Q3 2027 Earnings Call

Company Participants

- Colette Kress, Interim Chief Executive Officer, and Executive Vice President and Chief Financial Officer
- Harvey C. Jones, Chairman of the Board of Directors
- Toshiya Hari, Vice President of Investor Relations & Strategic Finance

Other Participants

- Ben Reitzes, Melius Research
- C.J. Muse, Cantor Fitzgerald
- James Schneider, Goldman Sachs
- Joseph Moore, Morgan Stanley
- Joshua Buchalter, TD Cowen
- Stacy Rasgon, Bernstein Research
- Timothy Arcuri, UBS
- Vivek Arya, BofA Securities

Presentation

Operator

Good afternoon. My name is Sarah, and I will be your conference operator today. At this time, I would like to welcome everyone to NVIDIA's Third Quarter Financial Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

Toshiya Hari, you may begin your conference.

Toshiya Hari {BIO 6770302 <GO>}

Thank you. Good afternoon, and welcome to NVIDIA's conference call for the third quarter of fiscal 2027. With me today from NVIDIA are Colette Kress, Interim Chief Executive Officer, and Executive Vice President and Chief Financial Officer; and Harvey Jones, Chairman of the Board.

Our call is being webcast live on NVIDIA's Investor Relations website. The webcast will be available for replay until the conference call to discuss our financial results for the fourth quarter of fiscal 2027. The content of today's call is NVIDIA's property. It can't be reproduced or transcribed without our prior written consent.

During this call, we may make forward-looking statements based on current expectations. These are subject to a number of significant risks and uncertainties, and our actual results may differ materially. For a discussion of factors that could affect our future financial results and business, please refer to the disclosure in today's earnings release, our most recent Forms 10-K and 10-Q, and the reports that we may file on Form 8-K with the Securities and Exchange Commission. All our statements are made as of today, November 17, 2026, based on information currently available to us. Except as required by law, we assume no obligation to update any such statements.

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During this call, we will discuss non-GAAP financial measures. You can find a reconciliation of these non-GAAP financial measures to GAAP financial measures in our CFO commentary, which is posted on our website.

With that, let me turn the call over to Harvey for some opening remarks.

Harvey C. Jones {BIO 1431472 <GO>}

Thank you, Toshiya. Good afternoon, everybody, and thank you for joining us today. As Chairman of NVIDIA's Board of Directors, I want to say a few words on the Board's behalf. NVIDIA is an exceptionally strong company. Its strength comes from its extraordinary people, groundbreaking technology, and exemplary track record of execution. Our financial performance speaks for itself.

On November 12, our Board of Directors announced that, after disclosure of personal behavior inconsistent with the company's code of conduct, standards, and cultural norms, Jensen Huang voluntarily resigned his positions as President, CEO, and Board Member. The NVIDIA Board unanimously accepted his resignation and does not intend to reinstate Jensen as CEO.

The Board appointed Colette Kress, NVIDIA's long-time and well-respected CFO, as Interim CEO. In addition, the Board announced it was initiating a search for a permanent Chief Executive, and we have since retained Heidrick & Struggles to lead the search.

While this was an unexpected transition, the Board acted deliberately and in the best interest of the company's employees, customers, partners, and shareholders. This morning, the company announced that our Board has established a national security and export control oversight committee that will include a select group of our independent Board directors, senior external advisors, and legal counsel.

This committee will enhance -- will -- excuse me, will enhance our engagement with the US Government, including all relevant agencies. We will not be addressing or taking questions on today's call regarding the circumstances of Jensen's resignation and the ongoing investigation. Our Board will communicate further when appropriate.

On behalf of our shareholders, the Board is proactively dealing with immediately -- the immediate consequences facing the company, as well as enhancing our oversight capacity going forward. We have an incredibly talented leadership team, and we have every confidence in Colette's leadership, integrity, and ability to deliver as Interim CEO.

Colette has been at the center of this company's extraordinary growth over the last -- growth for the last 13 years, instrumental in executing strategy, and with a deep understanding of our business, customers, operations, and financial position. The Board and the entire leadership team remain laser-focused on driving NVIDIA forward. Our commitment to generating value for shareholders, customers, and partners remains unchanged.

With that, I will turn it over to Colette.

