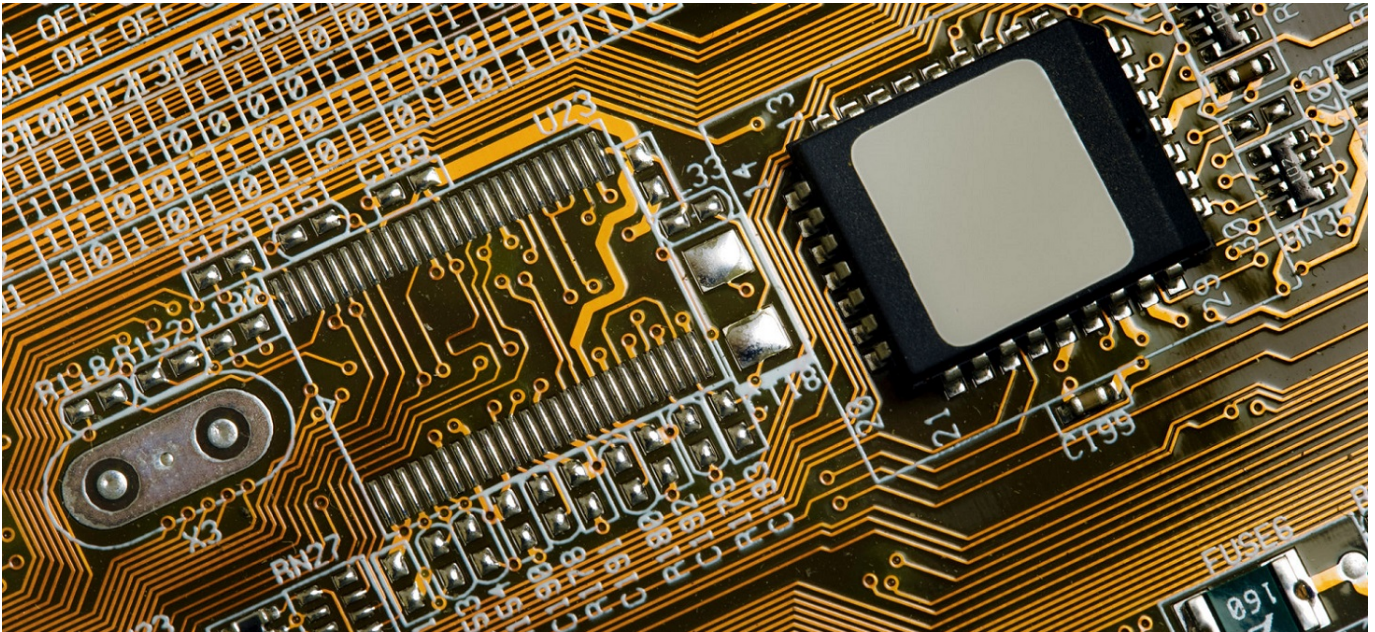




CIO continues to highlight volatility in the near term amid macro uncertainty given US-China tensions, tariffs, and geopolitical developments, but believes the broader AI trend remains intact. (UBS)

NVIDIA results reinforce AI growth opportunity

27 February 2025, 1:03 pm EST, written by US Editorial Team UBS Editorial Team

NVIDIA reported solid results for the quarter ended January 2025, with both revenue and earnings beating consensus forecasts. The company also projected first-quarter revenue above Wall Street estimates, with CEO Jensen Huang characterizing demand for its new Blackwell chips as “amazing.”

NVIDIA shares were choppy in extended trading, however, as the near-term gross margin outlook was slightly lower than expected. The chipmaker later added that such weakness is likely temporary owing to a changing product mix.

These latest results should offer some reprieve for markets, as investors were concerned over the implications of low-cost models like DeepSeek, while consumers grew skeptical about the strength of the US economy.

Without commenting on individual names, NVIDIA’s results reinforce our view that the broader AI market is big enough for every segment to grow, and we remain positive on the AI compute industry as well as the broader AI trend.

Solid guidance suggests continued strong demand for frontier models. NVIDIA’s above-consensus revenue and guidance for the April 2025 quarter indicate strong commitments from its customers. This is consistent with the higher capital spending plans announced by big tech companies in recent weeks, and suggests that cutting-edge frontier AI labs should continue to spend on compute to advance large language model performance to reach the state of artificial general intelligence (AGI). Recent concerns over Microsoft’s cancellation of some leases for US data center capacity likely reflect shifts in data center market shares, in our view, rather than a slowdown in overall data center spending.

The growth outlook of the AI compute industry is positive. We forecast 2025 capex from the Big 4 US tech firms to grow by 35% to USD 302bn and estimate total AI spending to be close to USD 500bn in 2026. This bodes well for the AI compute industry, as the majority of the investments is likely to go to AI infrastructure. While capex visibility beyond next year is unclear, NVIDIA's product roadmap in the coming years and TSMC's recent guidance support a positive outlook. The foundry industry estimates a five-year compound annual growth rate of 36% for AI compute by 2029.

Solid AI adoption trends will continue to boost monetization. Big tech companies have recently flagged capacity constraints as the main impediment to their cloud revenue growth instead of insufficient demand. With data suggesting ongoing improvement in AI adoption, we share Alphabet CEO Sundar Pichai's view that the AI opportunity is "as big as it comes." We continue to believe that monetization is primed to improve sharply this year. In addition, companies adopting AI will use it to both increase their revenue and reduce their costs, which means measuring the economic value-add from AI will grow in importance as a measure of monetization.

So, while we continue to highlight volatility in the near term amid macro uncertainty given US-China tensions, tariffs, and geopolitical developments, we believe the broader AI trend remains intact. Given still-strong spending intentions and improving monetization ahead, we continue to like AI semiconductors and leading cloud platforms. Investors can consider taking advantage of near-term volatility by buying the dip in quality AI names or through structured strategies.

Original report: [**NVIDIA results reinforce further AI growth opportunity, 27 February 2025.**](#)

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