TMT

November 10, 2026
Global Equity Research

Nvidia (NVDA)

Initiation of Coverage

Nvidia's Scandal, Not AI's: Initiating at Overweight, PT $217

NVDA: Overweight, PT $217. Nvidia lost 10% in the two sessions after its chief executive acknowledged a relationship with a person US intelligence reportedly assessed as a Chinese agent. That erased about $428bn of market value. AI chip peers rose 10% over the same two days. This is an Nvidia problem, not an AI one. At 10.6x consensus FY28 EPS, the price already discounts the CEO leaving, tighter export rules and a record penalty, all at once. Our Nov-27 PT of $217 implies +28%. Results on 17 November and a House briefing on 18 November are the next tests.

What the brief gets right, and wrong. The scandal is real, and so are the risks to the CEO's position and to Nvidia's standing in Washington. But AI stocks are not "dumping": Nvidia fell alone. A divorce would move little stock relative to Nvidia's own buybacks. "Nationalisation" is the wrong word: export licences already gave Washington control over China sales, and China data-centre sales are already out of guidance. The real exposure is Nvidia's lobbying power on pending chip legislation.

Key Points

The market sold Nvidia and bought its rivals

On 9 November Nvidia fell 4% while the Nasdaq-100 rose 4%, AMD 13% and Broadcom 9%. Adjusted for its beta of 1.27, Nvidia's two-day loss is 13%, about $590bn. AI stocks did fall on 5 November, but that was after the mid-term results, three days before the admission (Exhibits 2-4).

A divorce is the smallest of the three risks

No divorce has been reported. The CEO's 870.6M shares (3.58%) sit mostly in family trusts. Even half of them would be 3.6 days of average volume, or 4.6 quarters of Nvidia's own buyback (Exhibit 11).

An exit is possible, and largely priced

The board backs the CEO and has hired outside counsel. Across 10 past CEO exits over personal conduct, the average day-0 move was -0.1%, but no case involved a founder of 33 years. We value an exit at $45 a share. At $168.89, the stock prices a 57% chance of our bear case, up from 11% before the first report (Exhibits 6-10).

Washington's leverage was already there

China data-centre compute is zero in guidance, and H200 sales to China are under 1% of data-centre revenue. The cost is in pending legislation and Nvidia's credibility with lawmakers, not a state takeover. A penalty, even at twice the unverified $7.5bn of chips alleged to have reached China, would be $0.62 a share (Exhibit 9).

17 and 18 November come first

Third-quarter results are guided to $108bn of revenue, and the closed House briefing follows a day later. Precedent says that where the founder stays, the stock lags for about a month and then recovers. We would build positions through the inquiry rather than all at once (Exhibit 15).

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Symbol	PT (Previous)	Rating (Previous)	Price
NVDA	$217 (new)	Overweight (new)	$168.89

Source: Yahoo Finance and K2 Capital. Price at 10-Nov-26 close; Nov-27 PT.

Nvidia snapshot	
Market cap	$4.07tn
P/E, FY27 / FY28 consensus EPS	18.1x / 10.6x
Price, 9-10 Nov	(10%)
Price, from 6 Oct record close	(29%)
Consensus PT, mean	$327
Q3 FY27 results	17 Nov

The brief's three risks	Verdict
Divorce and share sales	Overstated
CEO steps down	Real, priced
'Nationalisation'	Wrong label

Value at risk per share: $0, $45 and $11 against our $227 base case. See Exhibit 9.

Strategy	Verdict
Sell AI stocks on the scandal	Avoid
Fade NVDA vs AMD divergence	Avoid
Buy on the day of the news	Avoid
Buy a month after the news	Use selectively
Sell volatility into 17-18 Nov	Avoid
Own NVDA through the probe	Implement

See Exhibit 15 for the evidence behind each verdict.

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What Nvidia has confirmed, and what it has not

Nvidia has confirmed three things. Its CEO had a personal relationship with the person at the centre of the reports. The board has opened an independent inquiry, now advised by Wachtell, Lipton, Rosen & Katz. And the CEO remains in his role "without interruption". Everything else comes from press reports citing US officials:

- that US intelligence assessed the person as working for China's Ministry of State Security;
- that the US Justice Department's National Security Division is investigating Megaspeed;
- that a Malaysian affiliate of Megaspeed bought at least $4.8bn of Nvidia-based equipment between June 2024 and February 2026.

No charges have been reported. China calls the allegation a smear, and Singapore says it never investigated the person. The board says it has "no reason to believe" national security or Nvidia secrets were compromised. We treat the allegations as unproven, and the political consequences as real.