Colette Kress {BIO 18297352 <GO>}

Thank you, Harvey. Our momentum is real. With a market-leading multi-year roadmap, supply agreements extending through to the end of the decade, and sustainable demand, we are well-positioned to accelerate NVIDIA's leadership position. Our ambition will not

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change. Our passion to innovate will not change. And our commitment to customers, partners, and shareholders will not change.

Now let me transition to our financials. We delivered another outstanding quarter, marked by record revenue, operating income, and EPS. Total revenue of $116 billion more than doubled year-over-year and grew 20% on a sequential basis. Vera Rubin is off to an extraordinary start. In its first quarter of production shipments, the Rubin platform generated nearly $20 billion in revenue, making it the fastest product ramp in NVIDIA's history.

We are addressing strong demand for compute across a diverse and expansive set of end customers, including hyperscalers, frontier labs, AI natives, enterprises, and governments. This, combined with increased support from our supply base, we are raising our fiscal year 2028 outlook. We expect revenue to grow approximately 75% year-over-year, up from 70%, and off what is now a higher fiscal 2027 base.

Our outlook considers data center readiness, the strength and durability of end customer demand, and our customers' access to capital. Q3 Data Center revenue increased 21% quarter-over-quarter to $108 billion with balanced growth across Hyperscale; and AI Clouds, Industrial, & Enterprise sub-segments. Hyperscale revenue of $60 billion, grew 23% sequentially, driven by the Vera Rubin ramp and sustained strength in Grace Blackwell.

Our Hyperscale customers' cloud revenue growth accelerated for the sixth consecutive quarter. Cloud industry backlog now sits at $2.5 trillion, up from $2 trillion just three months ago, underscoring the significant multi-year opportunity ahead of our partners and of NVIDIA.

Proprietary models from OpenAI and Anthropic continue to advance the frontier, with OpenAI launching its latest GPT-6 models and Anthropic releasing its Claude 5.5 models. As frontier models become more capable, adoption and revenue are scaling rapidly, with Anthropic's annualized revenue reaching $81 billion at the end of October. We expect the major frontier labs to contribute approximately 15% of our Data Center revenue this year.

Open models are accelerating. AI adoption and weekly token volume on OpenRouter have surged 35x year-over-year and 3.5x in just these past three months. Agentic workloads now account for approximately 80% of tokens. A rapidly expanding ecosystem of inference providers is bringing these models to companies everywhere.

At NVIDIA, we are committed to fostering a vibrant open-model ecosystem so every country, company, and industry can build its own intelligence. In September, we entered into a definitive agreement to acquire Hugging Face, the home of open-model community, serving more than one -- 18 million developers and 200,000 companies. Together, we will scale its platform and make intelligence more open, more capable, and more accessible.

Nemotron is now the most widely used U.S. open model on OpenRouter and is where developers start to build their own intelligence. That foundation is empowering the ecosystem. This past quarter, leading enterprise software and security companies, including Microsoft, Salesforce, Palantir, CrowdStrike, Cadence, and Synopsys, announced products that use post-trained open models tailored to domain-specific use cases.

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Training partners, such as Scale, Mercor, Prime Intellect, and Applied Compute, are helping enterprises turn open models into their own, using their data, tools, and workflows. And startups across specialized domains, including Lila Sciences, Harvey, Therna, and Abridge, are using post-trained open models to deliver results in science, law, and healthcare.

All of this is creating a powerful flywheel. Token prices have fallen nearly 60% since May, accelerating token usage and demand for compute. As a result, GPU rental prices are rising across generations. Hopper GPUs have re-contracted at up to twice their original price under the multi-year agreements, while the B300 rates have risen more than 60% since their introduction.

NVIDIA Compute remains fully utilized across every hyperscaler and neocloud we serve, underscoring the productivity, durability, and fungibility of our infrastructure. As agents run longer and act with greater autonomy, organizations need stronger controls to ensure safety and security. The NVIDIA Open Agent Safety Platform, which we announced alongside more than 100 partners, enabled these controls. OpenShell contains agents by limiting their access to files and tools, while NVIDIA Sentry, running on BlueField-4, monitors their behavior in silicon and stops agents for overstepping limits in milliseconds.

