

VOLAXI UNDERWRITING

NVIDIA

What has to go right for the AI thesis to work?

VOLAXI UNDERWRITING CHALLENGE

September 2026

An independent attempt to identify the assumptions carrying the NVIDIA investment thesis and the conditions that would break it.

PUBLIC DEMONSTRATION OF UNDERWRITING METHOD

Not investment advice. Constructed from public NVIDIA SEC filings, Microsoft investor materials and market data. No non-public information. No commercial relationship with NVIDIA.

Executive Underwriting View

The constructed thesis for this exercise:

NVIDIA will remain the dominant economic beneficiary of AI infrastructure because accelerated computing demand continues to grow, NVIDIA retains an advantage across compute, networking and software, and the resulting growth and margins remain high enough for long enough to support the current valuation.

Five assumptions that must remain true

01	AI infrastructure spending remains high.	SUPPORTED
02	NVIDIA remains at the important bottleneck.	SUPPORTED
03	NVIDIA retains most of its current economic advantage.	PARTIALLY SUPPORTED
04	Customers continue to earn enough money from AI infrastructure to keep spending.	NOT OBSERVABLE AT REQUIRED GRANULARITY
05	The resulting profit pool lasts long enough to justify the valuation.	UNRESOLVED

WHERE THE UNDERWRITING CONCENTRATES

Assumptions 1 to 3 are relatively observable from public filings and current industry conditions.

Assumption 4 cannot be resolved at the required granularity from the public information reviewed here.

Assumption 5 remains an underwriting question because the duration of exceptional economics must be tested against the valuation.

HOW TO READ THE STATUS

Supported Public evidence is consistent with the assumption.

Partially supported Evidence exists but material questions remain.

Unresolved Answerable in principle, but not established.

Not observable Required variables cannot be reconstructed reliably at this evidence tier.

No numerical scores are assigned. Status reflects the state of evidence, not probability.

Thesis Decomposition

The investment case rests on one top statement and five supporting conditions.

NVIDIA remains the dominant economic beneficiary of AI infrastructure

AI spending remains high

SUPPORTED

NVIDIA remains at the bottleneck

SUPPORTED

NVIDIA retains economic advantage

PARTIALLY SUPPORTED

Customers earn attractive returns

NOT OBSERVABLE

Profit pool lasts long enough

UNRESOLVED

The load-bearing combination

Assumptions 4 and 5 carry the underwriting burden. Customers must continue to earn attractive returns on incremental AI capital, and the resulting profit pool must last long enough to support the valuation. The other conditions are necessary but not sufficient.

The distinction matters: a thesis can remain operationally strong while becoming economically weaker.