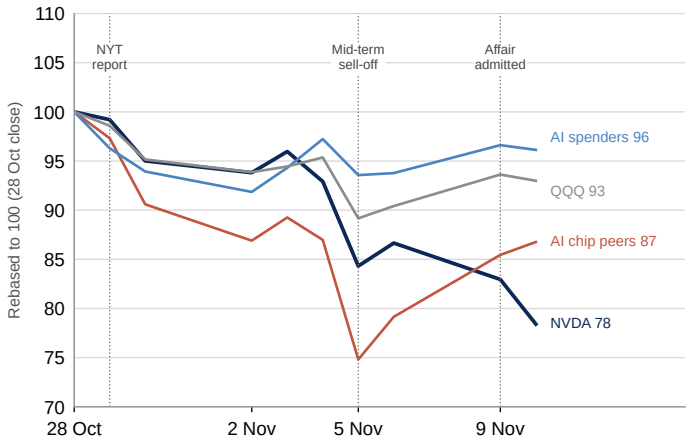
Exhibit 1 - From Spy Report to Board Inquiry in Ten Days

Date	Event	NVDA move
9 Oct 2025	NYT reports US and Singapore probes of Megaspeed, a Singapore cloud firm, for suspected chip diversion. The class period in the lawsuit starts here.	
29 Oct 2026	NYT: US intelligence assessed a former Megaspeed executive close to the CEO as working for China's Ministry of State Security. Nvidia calls the contacts "not unusual".	(0.8%); SMH (1.1%)
30 Oct	WSJ follows. The CEO tells Bloomberg the interactions were "completely normal".	(4.2%); SMH (7.0%)
31 Oct	Singapore's Ministry of Home Affairs says it has run no investigation into the executive; its Megaspeed inquiry continues.	
5 Nov	Chairs of three House committees (China, Foreign Affairs, Intelligence) request a closed briefing from the CEO on 18 Nov.	(9.3%); SMH (11.2%)
6 Nov	Reports of a US memo describing a romantic relationship.	2.8%; SMH 3.6%
8 Nov (Sun)	**The CEO acknowledges the relationship and apologises. A committee of independent directors opens an inquiry: "no reason to believe" national security or Nvidia secrets were compromised.**	
9 Nov	**The President says the CEO should stay. China calls the allegation "smears". A securities class action is filed in San Jose.**	**(4.3%); SMH 5.1%**
10 Nov	Independent directors retain Wachtell, Lipton, Rosen & Katz. The Information alleges at least $7.5bn of chips reached Chinese firms through the network; Reuters could not verify it. A Republican senator says the CEO "has got to go".	(5.5%); SMH (0.8%)

Moves are NVDA close to close. Where the source is a press report, the claims are those of the outlet named, citing officials; they are not established facts.

Source: Nvidia board statements (8 and 10 Nov 2026); House Select Committee on the CCP (5 Nov 2026); Singapore MHA (31 Oct 2026); NYT, WSJ, Bloomberg, Reuters, AP, CBS and The Information as reported; Yahoo Finance; K2 Capital.

Exhibit 2 - Nvidia Fell While AI Peers Recovered



Source: Yahoo Finance; K2 Capital. AI chip peers: equal-weight AMD, Broadcom, TSMC, Micron. AI spenders: Microsoft, Amazon, Meta, Alphabet, Oracle.

Nvidia fell alone

From the 28 October close to 10 November, Nvidia lost 22%. An equal-weight basket of AMD, Broadcom, TSMC and Micron fell harder through the 5 November sell-off and then recovered more than half of it. The large AI spenders (Microsoft, Amazon, Meta, Alphabet, Oracle) held up best. The first report on 29 October barely moved the stock: it trailed the S&P 500 by 0.4%. The market waited for the admission and the board inquiry, then sold Nvidia alone (Exhibit 2).

What happens next depends on the inquiry's findings and on Washington, not on the next quarter's numbers. The board has said nothing about timing. Until it reports, every new leak about the relationship or about Megaspeed's purchases risks another session like 9 November.

The scandal moved money between AI stocks, not out of them

The brief says the scandal is "dumping AI stocks". The tape says otherwise (Exhibit 3). The AI sell-off came on 5 November, after the mid-term election results. Nvidia fell 9.3% that day, less than AMD, Micron and the SMH semiconductor ETF, and the VIX jumped 70%. On the first session after the admission, the Nasdaq-100 had its best day since April. AMD rose 13% on an upgrade and a Google Cloud deal, and Broadcom 9%. Nvidia fell 4%, its worst day during a 5% chip rally since 1999, according to Yahoo Finance. Over the two days, Nvidia fell 13% more than its beta implied, worth about $590bn (Exhibit 4). That is a single-stock event, and investors appear to be reallocating within AI hardware rather than leaving it.

Exhibit 3 - AI Stocks Fell on 5 November; Only Nvidia Fell After the Admission

Daily move	NVDA	Nasdaq-100	SMH	AMD	Broadcom	TSMC	Micron	AI spenders	VIX
5 Nov (mid-terms)	(9.3%)	(6.5%)	(11.2%)	(17.3%)	(10.4%)	(10.8%)	(17.5%)	(3.8%)	69.7%
6 Nov	2.8%	1.4%	3.6%	11.0%	0.7%	6.3%	5.1%	0.2%	(9.0%)
9 Nov (admission)	**(4.3%)**	**3.5%**	**5.1%**	**13.3%**	**8.8%**	**3.5%**	**6.3%**	**3.0%**	**(22.3%)**
10 Nov	**(5.5%)**	**(0.7%)**	**(0.8%)**	**1.3%**	**3.9%**	**2.0%**	**(1.1%)**	**(0.5%)**	**(2.3%)**
9-10 Nov	**(9.5%)**	**2.8%**	**4.2%**	**14.7%**	**13.0%**	**5.6%**	**5.1%**	**2.5%**	

Close-to-close moves. 9-10 Nov is cumulative. AI spenders: equal-weight Microsoft, Amazon, Meta, Alphabet, Oracle. AMD's 9 Nov move included an analyst upgrade and a Google Cloud agreement.