OpenShell is already gaining broad ecosystem support from partners across AI models, enterprise software, cybersecurity, cloud infrastructure, and robotics. Companies working with NVIDIA include Anthropic, AWS, CoreWeave, CrowdStrike, Dell, Google Cloud, HPE, IREN, JPMorganChase, Lenovo, Microsoft, Nebius, OpenAI, and SpaceXSI.

Advances in agents harnesses are accelerating the adoption of agentic AI. Meta's Muse agent, launched on NVIDIA's infrastructure, surpassed 10 million setups in the United States and Canada within the first six weeks. To support this massive scale and future growth, Meta intends to expand its deployment of Vera Rubin hardware with the goal of maximizing performance and efficiency for its next generation of AI agents.

Agentic AI is driving extraordinary demand for CPUs, far outstripping supply. NVIDIA Vera CPU meets the growing demand, delivering leading performance at data center processing and scientific simulation workloads. CoreWeave, Meta, Nscale, and OpenAI have now adopted Vera, joining AWS, OCI, and SpaceXSI, the leading partners we announced last quarter. We continue to see very strong demand for Vera and expect total CPU revenue to more than double in fiscal year '28.

AI Clouds, Industrial, & Enterprise, or ACI&E, revenue of $47 billion increased 18% sequentially and nearly tripled year-over-year. Sequential growth was driven by Vera Rubin shipments to top leading neocloud customers and the start of our frontier labs building their own data centers. Neoclouds remain an increasingly important part of the global AI infrastructure ecosystem, providing additional customers with access to NVIDIA compute and expanding the reach of our platform. We have supported the development of this ecosystem, and we will continue to be disciplined and selective in our support.

NVIDIA's full-stack AI technology platform uniquely positions us to address opportunities across sovereign, enterprise, and physical AI. Sovereign AI revenue more than tripled year-over-year in Q3. In September, we announced a collaboration with multiple NVIDIA Cloud partners in Australia to develop up a 2 GW of land, power, and shell capacity by the

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end of calendar '27, with an opportunity to host multiple generations of NVIDIA DSX AI factories.

In Enterprise, financial services delivered the strongest growth, with on-prem revenue reaching nearly $5 billion on a trailing 12-month basis and more than doubled year-over-year, as more customers leveraged NVIDIA infrastructure to accelerate quantitative trading. We expect Enterprise revenue to be more than double in fiscal year '28. Physical AI revenue nearly tripled year-over-year in Q3 and is now on track to exceed $25 billion for the full year.

At GTC Berlin, we expanded our NVIDIA Isaac robotics platform with a new humanoid reference design built on Isaac GR00T and Jetson Thor. In Automotive, NVIDIA Hyperion and Alpamayo are enabling Mercedes-Benz and Bolt with Lucid to build robotaxi fleets, Einride to develop Level 4 autonomous trucks and Volvo Cars to advance safe automated driving.

Q3 Edge Computing revenue of $8.2 billion increased 14% sequentially and 42% year-over-year. Sequential growth was driven by stronger enterprise demand for Blackwell workstations and edge compute for Physical AI applications. Q3 sales of licensed Hopper Data Center products to China was $2.4 billion. Our guidance does not have any licensed Hopper Data Center products included, and we are no longer shipping licensed Hopper Data Center products to China.

Transitioning to an update on our supply chain, financial commitments, and guarantees. Expanding our global supply chain to support customers' growth remains a top priority, with demand continuing to outpace supply. We are working closely with our partners to accelerate capacity expansion across critical components, including wafers, substrates, and advanced packaging.

Today, we are announcing new agreements with Kinsus and Samsung Electro-Mechanics in substrates and SPIL in advanced packaging, further strengthening our global supply chain capacity and resiliency. These build on partnerships we announced last month with Amkor, IBIDEN, KYEC, and Unimicron.

In Q3, our purchase commitments increased to $390 billion, reflecting our confidence in the long-term sustainability of demand for NVIDIA infrastructure. We are securing data center and cloud capacity required to support our R&D efforts across hardware and software and increasingly in open models. Together, our data center lease and cloud service commitments increased to a little over $100 billion, driven primarily by our long-term leases.