Evidence Matrix

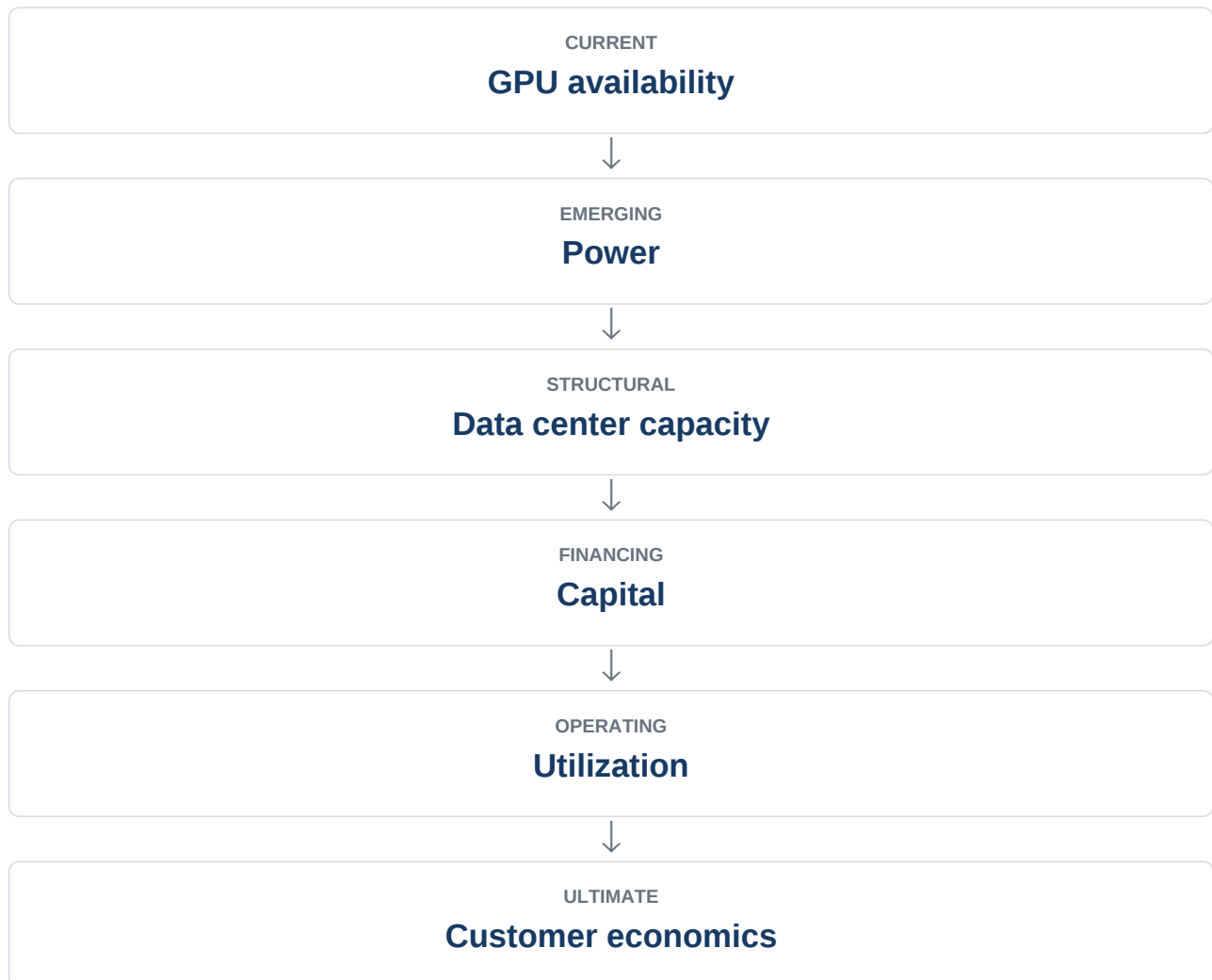
The evidence classification separates what is established, what is asserted, what remains unresolved and what cannot be reconstructed reliably from the current evidence tier.

CLAIM	EVIDENCE	STATUS
AI infrastructure spending remains high	Microsoft Q4 FY2026 capex \$41B; about two-thirds short-lived assets	VERIFIED
Azure growth remains elevated	Azure and other cloud services revenue +43%	VERIFIED
Microsoft Cloud scale	Microsoft Cloud revenue \$59.3B; commercial RPO \$678B	VERIFIED
RPO duration	Weighted average duration 2.3 years	VERIFIED
NVIDIA supply commitments rising	Supply and capacity commitments increased from \$119B to \$279B	VERIFIED
NVIDIA equity investments	Equity investments \$99B; commitments \$25B	VERIFIED
AI cloud partner commitments	AI cloud partner commitments \$36B	VERIFIED
Ohio project guarantees	Guarantees capped at \$105B; about 4.25 GW IT load for OpenAI	VERIFIED
Current gross margin	Q2 FY2027 GAAP gross margin 75%	VERIFIED
Near-term margin guidance	Q4 FY2027 GM 71 to 72%; FY2028 72 to 73%	MANAGEMENT ASSERTION
Supply remains constrained	Expected bottleneck at least through end of FY2028	MANAGEMENT ASSERTION
Customer incremental AI returns	No public isolation of incremental AI NOPAT and incremental AI capital	NOT OBSERVABLE
Independently funded demand share	Public disclosure does not cleanly separate ordinary purchases from ecosystem-supported demand	NOT OBSERVABLE
Duration of exceptional economics	Valuation requires longer dominance than current visibility establishes; severity needs calibration	UNRESOLVED

Sources: NVIDIA Q2 FY2027 Form 10-Q as of July 26, 2026; Microsoft FY2026 Q4 earnings materials.