Source: Yahoo Finance; K2 Capital.

Exhibit 4 - A $590bn Single-Stock Event

Nvidia, 9-10 Nov	
NVDA move	(9.5%)
Nasdaq-100 move	2.8%
Expected at beta 1.27	3.6%
Abnormal move	**(13.1%)**
Market value lost	$428bn
Abnormal value lost	$590bn
Volume, 9 Nov vs 3-month average	3.8x
NVDA vs S&P 500, 29 Oct (first report)	(0.4%)
NVDA vs S&P 500, 9 Nov (admission)	(6.6%)

Beta: daily returns over 250 sessions to 6 Nov. Value lost uses 24.1bn shares outstanding.

Source: Yahoo Finance; Nvidia 10-Q; Motley Fool (volume); K2 Capital.

Exhibit 5 - Big NVDA-AMD Gaps Have Not Closed

NVDA vs AMD, two-day gap	Gap	Next 5 days	Next 20 days
27 Jul 2018	(16.5%)	2.4%	(15.9%)
16 Nov 2018	(17.4%)	(4.3%)	(5.4%)
31 Jan 2019	(14.9%)	9.9%	11.6%
9 Aug 2019	(15.6%)	12.6%	27.3%
24 Jul 2020	(14.0%)	(6.9%)	3.0%
29 Jul 2021	(10.0%)	(3.9%)	7.4%
21 Jun 2024	(11.1%)	(3.0%)	1.0%
27 Jan 2025	(15.0%)	(0.9%)	16.8%
6 Oct 2025	(20.0%)	(4.6%)	(13.4%)
30 Apr 2026	(15.8%)	(8.4%)	(31.9%)
Average (10 cases)		**(0.7%)**	**0.1%**
10 Nov 2026	**(23.7%)**	**To come**	**To come**

Two-day log-return gap below -3 standard deviations (500-day window), at most one case a month, 2016-Oct 2026. The gap is NVDA minus AMD.

Source: Yahoo Finance; K2 Capital.

A pair trade that bets the gap closes has no historical support. Nvidia's two-day gap to AMD is 23.7 percentage points, 5.0 standard deviations. In the 10 earlier gaps beyond three standard deviations since 2016, Nvidia's next-20-day return against AMD averaged +0.1%, with 6 of 10 positive and a t-statistic of 0.0. These gaps do not close on their own (Exhibit 5).

Options say the same thing. Before the weekend, prices implied a move of more than 3% for Monday. The expiry after results (18 November) implied about 11%, against an average move of about 4% over the last eight results. One options platform put implied volatility near 63%, the 99th percentile of its history; that figure is unattributed. With results, the House briefing and the inquiry all within days, we would not sell that volatility.

Who gains? AMD and Broadcom have rallied as the obvious alternatives, though AMD also had its own news. Bernstein said the main beneficiary of the CEO's removal "would clearly be China". Lawmakers from both parties are using the episode to push chip-export bills that Nvidia has lobbied against. Those bills, not the CEO's private life, are what could change Nvidia's numbers.

Precedents: hired-CEO exits barely move stocks; founder scandals do

We tested 16 episodes since 2005 in which a chief executive's or founder's personal conduct became public: relationships, affairs, divorces and related probes. We measured each against its home market index (Exhibit 6). Three findings stand out:

- When a hired CEO left over a relationship (Boeing, Intel, McDonald's, BP, Nestle and others), the average day-0 move was -0.1%. Boards replace such executives without much damage.
- Where the founder or controlling holder stayed (Amazon, Microsoft, SK, Wynn before the exit), the stocks lagged their markets by 3.3% on average over the next 20 sessions, then beat them by 7.1% over days 21-60 (5 of 6).
- The one founder-CEO exit, Wynn Resorts in 2018, rose 9.2% on the day he left, after a 19.9% two-day fall on the original report.

Nvidia's 11.7% two-day fall against the S&P 500 is the second largest in the set, behind only that Wynn report (Exhibit 7). No precedent combines a founder of 33 years, a $4tn company and a national-security allegation. That is why we value Nvidia's exit risk far above the precedent average. The samples are small and the results illustrative: only the days 21-60 recovery (t 2.4) has a t-statistic above 2.

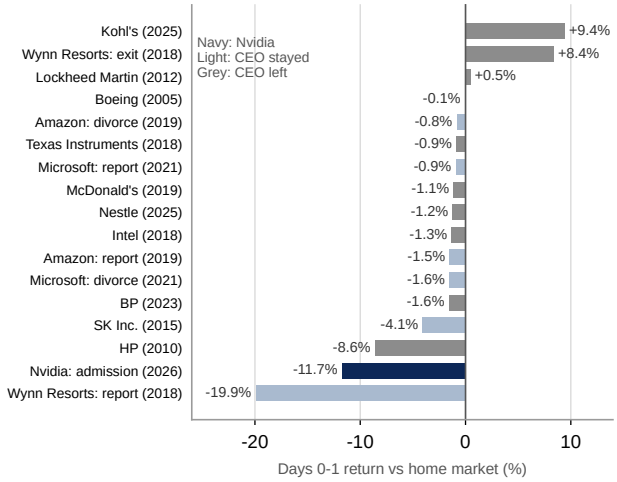
Exhibit 6 - Personal-Conduct Scandals and the Stock's Reaction