Commitments associated with our neocloud agreements totaled $32 billion at the end of Q3. Under these agreements, we earn revenue from the upfront sale of our infrastructure and participate in upside in rental revenue above a minimum commitment. Total guarantees were $118 billion at the end of Q3, including the $105 billion in credit support for land, power, and shell capacity for the PORTS-Pike campus we discussed last quarter. The site will exclusively host NVIDIA infrastructure under a 20-year lease to OpenAI. SoftBank Energy plans are on track with capacity expected to come online in phases beginning in calendar 2028.

We continue to work closely with our infrastructure capital partners to stand up the financing platforms. These partners are instrumental in financing the buildout of AI infrastructure. As we advance this work, we'll remain thoughtful in how we participate

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and disciplined in how we commit capital. We are proud of the role that we have played so far in supporting the ecosystem. As the market matures and additional sources of capital become available, we are rigorously evaluating future investments, commitments, and guarantees.

NVIDIA's ability to extreme co-design across compute, networking, systems, algorithms, and software are unmatched, driving the X-factor leaps in performance per watt and per dollar on an annual cadence. On the MLPerf Endpoints benchmark, Vera Rubin delivered 10x more tokens per watt over GB300. With Vera Rubin still early in its lifecycle, we expect continuous software optimization to deliver even greater performance over time. The transition from Grace Blackwell to Vera Rubin has been exceptionally smooth. Just three months after we began production shipments in August, production racks are landing in data centers at every major hyperscaler and leading neoclouds.

Our Hyperscale partners brought Vera Rubin into production in about one month, in half the time required with Grace Blackwell. Our networking franchise continues to scale with Q3 revenue exceeding $21 billion. Our co-packaged optics roadmap remains on track with CPO scale-out in volume production.

At Supercomputing 26, Lambda announced the first production deployment of NVIDIA Photonics CPO switches, connecting more than 10,000 GB300 GPUs. Compared with pluggable optics, NVIDIA Photonics switches delivered 5x better power efficiency, 15x higher reliability, and 10% lower latency. We remain on track to launch Vera Rubin Ultra next year and Feynman in 2028.

The next big leap is on the horizon. At GTC Berlin, we introduced DSX POD, a full-stack modular AI factory reference architecture. Just as Grace Blackwell NVL72 moved rack assembly from the data center into the supply chain, DSX POD extends that approach to the entire cluster. PODs arrive ready-to-connect, cutting deployment times from months to weeks, accelerating time to first token.

With annual revenue generating from 1 gigawatt AI factory approaching $50 billion, reaching first token just one quarter earlier, could generate more than $10 billion in additional revenue for the operator. We are working more than a dozen partners, including Dell, Foxconn, Schneider Electric, and Vertiv. We plan to ship our first PODs to customers in the U.S. and Central Europe early next year.

I'm going to move to the rest of the P&L. GAAP and non-GAAP gross margins were 74.8% and 74.9% and exceeded our guidance due to better product mix. GAAP and non-GAAP operating expenses were up 9% and 7% sequentially, respectively on higher compute and infrastructure spend. Operating expenses came in marginally below our outlook, primarily due to the timing of NRE expenses.

Our non-GAAP effective tax rate of 17% increased from a year ago, primarily due to higher revenue. In Q3, we returned a record $28 billion to shareholders, $22 billion through share repurchases, and $6 billion in cash dividends. We have returned 65% of free cash flow on a year-to-date basis, and, going forward, we intend to return all excess free cash flow, net of strategic uses, to shareholders during this last quarter and going forward.

During the quarter, we authorized an additional $150 billion increase to our share repurchase program, the largest in history, and we exited Q3 with $227 billion remaining

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under our authorization. We continue to plan to execute our buyback authorization by the end of fiscal 2028.

Now, let me turn to the outlook for the fourth quarter. Please note, we'll have an additional week in Q4. Total revenue is expected to be $130 billion, plus or minus 3%. We expect sequential growth to be driven by robust demand for AI infrastructure and the continued ramp of Vera Rubin. New export controls were released by the U.S. Commerce Department this week. However, with demand far exceeding supply, we expect our performance to remain strong.

As mentioned earlier, we now expect fiscal 2028 revenue to grow approximately 75% off what is now a higher fiscal '27 base. GAAP and non-GAAP gross margins are expected to be between 71% and 72%, consistent with the outlook we provided last quarter. We expect Q4 to mark the bottom of gross margins before improving to the 72% to 73% range in fiscal year '28.