Bottleneck Migration

Removing one constraint can expose another. The sequence is illustrative, not a forecast of exact order.



THE UNDERWRITING QUESTION

NVIDIA currently benefits from compute scarcity. What happens to value capture when compute stops being the limiting factor?

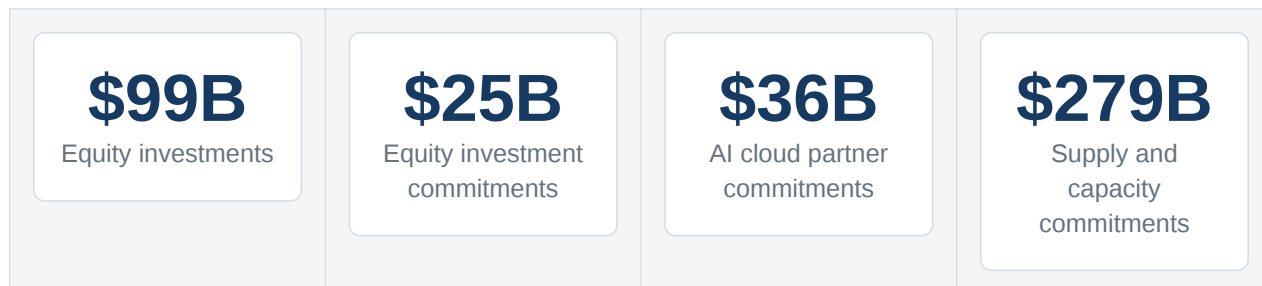
From NVIDIA's filing

NVIDIA states that land, power, data center shells and capital are necessary for customers and partners to build complete AI infrastructure. Shortages of these resources can affect future revenue and financial performance.

Implication: NVIDIA does not need to control every bottleneck. When the current bottleneck moves, NVIDIA needs to remain close enough to the new constraint to continue capturing a meaningful share of the economics. GPU leadership alone does not guarantee that outcome.

NVIDIA Is Moving Deeper into the Infrastructure System

As of July 26, 2026. Source: NVIDIA Q2 FY2027 Form 10-Q.



The model is changing

NVIDIA is no longer simply selling GPUs to independently funded customers. It is increasingly involved in the infrastructure, financing and cloud ecosystem around those GPUs.

This does not mean NVIDIA is manufacturing demand. That conclusion is not supported by the public record. It means demand quality is more complicated to analyse.

SB Energy / Ohio project

NVIDIA disclosed guarantees with an aggregate cap of \$105 billion related to certain land, power and shell obligations for an Ohio project. The campus is expected to provide approximately 4.25 gigawatts of IT load and will exclusively host NVIDIA compute for OpenAI under 20 year leases, subject to the conditions described in the filing.

Evidence boundary: public disclosure does not allow a clean separation of independently funded demand from demand that depends on the ecosystem NVIDIA is helping to build.

Incremental Dollar

The next dollar of NVIDIA revenue may be earned under different conditions from the historical dollar.

HISTORICAL DOLLAR

- Scarcity of accelerated compute
- Clear pricing power
- Strong product mix
- High customer urgency
- Limited alternative supply
- Software and networking advantages

NEXT DOLLAR

- More supply coming online
- Larger, more sophisticated buyers
- Custom silicon gaining share
- Memory cost pressure
- Changing product mix
- Greater ecosystem commitments

The framework

None of the next-dollar conditions necessarily destroy economics. They change the conditions under which economics are earned. The Incremental Dollar framework asks what NVIDIA earns on the next unit of revenue rather than projecting the last unit forward.