Company	Day 0	Event	CEO	Day 0	Days 0-1	Days 1-20	Days 21-60	Same-day confounder
Amazon	9 Jan 2019	Founder-CEO announces divorce	Stayed	(0.3%)	(0.8%)	(6.9%)	6.2%	
Amazon	10 Jan 2019	Tabloid report of affair	Stayed	(0.5%)	(1.5%)	(8.1%)	8.5%	
SK Inc.	**29 Dec 2015**	**Chairman admits affair**	**Stayed**	**(0.4%)**	**(4.1%)**	**(4.9%)**	**(5.0%)**	**Possible ex-dividend day**
Microsoft	**4 May 2021**	**Co-founder announces divorce**	**Stayed**	**(1.0%)**	**(1.6%)**	**(1.0%)**	**9.8%**	**Rate-driven tech sell-off**
Microsoft	17 May 2021	Report of 2019-20 board probe	Stayed	(0.9%)	(0.9%)	3.4%	5.8%	
Wynn Resorts	26 Jan 2018	Misconduct report on founder-CEO	Stayed	(11.3%)	(19.9%)	(2.1%)	17.4%	
Wynn Resorts	7 Feb 2018	Founder-CEO resigns	Left	9.2%	8.4%	(0.8%)	10.2%	
Boeing	7 Mar 2005	CEO forced out over affair	Left	(0.2%)	(0.1%)	3.6%	7.7%	
HP	**9 Aug 2010**	**CEO resigns after probe**	**Left**	**(8.5%)**	**(8.6%)**	**(3.4%)**	**(1.4%)**	**Preliminary results**
Lockheed Martin	12 Nov 2012	Incoming CEO resigns	Left	(0.3%)	0.5%	0.0%	(10.6%)	
Intel	**21 Jun 2018**	**CEO resigns over relationship**	**Left**	**(1.7%)**	**(1.3%)**	**(2.3%)**	**(15.6%)**	**Guidance raised**
Texas Instruments	18 Jul 2018	CEO resigns over conduct	Left	(0.3%)	(0.9%)	(5.0%)	(6.3%)	
McDonald's	4 Nov 2019	CEO dismissed over relationship	Left	(3.1%)	(1.1%)	2.3%	5.9%	
BP	13 Sep 2023	CEO resigns over relationships	Left	(2.8%)	(1.6%)	1.3%	(9.3%)	
Kohl's	**1 May 2025**	**CEO fired over vendor ties**	**Left**	**6.9%**	**9.4%**	**9.3%**	**40.2%**	**Q1 numbers beat**
Nestle	2 Sep 2025	CEO dismissed over relationship	Left	0.0%	(1.2%)	(2.7%)	4.1%	
Nvidia	**29 Oct 2026**	**NYT report on alleged spy**	**Stays**	**(0.4%)**	**(2.9%)**	**n/a**	**n/a**	
Nvidia	**9 Nov 2026**	**CEO admits affair; board probe**	**Stays**	**(6.6%)**	**(11.7%)**	**n/a**	**n/a**	

Returns are the stock less its home index (S&P 500 ETF, KOSPI, FTSE 100, SMI), summed daily. Day 0 is the first session able to react. Peach: other news the same day. Adjusted prices; SK Inc.'s day 0 may be an ex-dividend date.

Source: Company releases and contemporaneous press reports (Reuters, WSJ, CNBC, Bloomberg, Yonhap and others); Yahoo Finance; K2 Capital.

Exhibit 7 - Nvidia's Fall Is Near the Top of the Range



Source: Yahoo Finance; K2 Capital. Days 0-1 return against the home market index.

Exhibit 8 - Weak for a Month, Then a Recovery

Group	n	Day 0	Days 0-1	Days 1-20	Days 21-60	Up, 21-60
CEO or founder stayed	**6**	**(2.4%)**	**(4.8%)**	**(3.3%)**	**7.1%**	**5 of 6**
CEO left	10	(0.1%)	0.3%	0.2%	2.5%	5 of 10
CEO left, no confounder	7	0.4%	0.6%	(0.2%)	0.2%	4 of 7
Nvidia, admission	**1**	**(6.6%)**	**(11.7%)**			

Mean returns against the home index. Six or ten cases are small samples; only the days 21-60 recovery for the stayed group has t above 2.

Source: Yahoo Finance; K2 Capital.

Exhibit 9 - The Brief's Three Risks, and the One It Missed

Risk	What the brief says	What the evidence says	Value at risk per share	Verdict
1. Divorce and share sales	A divorce without a prenup would see the CEO's wife sell "a massive amount" of stock.	No divorce or prenup reported. 870.6M shares (3.58%), mostly in trusts the couple control jointly. Half would be 3.6 days of average volume.	$0	**Overstated**
2. CEO steps down	Leadership change brings uncertainty for the whole AI trade.	The board and the President back him; one senator says he should go. There is no named successor. The market already prices a high chance.	$45 (to 12x)	**Real, priced**
3. "Nationalisation"	The government gets "free rein" over Nvidia and its lobbying dies.	Exports have needed licences since 2022, and China compute is zero in guidance. No stake has been proposed. The real cost is lost lobbying power on the AI OVERWATCH, Chip Security and MATCH Acts.	$11 (5% of EPS)	**Wrong label**
4. Missed: export-control exposure	Not mentioned.	DOJ is reported to be probing Megaspeed. A penalty at twice the alleged $7.5bn of chips would be $15bn.	$0.62	**Small in dollars**

Source: Nvidia DEF 14A (12 May 2026), 10-Q (26 Aug 2026) and board statements; BIS; White House; Senate and House releases; press reports as cited; K2 Capital.