GAAP and non-GAAP operating expenses are expected to be approximately $11 billion and $10.7 billion, respectively, impacted by the additional week and transition-related costs. We will continue to prioritize investments that support market growth and further strengthen our market position.

For full year fiscal 2027, we continue to expect GAAP and non-GAAP tax rates to be between 16% and 18%, excluding any discrete items and material changes to our tax environment. Finally, we plan to file our 10-Q in the coming weeks. In the interim, we have provided a supplemental document with additional financial information on our Investor website.

Toshiya Hari {BIO 6770302 <GO>}

Thank you, Colette. We will now transition to Q&A. Ian Buck, Vice President of Hyperscale and High-Performance Computing, will be joining Colette to answer your questions. Operator, please poll for questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) We'll pause for just a moment to compile the Q&A roster. As a reminder, please limit yourself to one question. Thank you. Your first question comes from Joseph Moore with Morgan Stanley. Your line is open.

Q - Joseph Moore {BIO 17644779 <GO>}

Great. Thank you. I wonder if you could talk about the next year outlook for 75% growth. I know you were constrained largely wafers, but there were other constraints as well. What gives you the confidence to raise that number? And do you still feel like -- you said that demand is going to be stronger than that number. At one point, you talked about 100% with the new BIS rules. Do you still think that that 100% is kind of the right way to think about demand?

A - Colette Kress {BIO 18297352 <GO>}

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Yes. Thank you, Joe, for the question. That is correct. We are looking into our next fiscal year. We had originally indicated that we would be at about 75% -- 70% growth year-over-year, and now we are increasing that to 75% growth.

We took a lot of time working into both our demand that continues to be growing, as well as our additional supply that we are able to provide to our different customers. Those two things together continue to give us more and more growth opportunity for us.

Additionally, we did look at an assessment in terms of the current export controls, and we're still going to spend some time studying those to see the difficult [ph] pieces of it. But we feel confident in terms of both the demand that we have in front of us, as well as the supply and additional supply that we can do the 75%.

Operator

Your next question comes from Vivek Arya with Bank of America Securities. Your line is open.

Q - Vivek Arya {BIO 6781604 <GO>}

Thanks for taking my question. Colette, I appreciate that some decisions are still evolving, but I'm curious, what is your message to NVIDIA investors about just the structural moats and the talent retention at the company? What kind of remains durable? What could change during this leadership transition? Just how do you and the Board envision the company's competitive positioning and the financial strategy as you work through this leadership transition? Thank you.

A - Colette Kress {BIO 18297352 <GO>}

Let me see if I will start, and I'll have Harvey see if he could say a few words as well.

Probably, the most important thing that we think through right now is our employees. Our employees are absolutely important, instrumental to everything in this company. We are always thinking about our employees. Like every community that there's out there, there are diverse opinions. Our employees, though, we believe, are committed. They're committed to doing their life's work at NVIDIA, and that has been true about our company from the very beginning. We will take care of our employees during this transition to make sure that they are safe and making sure the work can be done in the current environment.

I think there's also a time to think about our leadership and how important our leadership is across this organization. Our leadership has stood up so strongly over the last week to support both what we are doing here at earnings, but also supporting all of our different employees around the world. Supporting them and moving to work their jobs in every single day as they always do is what I highly understand them to do always. But, honestly, they have been even greater than that in terms of the work, working seamlessly in terms of what we need to complete.

Remember, we have the best technologists on the planet, with a world-class multi-year roadmap, and I think that's important.

From a business perspective, it's business as usual. We've engaged with our customers, we've engaged with our suppliers, our partners; they're all 100% up behind us. Customers

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have expressed their support to the business outlook and helping us through that. They've been working closely with our suppliers to narrow the supply and demand gaps as well.

And I see right now the leadership even from TSMC that was in our offices just this week also fully engaged in helping us. We've secured memory, we've secured advanced packaging. But I think the most important thing is where we are internally as a company and the strength that we have to continue.

And I'll turn it over to Harvey to see if he has more.