Gross margin path from NVIDIA disclosures

75%

Q2 FY2027 GAAP gross
margin

71 to 72%

Q4 FY2027 management
guidance

72 to 73%

FY2028 management
indication

Current margins remain exceptional. There is evidence of pressure. There is not yet enough evidence to conclude that the underlying economic position is structurally weakened.

Someone Has to Earn the Return on All This Infrastructure

NVIDIA does not ultimately depend on customers wanting GPUs. It depends on customers finding the GPUs economically useful. Microsoft provides the clearest public window into the buyer side of the cycle.

\$41B Quarterly capex	Two thirds Short-lived assets	43% Azure and other cloud growth
\$59.3B Microsoft Cloud revenue	\$678B Commercial RPO	2.3 yrs Weighted average RPO duration

WHAT THE NUMBERS ESTABLISH Enormous spending and strong monetization of cloud and AI services.	WHAT THEY DO NOT ESTABLISH The incremental return on invested capital of the AI infrastructure being deployed.
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The number we would want to reconstruct

Incremental AI NOPAT / Incremental AI invested capital

The proper underwriting metric for the infrastructure cycle.

Microsoft has stated confidence in the return on its infrastructure investments. That is a management assessment. The public disclosures reviewed here do not isolate the AI-specific variables required to establish incremental AI ROIC at sufficient granularity.

Duration Mismatch

Different parts of the system run on different clocks. The valuation requires economic profits over a period longer than current visibility alone establishes.

GPU architecture Short	Customer contracts 2 to 6 years	Data center infrastructure Long
AI adoption Variable	Valuation horizon Long	

Three distinctions matter

A three year customer commitment does not establish ten years of economic profits.	A twenty year data center lease does not establish twenty years of NVIDIA technology leadership.	Current GPU scarcity does not establish permanent pricing power.
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Microsoft commercial RPO

Commercial remaining performance obligations were \$678 billion at the end of FY2026 Q4. The weighted average duration was 2.3 years. Roughly 30 percent was expected to be recognized as revenue in the following 12 months.

Methodological boundary

The public demonstration establishes that a duration mismatch exists. It does not establish that the mismatch is unusually severe relative to other high-duration businesses. Severity requires valuation calibration, including a reverse DCF and comparison of the required duration with observable evidence.

Revenue Quality and Capital

NVIDIA's economic model is becoming more complex. The traditional path from customer purchase to recorded revenue is no longer the only path that matters.

TRADITIONAL MODEL Customer buys GPU NVIDIA records revenue Clear transaction boundary Independent funding by customer	EMERGING MODEL Capital and infrastructure Cloud and AI workloads Customer spending NVIDIA compute plus potential downstream economics
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Questions the public record does not fully answer

Who funds the infrastructure?	Who owns it?
Who takes utilization risk?	Who takes financing risk?
Who owns the customer relationship?	Who captures the economic profit?

The \$36 billion of AI cloud commitments are typically six years in duration. NVIDIA states the commitments decrease as capacity is used by third-party customers or NVIDIA itself. Under certain conditions NVIDIA can participate in revenue generated by those AI clouds from third-party customers.

Evidence boundary: public disclosure does not cleanly separate independently funded demand from demand supported by the ecosystem arrangements.

Valuation

\$5.37 trillion

Market capitalization as of September 18, 2026 close

A reverse DCF has not been completed for this public demonstration. Presenting a precise fair value without the underlying calculation would be false precision.

What the valuation requires assumptions about

Revenue growth path Operating margin trajectory	Tax rate Reinvestment intensity
Free cash flow conversion Terminal growth rate	Duration of economic advantage The period of exceptional economics is the critical uncertainty.

Next research step

Work backwards from the \$5.37 trillion market value. Identify the combination of growth, margins, reinvestment and duration required to support it. Then test each required assumption against available evidence.

The Duration Mismatch finding is therefore a structural flag, not a valuation verdict.

What Would Break the Thesis?

These are business conditions, not stock price targets. A share price move does not by itself falsify the underlying thesis.

01

Customer returns deteriorate

AI infrastructure spending continues rising but incremental returns at major buyers decline materially.

02

The bottleneck moves

GPU supply becomes easier. Power, financing, utilization or customer economics become the limiting factor.