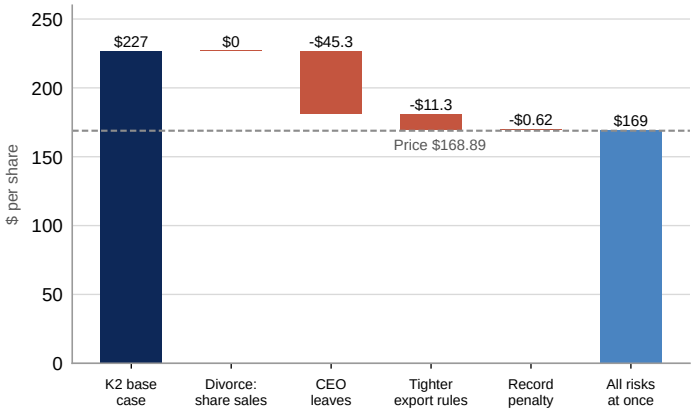
The three risks in the brief, priced one by one

We value each risk against our base case of $227 (Exhibit 9).

- **Divorce: worth nothing to the share price.** No filing is reported and we do not know whether a prenuptial agreement exists. Even a forced sale of half the CEO's holding would be absorbed: Nvidia bought back 203M shares ($39.8bn) in the first half of FY27 alone. In 2019, 4% of Amazon moved to the CEO's former spouse without disrupting the stock.
- **Exit: the risk that matters.** We value it at about $45, cutting the multiple from 15x to 12x on unchanged earnings. That is the founder premium the market would remove.
- **'Nationalisation': the wrong word.** The government already decides what Nvidia can sell to China, and charges a 25% tariff on licensed H200s. No equity stake has been proposed; the Treasury Secretary said in 2025 that one was "not on the table". The real cost is to Nvidia's standing in Congress. Three bills that would tighten export controls (AI OVERWATCH, Chip Security and MATCH) sit in the Senate version of the annual defence bill, and lawmakers from both parties have cited the scandal to push them. We put it at 5% of FY28E EPS, or $11, which is illustrative.
- **The risk the brief missed:** the Megaspeed inquiry. Even a record penalty would cost under $1 a share.

Taken together, our base case less all of these risks gives $169, against today's $168.89 (Exhibit 10). The price assumes everything goes wrong at once.

Exhibit 10 - The Price Already Discounts All of It



Value per share against our base case of 15x FY28E EPS of $15.10. Penalty: twice the unverified $7.5bn of chips alleged to have reached China.

Source: K2 Capital estimates.

Exhibit 11 - A Divorce Would Be Easily Absorbed

If half the CEO's shares were sold	
CEO holding (23 Mar 2026 proxy)	870.6M (3.58%)
Value at $168.89	$147bn
Half the holding	435M shares, $74bn
Share of shares outstanding	1.8%
Days of 3-month average volume	3.6
Days if sold at 10% of volume	36
Quarters of Nvidia's buyback (Q2 pace)	4.6
Nvidia buyback still authorised	$99.3bn
Amazon 2019: shares transferred to ex-spouse	19.7M (about 4%)

Hypothetical. No divorce has been reported. Shares are held mainly through a living trust, two irrevocable trusts, four LLCs and a foundation.

Source: Nvidia DEF 14A and 10-Q; Motley Fool (average volume); press reports (Amazon, 2019); K2 Capital.

Valuation: PT $217, with 30% on a bear case where the CEO leaves

We value Nvidia on FY28 (January 2028) EPS, the year its CFO says revenue should grow about 70%, constrained by supply. Our base case of $15.10 sits 5% below the $15.91 consensus, allowing for the H200 tariff, compliance costs and slower licensing. At 15.0x, below where the stock traded before October's sell-off, it gives $227. The bull case ($330) assumes a quick clearance and supply above plan. The bear case ($125) combines the CEO's exit, tighter export rules and an AI capex slowdown, at 10.0x on $12.50. Weighted 50/20/30, the PT is $217: +28% upside, against the roughly 8% total return we assume for the S&P 500. Our PT is 13.6x consensus FY28 EPS, and 34% below the $327 consensus mean.

Solving for the weight on our bear case that matches today's price gives 57%. That was 39% at the 6 November close, after the mid-term sell-off but before the admission, and 11% on 28 October, before the first report. We think 30% is the right weight: the board backs the CEO and the White House defends him, but the inquiry has no end date and Congress is engaged.

Exhibit 12 - Nov-27 PT: Three Scenarios

Nov-27 PT build	Bear	Base	Bull
FY28E EPS ($)	12.50	15.10	16.50
P/E on FY28E	10.0x	15.0x	20.0x
Value per share ($)	**125**	**227**	**330**
Weight	30%	50%	20%
PT ($)		**217**	
Implied P/E on consensus FY28 EPS		13.6x	

Bear: CEO leaves, export rules tighten, AI capex slows. Base: CEO stays, FY28 growth as guided. Bull: early clearance, supply above plan.