A - Harvey C. Jones {BIO 1431472 <GO>}

I think Colette said it very well. From the Board's point of view, we take the search very seriously. We're going to look into internal candidates as well as external candidates. We -- the Board appreciates that we're living in a world where the advanced silicon technologies and the national security dynamics are making major changes in our marketplace. Our new CEO will have to navigate those waters very carefully. So, the search will be thorough, and we want to install the CEO, the permanent CEO, as quickly as possible, but we won't expedite the CEO before finding exactly the right person.

Operator

Your next question comes from Timothy Arcuri with UBS. Your line is open.

Q - Timothy Arcuri {BIO 3824613 <GO>}

Thanks a lot. Colette, I wanted to ask about this new gross margin comment that you'll be in the 72% to 73% range for calendar 2027. And I wanted to see if you can speak to your ability to kind of maintain pricing power and margins over the longer term. And I ask because, if you look at the frontier-model guys, they're leaning in even more aggressively on ASICs, and they're talking about compute efficiency as new KPIs. Is there an acceptable rate of margin compression that you might be willing to live with to protect your competitive position given all that's going on? Thanks.

A - Colette Kress {BIO 18297352 <GO>}

Thanks, Tim for the question. In our last earnings, we did discuss where we saw our gross margins, not only for the last two quarters of fiscal year '27, but we also gave an outlook in terms of fiscal year '28. If you recall at the time, there was a significant change in terms of the cost of supply throughout the quarter that we were in, as well as what we were going to move in terms of fiscal year '28. So, it was important for us to rework in what we thought would be important.

Yes, we thought about in terms of our prices and pieces of that, and a lot of the costs were some of the things that we absorbed in those numbers that we included. What we provided here in Q4 is our bottom. If you recall, that was our bottom as we honored many of the different POs that we had already received from our customers, and we just wanted to make sure that that was held solid as we moved to a new pricing, as we moved into the new year.

Your statement regarding the changes that we are making, those changes regarding fiscal year '28 are in line with what we communicated last quarter that we see in fiscal

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year '28. We see no changes at this time. We feel confident in terms of those numbers that we will be able to do.

For the long term and our thoughts in terms of pricing going forward, remember, when you think about our full roadmap and our systems, probably one of the most important parts is they are very, very world-class, and everything that we enable within those systems is so important. But again, it drives such an important piece of the work that is completed, and I think our pricing is well thought through, but that is something for the future. We'll continue to think through what that pricing might be.

Operator

Your next question comes from C.J. Muse with Cantor Fitzgerald. Your line is open.

Q - C.J. Muse {BIO 6507553 <GO>}

Good afternoon. Thank you for taking the question. ACI&E is a very important growth vector for NVIDIA. I'm hoping you could update us on your appetite for future vendor financing. And if there is any change here, what are the implications for growth for this important segment, particularly for your NCP customers?

A - Colette Kress {BIO 18297352 <GO>}

Thanks for the question, C.J. So, let's kind of break down that group of folks that are in that AI&E piece of it.

One of the more important areas are always together, and one of those is going to be, yes, our neoclouds. Our neoclouds have been so instrumental in terms of both supporting enterprises and supporting many of the different countries around the world, particularly on the sovereign perspective. And we continue to be working with them. But always remember, there's also other different types of groups within that category as well. We spend a lot in terms of where we are shipping in terms of our enterprises customers. Our enterprises and building their AI factories has been important for them. And the neoclouds enable them to essentially have a private cloud for them to complete that.

We've also seen in terms of many of our physical AI and others that are working in terms of that piece as well. So, our edge computing can sometimes also just have data center help included in that. So, we actually have a vast group of different types of customers that are within that group to watch.

Now, how do we think about in terms of the future and potential financing that will be necessary? The most important part of the financing that we would probably review but have to review in detail to make sure it is the right thing, is focusing on land, power, shell. The availability of land, power, shell is such a critical part of the whole structure in terms of building out those data centers, so they may need the assistance. That's a great asset for anyone to hold, so we will look at that as probably one of our top priorities.

We -- as you heard in our announcement here that we've been discussing about many of our financing funds that have been helping us, and they can be a very big part of that work as well in terms of the neoclouds or even any of the enterprises and the work that they want to do.