03

Incremental margins weaken

Revenue continues growing but the economics of the next dollar of revenue deteriorate materially.

04

Ecosystem support becomes necessary

NVIDIA investments, commitments and guarantees become increasingly important for maintaining infrastructure deployment.

05

Custom silicon takes economic share

NVIDIA remains technically important but loses a meaningful share of the economics of important workloads.

06

Duration of exceptional economics shortens

Near-term demand remains strong but the period of exceptional returns becomes materially shorter than the valuation assumes.

None of these scenarios requires NVIDIA to become a weak company. That is why they matter for underwriting.

The Five Questions Worth Researching Next

This is a research agenda, not a conclusion. If this were a live mandate, the next week would go here rather than into another industry overview.

01

Can incremental AI infrastructure returns be established at the required granularity?

Attempt to reconstruct incremental AI NOPAT and incremental AI invested capital at Microsoft, Meta, Amazon and Google. If the inputs cannot be isolated with sufficient confidence, classify the question as not observable at the public-information evidence tier rather than filling the gap with estimates.

02

How much NVIDIA demand is independently funded?

Separate ordinary customer purchasing from demand supported by NVIDIA investments, commitments, guarantees and ecosystem arrangements.

03

Where does the bottleneck move after GPU availability improves?

Track power, data center construction, financing, utilization and customer monetization.

04

What happens to NVIDIA's incremental margins as supply expands?

Do not use historical gross margin as the answer. Track the economics of the next generation of products and the next phase of supply.

05

What does the current valuation require?

Build a reverse DCF from the \$5.37 trillion market capitalization. Determine the revenue, margin, reinvestment and duration assumptions required.

Final Underwriting View

The evidence supports the current AI infrastructure cycle.

The evidence supports NVIDIA's position within that cycle.

The evidence supports exceptional current economics.

The unresolved economic question

The evidence does not yet establish that customers will earn equally attractive returns on the next several hundred billion dollars of infrastructure investment.

It also does not establish how much of those future economics NVIDIA will capture after today's compute shortage becomes less important.

The more interesting risk

The obvious bear case is that AI demand slows. The more interesting risk is different. AI becomes enormous. NVIDIA remains the technology leader. Revenue keeps growing. And the economic return generated by the overall infrastructure system falls.

If that happens, NVIDIA can remain one of the world's best companies while the investment thesis changes materially.

That is what this underwriting exercise is designed to find. Not whether NVIDIA is a good company. Not whether the stock is going up. Not whether the bull case sounds convincing. The objective is to identify the assumptions carrying the thesis, determine what is supported by evidence, identify what remains unknown and define what would cause the company to be underwritten differently.

Volaxi Methodology

Start with the thesis. Break it into the assumptions that have to be true. Find the evidence. Look for contradictory evidence. Test the assumptions. Identify what actually carries the thesis. Define what would break it. Determine what research is worth doing next.

Evidence taxonomy

VERIFIED Primary-source evidence establishes the claim sufficiently for the test.	ASSERTED Management, seller or other interested-party statement not independently established.
UNRESOLVED The question is answerable in principle, but available evidence has not established the answer.	NOT OBSERVABLE AT REQUIRED GRANULARITY The necessary variable is not disclosed or cannot be reconstructed with sufficient confidence from the available evidence.

Frameworks used in this case

Duration Mismatch Compare observable demand and economic visibility with the duration required by the valuation.	Bottleneck Migration Identify the current constraint and determine where the constraint moves when that constraint is removed.
Incremental Dollar Analyse the economics of the next dollar of revenue rather than assuming historical economics remain unchanged.	Incremental ROIC Test the return generated by additional invested capital rather than relying on reported company-wide returns.
Revenue Quality Separate independently funded recurring economics from arrangements where the supplier is increasingly involved in enabling demand.	Capital Allocation Separate the returns of the core operating business from the returns generated by capital deployed elsewhere.

Public demonstration. Not investment advice. Constructed from public filings and market data. No non-public information. No commercial relationship with NVIDIA.