Source: Nvidia 10-Q and Q2 FY27 call; consensus as reported (S&P Global via StockAnalysis, 3 Nov 2026); K2 Capital estimates.

Fundamentals are not the question

Second-quarter revenue was $96.2bn, up 106% year on year. Data-centre revenue was $89.0bn and gross margin 75%. Nvidia guided the third quarter to $108bn, against $109.2bn consensus. Supply commitments rose to $279bn, mostly memory. China was 8.2% of second-quarter revenue on a customer-headquarters basis, with H200s under 1% of data-centre revenue. Analysts at Wells Fargo, Bernstein, Bank of America and Baird kept positive ratings after the news. Wells Fargo saw "little/no risk" of demand destruction, and Bank of America removed the stock from its US 1 List.

Exhibit 13 - Most Outcomes Are Above Today's Price

Value ($/share)	10.0x	12.5x	15.0x	17.5x	20.0x
FY28E EPS $12.50	125	156	188	219	250
FY28E EPS $14.00	140	175	210	245	280
FY28E EPS $15.10 (K2 base)	151	189	**227**	264	302
FY28E EPS $16.50	165	206	248	289	330

Blue: K2 base. Peach: below today's $168.89.

Source: K2 Capital estimates.

Exhibit 14 - K2 Versus Consensus

	Consensus	K2
FY27 EPS (Jan-27)	$9.31	n/a
FY28 EPS (Jan-28)	$15.91	$15.10
FY28 revenue	$692bn	+70% (guided)
Q3 FY27 revenue	$109.2bn	Guide $108bn +/-2%
Price target	$327 (mean)	$217
Ratings (Buy / Hold / Sell)	59 / 2 / 1	Overweight

Source: StockAnalysis (S&P Global data, 3 Nov 2026); IG/LSEG (10 Nov 2026); Nvidia 8-K (26 Aug 2026); K2 Capital.

Exhibit 15 - Strategy Scorecard

Strategy	Evidence	Verdict
Sell AI stocks on the Nvidia scandal (the brief's trade)	9-10 Nov: AMD, Broadcom, TSMC and Micron +9.6% on average; Nasdaq-100 +2.8%; NVDA -9.5%	**Avoid**
Long NVDA, short AMD to fade the two-day divergence	10 past divergences beyond 3 standard deviations: next 20 days +0.1% on average, 6 of 10 positive, t 0.0	**Avoid**
Buy on the day of CEO personal-conduct news (CEO stays)	6 cases: next 20 days -3.3% vs market on average, 1 of 6 positive, t -1.9	**Avoid**
Buy a month after CEO personal-conduct news (CEO stays)	Same cases, days 21-60: +7.1% vs market on average, 5 of 6 positive, t 2.4	**Use selectively**
Sell short-dated volatility into results (17 Nov) and the House briefing (18 Nov)	Implied move about 11% vs about 4% on the last eight results, but the probe and briefing add gap risk	**Avoid**
Own NVDA through the probe, sized for headline risk	PT $217 (+28%); price implies a 57% chance of our bear case; 10.6x FY28 consensus EPS	**Implement**

Verdicts: Implement (we expect the strategy to add value after costs), Use selectively (beneficial in defined circumstances only), Avoid (we do not expect it to add value after costs). Precedent samples are small.

Source: Yahoo Finance; Yahoo Finance options commentary (9 Nov 2026); K2 Capital.

Price Target Calculation and Key Risks

NVIDIA Corporation (NVDA)

Investment Thesis

Nvidia is the supply-constrained leader in AI accelerators. It guides to about 70% revenue growth in FY28 and has $99bn of buyback capacity. The scandal threatens its CEO and its standing in Washington, not its order book. The market has sold Nvidia and bought its rivals, and now values it at 10.6x consensus FY28 EPS, which already discounts the CEO's exit, tighter export rules and a record penalty. We initiate at Overweight with a PT of $217. We are sized for headline risk until the board reports.

Base Case/PT

The CEO stays and the inquiry closes without findings against Nvidia. FY28E EPS is $15.10, 5% below consensus. At 15.0x that is $227. The PT of $217 weights base 50%, bull 20% and bear 30%.

Bull Case/PT

The inquiry clears the CEO before year-end, supply comes in above plan and FY28E EPS reaches $16.50. At 20.0x, that is $330.

Bear Case/PT

The CEO leaves, Congress tightens export rules and AI capex slows. FY28E EPS is $12.50; at 10.0x, $125.

Risks

Downside risks:

- The board inquiry, a possible FBI or DOJ inquiry, congressional subpoenas and the securities class action.
- Key-person risk: there is no named successor, and the 10-K warns of the cost of failing at succession planning.
- Export legislation and licence suspensions; penalties tied to Megaspeed.
- China retaliation, including against H200 approvals.
- An AI capex slowdown and memory supply limits.

Upside risks: early clearance, a strong third quarter on 17 November, and Chinese approval of the H200s held in Hong Kong.

What Would Make Us Wrong?