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We have a strong amount of companies that we work with that are not only working in terms of in enterprises or in big businesses, but keep in mind, they are also IG customers. Those IG customers can be very helpful, particularly when it comes to enabling the amount of money that is required. We can look at them in terms of the assistance in needing in terms of prepaying, which can help in terms of their build of that data center.

So, right now, I think we would look at this and taking a very strong look in terms of the types of companies that we would want to help in terms of the financing, as a lot of things have changed over this last quarter, and we know that that's a priority of ours, but we do have some very, very strong existing customers that we will be continuing to work with.

Operator

Your next question comes from Stacy Rasgon with Bernstein Research. Your line is open.

Q - Stacy Rasgon {BIO 16423886 <GO>}

Hi, guys. Thanks for taking my question. Colette, I wanted to follow up on that. In the CFO commentary, it looks to me a new sentence, a new paragraph on the neoclouds. It says, your commitments take effect only if the neoclouds secure financing to purchase the data center infrastructure products and related compute capacities deployed, maximum commitment, blah, blah, blah. And it says, certain commitments may be reduced or eliminated if they don't do this.

I guess I'm asking, is this -- it's a new sentence in the CFO disclosure. Is this something new in how you're doing business with the neoclouds, or is this something that you've been doing all along and you're just telling us about it now? Because it sounds like you guys are not the ones that are actually looking to provide the financing. It reads like they have to secure their own financing in order to get the backstops and commitments from you.

A - Colette Kress {BIO 18297352 <GO>}

Thanks, Stacy, for the question. Let me see if I can clarify for everyone about what that means.

When we are looking at many of our different types of guarantees, much of the land, power, shell that has to be built and put together, there is construction, there is the raising of capital that they may need through equity and/or debt in order to build out any of the buildings, get them ready for use, but also the ability to procure the compute, install the compute, and get ready.

What we are indicating in our statement there is that is when our guarantee starts. So, if all of that begins, and unfortunately they are delayed or they have a challenge in terms of building that, our guarantee doesn't exist anymore. Our guarantee, for most of these, are really about when they are ready to go, particularly when we think about our one in terms of Portsmouth, in terms of what we could do.

These are important things to understand, because that shows what we have done in terms of really thoughts, in terms of very, very strong businesses that we felt could

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actually maintain creating the debt and equity that they needed to get that done, and create the data center such that we felt very confident in terms of that guarantee.

Is it new? No. Did we change anything? No. What this is only saying is that we wanted to make sure that the clarity, there was other communication in another part that would have already communicated this, but we just wanted to make sure it was very clear as we had been receiving some of the questions on how that exactly worked.

Operator

Your next question comes from Ben Reitzes with Melius Research. Your line is open.

Q - Ben Reitzes {BIO 1880391 <GO>}

Hey, thanks very much, and nice presentation tonight, Colette and team. I wanted to ask about if you could give me any idea on what you think about this idea that there needs to be a big slowdown in 2028 due to the change in government and some of the policies that we may see. There's obviously, I'm sure you're aware of the big fears that there could be a slowdown after your great calendar '27.

Is there something that you're seeing, increased confidence in this? Have you spoken to anyone in the administration, or not administration but in government since the blue wave, and anything that gives you confidence beyond '27 that you might want -- you might be able to tell us about? Thanks a lot.

A - Colette Kress {BIO 18297352 <GO>}

Yes. So, thanks, Ben, for the question. Where we stand right now, there is so much demand with such the largest companies continuing to work on so many agentic solutions, new models that are also available. And that's been our focus to assist. I'd say, even in the last week, the continued ask, how are we going to receive more and more supply to help them with the demand that they have in front of them?

So, they're all getting ready for that. I know there's been a lot of focus in terms of the data centers within the United States as well. Are they well-positioned to take care of the communities that are around that? And I think that's very important that all companies are working together so that communities understand both the jobs that are going to be newly available, but giving them the confidence regarding how they will be perceived and working within those areas as well.

So, I think that is an area to focus on, but I think there is a lot of data centers already in use or ready to go that might be that case. We're always going to be engaged with the government, making sure that we are all aligned in terms of what we see in terms of the future. But I think the demand and what we have in terms of agentic will continue, not only in the '27 perspective but moving to the '28 as well, as we'll continue to carry over the amount of demand that's in front of us.

