological development and competition; development of new products and technologies or enhancements to our existing product and technologies; market acceptance of our products or our partners' products; design, manufacturing or software defects; changes in consumer preferences or demands; changes in industry standards and interfaces; unexpected loss of performance of our products or technologies when integrated into systems; as well as other factors detailed from time to time in the reports NVIDIA files with the Securities and Exchange Commission, or SEC, including its Form 10-Q for the fiscal period ended October 30, 2016. Copies of reports filed with the SEC are posted on the company's website and are available from NVIDIA without charge. These forward-looking statements are not guarantees of future performance and speak only as of the date hereof, and, except as required by law, NVIDIA disclaims any obligation to update these forward-looking statements to reflect future events or circumstances.

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Media Contacts

Arnab Chanda

+1 408 566 6616

achanda@nvidia.com

Bob Sherbin

+1 408 566 5150

rsherbin@nvidia.com