We would revisit our rating if any of the following occur:

1. **The inquiry finds a breach.** If the board or US authorities find that Nvidia information was passed on, or that officials were misled, an exit becomes likely and our bear case becomes the base. We would move to Neutral.
2. **The CEO steps aside before the inquiry ends.** If he takes leave or resigns, we would cut the PT towards our $181 exit value.
3. **Chip rules become law.** If the final FY27 defence bill includes the Chip Security or GAIN AI provisions, or Commerce suspends Nvidia export licences, we would cut FY28E EPS by at least 5%.
4. **Demand cracks on 17 November.** Third-quarter revenue below the $108bn guidance, or a fourth-quarter guide that puts FY27 revenue below $400bn, would make this a demand story, not a governance one.
5. **Customers move.** If a top-five customer shifts a major order to AMD or a custom chip and cites the scandal, the reallocation in the share prices is real business, not sentiment.

Signposts

11 November: the CEO's reply to the three House committee chairs is due. 17 November: third-quarter FY27 results, with the call at 5pm ET. 18 November: the closed House briefing. The following week: the APEC summit in Shenzhen, where the President said he "maybe" will raise the matter with China's leader. December: final FY27 defence bill text. No date: the board inquiry's findings. 10 January 2027: Commerce's pause on its affiliates rule ends, and its decision on listing Megaspeed is pending.

Exhibit 16 - Select Financials: Growth Is Not the Issue

$bn unless stated	Q2 FY27 actual	Q3 FY27 guidance	Q3 FY27 consensus	FY27 consensus	FY28 consensus	FY28 K2 base
Revenue	96.2	108.0 +/-2%	109.2	411.6	692.2	About +70%
Data-centre revenue	89.0	n/a	n/a	n/a	n/a	n/a
Gross margin	75%	74%	n/a	n/a	n/a	n/a
Non-GAAP EPS ($)	**$2.22**	**n/a**	**$2.48**	**$9.31**	**$15.91**	**$15.10**
China revenue (share)	7.9 (8.2%)	Guidance assumes no China data-centre compute revenue				
Balance sheet, 26 Jul 2026	Cash and debt securities 56.6; marketable equity stakes 42.8; debt 33.4; buyback authorisation left 99.3; dividend $0.25 a quarter					

Source: Nvidia 8-K, CFO commentary and 10-Q (26 Aug 2026); StockAnalysis (S&P Global data, 3 Nov 2026); IG/LSEG (10 Nov 2026); K2 Capital estimates.

Exhibit 17 - The Brief's Claims, Checked

Claim in the brief	Verdict	Evidence at 10 November
The scandal is "rightfully dumping AI stocks"	**Incorrect**	9-10 Nov: NVDA (9.5%); AMD, Broadcom, TSMC and Micron +9.6%; Nasdaq-100 +2.8%. AI stocks fell on 5 Nov, after the mid-terms, before the admission.
"Affairs can be bullish": Amazon +$2tn	**Borderline**	About $0.80tn to $2.81tn (5 Nov), so about +$2.0tn. But Amazon returned 227% against the Nasdaq-100's 343%: it lagged.
Microsoft +$2tn after the co-founder's affair	**Roughly right**	About $1.9tn to $4.1tn. The relationship dated from 2000 and he had left the board in 2020; Microsoft returned 122% vs the Nasdaq-100's 107%.
SK Hynix +$600bn after "SK Hynix's affair"	**Misattributed**	It was the SK Group chairman, whose look-through stake in SK Hynix is about 6.5%. SK Hynix rose 1.0% that day; its gain since is the memory boom.
The CEO "doesn't have a prenup"	**Not verified**	No reputable outlet reports a prenuptial agreement, a divorce filing, or comment from his wife.
His wife would sell "a massive amount of shares"	**Overstated**	Half his 871M shares would be 3.6 days of average volume and 4.6 quarters of Nvidia's buyback.
"Not unusual" for management to step down after being unfaithful	**Partly**	Hired CEOs at Boeing, Intel, McDonald's, BP and Nestle left over relationships. Founders at Amazon and SK stayed. The board backs the CEO.
It makes exports a national-security matter	**Already were**	Licences since 2022; H20 licences from April 2025; 25% tariff on licensed H200s since January 2026; China compute zero in guidance.
The government gets "free rein": "essentially nationalization"	**Incorrect**	No stake is proposed; the Treasury Secretary said one was "not on the table" (2025). Intel's 9.9% stake (2025) was negotiated for CHIPS grants. The risk is lost lobbying influence.
It will "kill any attempt they make to lobby"	**Plausible, partly**	Senators of both parties cite the scandal to push the AI OVERWATCH, Chip Security and MATCH Acts. But the President defends the CEO and the final defence bill is not settled.

Source: Yahoo Finance; Nvidia filings and board statements; BIS; White House; Senate releases; BNN Bloomberg, StockAnalysis and Gotrade (market caps); Korea Times (SK structure); press reports as cited; K2 Capital.

Why 'affairs can be bullish' does not help here

The brief's examples are survivors measured over years. Amazon added about $2tn after January 2019, but it trailed the Nasdaq-100. Microsoft's gain came three decades after the relationship and after the co-founder had left the board. SK Hynix's rise came from AI memory demand, not its parent's chairman. No case involved an allegation of foreign intelligence or a company whose sales depend on export licences. The useful lesson is narrower. When the founder stays and the business keeps growing, the stock recovers after a month or so (Exhibit 8). Nvidia's business is still growing; whether the founder stays is the open question.