Operator

Your next question comes from Joshua Buchalter with TD Cowen. Your line is open.

Q - Joshua Buchalter {BIO 19890074 <GO>}

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Hey, guys. Thank you for taking my question, and want to offer a sincere good luck to you and the employees during this transition.

In the prepared remarks, you were clear that demand continues to meaningfully outstrip supply, but should we expect any changes to how NVIDIA allocates its available capacity across the key buckets of end demand like hyperscalers, AI labs, and neoclouds? You mentioned that AI labs are likely to be about 15% of revenue this year, which is I think roughly flat with some disclosures you gave over the summer, but how big could that bucket be, for instance, over time? Thank you.

A - Colette Kress {BIO 18297352 <GO>}

Thanks for the question. So, when we think about our allocation, we do think about very important parts that we need to understand to make sure that, in the quarter that we need to ship, they would be able to use and use very efficiently in the very beginning. What that means is that land, power, shell, whether or not it's structured, ready to go, is already set up and completed to do so. That's one of the most important things.

The second thing, though, is also to think about their capital needs. And their capital, it needs to be set up, ready to go for us to work in terms of that allocation. Many of our customers outside of the IG will want to provide and think through in terms of their offtake, as we will be needing an understanding of do they have that solid offtake that they will be able to run as well.

So, our allocation runs from we're here for everyone, particularly when there is already a PO available and we feel those means in terms of capital will happen, and we will continue to be allocating as quickly as possible when we know the amount of supply that we will think we will have.

So, I believe this is a process that will continue to grow as more supply comes in, we'll continue working in terms of more allocation, but right now, that's probably the best way that I would describe all of our process that we are doing. It is not anything in terms of any types of different pricing. All are getting the same pricing. That is super important for us, and we just need to assure that they are ready on their side in terms of being able to accept the compute.

Operator

Your next question comes from Jim Schneider with Goldman Sachs. Your line is open.

Q - James Schneider {BIO 15753052 <GO>}

Good afternoon. Thank you for taking my question. I was wondering if you could maybe address capital allocation and overall capital priorities. It sounds like there's no change to your existing commitments to partners or supply chain partners or customers, and you've reiterated the buyback commentary you talked about previously.

Can you maybe just kind of clarify whether there is anything about the hurdle rates or thresholds for customer financing specifically that is changing going forward, or is that unchanged? And can you maybe also address the timing or relative sequencing of buybacks versus customer financing or other partner financing? Thank you.

A - Colette Kress {BIO 18297352 <GO>}

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Okay. So, let me clarify for you, Jim, where we stand in terms of returning capital to shareholders. Super top priority for us, first and foremost, to understand. We already are with the $150 billion increase in our opportunity. It is going to be used, and hopefully in terms of fully used, for the full fiscal year '28. And that is going to be something that we want to do, and we believe we have the capability to do so.

But, equally, there are important areas that we need to keep in mind for the capital use. The top priority is going to be our suppliers. Our suppliers are working feverishly to build more demand for us. And some of that demand needs assistance -- excuse me, some of that supply needs assistance in terms of capital from any forms of different types of prepaids to help them in terms of capacity. We want to make sure that we're there for them, so they can move as quickly as possible. I think that is a very great use of our capital to help support that part of it. Additionally, there are areas where we will see some of our expected committed investments that we need to make that we may need finished. Not a very large piece of it, but something that we need to do.

When you think about just on the edge of a set of types of very strong customers that may need assistance in terms of financing of some type of guarantee, that is something we will do. It is a process that we will look very deeply in terms of the company, the strength of what they have planned, as well as everything that they need in terms of that data center to do so. So, there will be a portion that we will do. But again, something other, a lot of work to understand if those are the right types of investments that we need to make.

So, thinking about all of that together, I think there is definitely the room to continue all of the stock repurchases plans that we want to do and complete those before the end of fiscal year '28.

Operator

There are no further questions at this time. Colette Kress, I turn the call back over to you.

A - Colette Kress {BIO 18297352 <GO>}

Thank you. Thank you, all, for joining us today. Our momentum is real. Our demand is accelerating. Our supply is growing. Our customers and our partners are with us, and employees are committed. We've got this. Thank you so much.

Operator

This concludes today's conference call. You may now disconnect.

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