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## Security Update Report

### **NVIDIA**

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#### **Recent Company Development**

On September 6, NVIDIA announced the immediate availability of its GeForce 7900 GS graphics processing units (GPUs). The new GeForce 7 GPU's offer exceptional performance for their price. However, the announcement failed to spark a jump in the company's price. The company has also delayed the filing of its fiscal second-quarter financial statements as a result of its ongoing review of stock option grants and its preliminary findings that "incorrect" stock option grant dates were used in certain periods. Analysts estimate incremental charges regarding the incorrect dating could near \$100 million. A committee set up by the company reached a preliminary conclusion that incorrect measurement dates for stock option grants were used in certain periods. The firm faces risk of losing its listing on the NASDAQ if it fails to file financial statements in an untimely manner; in addition, the firm will have to restate previous financial statements and will most likely have to pay a fine. Improper actions relating to stock option grants, as well as past financial restatements highlight NVIDIA's poor corporate governance.



#### **Industry Information**

On July 24, chipmakers ADM and ATI announced the companies would merge in the fourth quarter of this year. The merger creates a company with the ability to provide every significant chip in an entire PC. Some believe this union will push Intel and NVIDIA closer together. Investors are buying in with hopes of being bought out.

## **Security Information**

Ticker Symbol: NVDA  
Exchange: NASDAQ  
52-Week Range: 15.255 to 31.88  
10-Day Average Trading Volume: 9,917,260  
Beta: 4.12

## **Financial Information**

Earnings per Share: 0.88  
Price/Earnings: 31.7  
Price/Sales: 3.9  
Dividend Rate: N/A  
Current Yield: N/A

## **Company Analysis**

Revenue Growth (ttm): 16.6  
Profit Margin (ttm): 13.29  
Return on Equity (ttm): 23.16  
Return on Assets (ttm): 13.25

## **Analyst Information**

Morningstar.com gives NVIDIA 1 star. Yahoo finance and Quote.com analyst are more middle of the road. The majority of smartmoney and moneycentral analysts say hold, with the rest split between strong buy and strong sell.

## **Evaluation**

NVIDIA depends on product innovation in order to keep its competitive edge in a volatile and highly competitive industry. While thus far they have remained a leader, risk is extremely high. A misstep can easily cause large loss of market share for the company. Weak corporate governance adds to the possibility of complications. With much uncertainty in markets today, investors should seek steady gains with solid companies in more predictable markets.