Promotional content in the brief (portfolio returns, calls to comment) is not addressed.

Exhibit 18 - Washington Already Controlled China Sales

Date	Measure	Effect on Nvidia
Apr 2025	US requires licences for H20 exports to China	$4.5bn charge in Q1 FY26
Aug 2025	Nvidia and AMD agree to pay 15% of China H20/MI308 revenue for licences	Never codified
Dec 2025	The President allows H200 sales to approved Chinese buyers, with a 25% cut	Blackwell excluded
Jan 2026	Commerce moves H200 to case-by-case review; 25% tariff on licensed chips; China customs told H200 is not permitted	Tariff not passed on to customers
Aug 2026	10-Q: Nvidia "effectively foreclosed" from China data-centre compute	H200 under 1% of data-centre revenue
Nov 2026	About 600,000 H200s held in Hong Kong awaiting Beijing's approval (Reuters)	Upside if approved

Nvidia's guidance assumes no China data-centre compute revenue. China (including Hong Kong) was 8.2% of Q2 FY27 revenue by customer headquarters, mostly non-data-centre products.

Source: Nvidia 8-K (15 Apr 2025) and 10-Q (26 Aug 2026); BIS (13 Jan 2026); Federal Register (15 Jan 2026); White House (14 Jan 2026); Reuters as reported; K2 Capital.

Important Disclosures

Analyst Certification

The research analysts of K2 Capital Limited responsible for this report certify that (1) the views expressed in this report accurately reflect their personal views about the subject companies and their securities, and (2) no part of their compensation was, is or will be directly or indirectly related to the specific ratings or views expressed in this report.

Rating Definitions

Overweight: over the duration of the price target, we expect the stock to outperform the total return of the relevant benchmark, which in this report is the S&P 500, for which we assume a 12-month total return of about 8%. **Neutral:** we expect the stock to perform in line with it. **Underweight:** we expect the stock to underperform it. Price targets are set for the period stated and are based on the methodology and risks described in this report. Strategy verdicts: Implement (we expect the strategy to add value after costs), Use selectively (beneficial in defined circumstances only), Avoid (we do not expect it to add value after costs). The rating distribution covers all seven companies K2 Capital rates: Nvidia, Alphabet, Reddit, SpaceX, Nebius, IREN and CoreWeave.

Rating Distribution

(As of November 10)	% of coverage	Companies
Overweight	57.14%	4
Neutral	14.29%	1
Underweight	28.57%	2

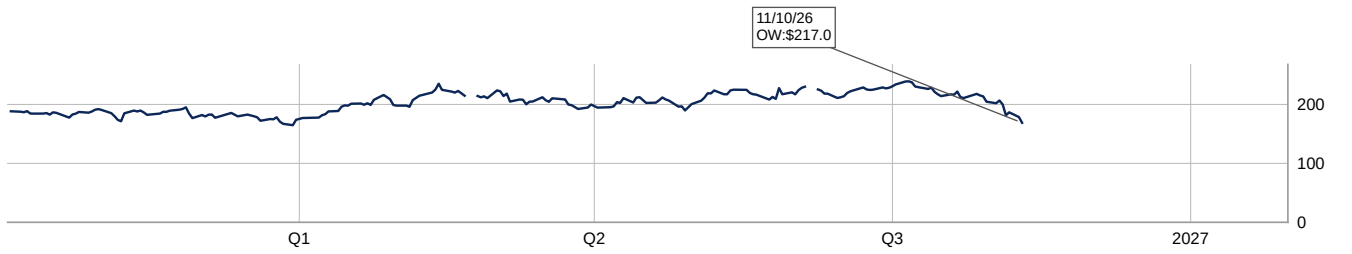
Rating History

Date	Company	Rating	Price ($)	Price Target ($)
10-Nov-26	NVIDIA (NVDA)	Overweight (initiation)	168.89	217.00

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Rating and Price Target History for: NVIDIA Corporation (NVDA) as of 11-10-2026



Created by: K2 Capital

Sources and Methodology

Prices are as of the close on 10 November 2026. Daily prices for Nvidia, its peers, the precedent companies and their home indices are from Yahoo Finance. Company information is from Nvidia's 10-K (25 February 2026), proxy statement (12 May 2026), Q2 FY27 results release, CFO commentary, call transcript and 10-Q (26 August 2026), Form 4 filings and the board statements of 8 and 10 November 2026. Government sources are the Bureau of Industry and Security, the White House, the House Select Committee on the CCP, Senate offices and Singapore's Ministry of Home Affairs. News on the allegations is from the New York Times, Wall Street Journal, Bloomberg, Financial Times, Reuters, AP, CBS, The Information and others, as cited by the outlets we could read. Where we could not read the original, we say so. Consensus is from S&P Global data via StockAnalysis and from LSEG via IG. Event day 0 is the first session able to react. Abnormal returns are the stock less its home index, summed daily. Nvidia's two-day abnormal return uses a 250-day beta to the Nasdaq-100 (QQQ). Divergence statistics use two-day log-return gaps and a 500-day standard deviation. Estimates are K2 Capital's and are subject to change without notice.

General

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Completed 10 Nov 2026

Disseminated 10 Nov 2026