

The following are excerpts from two online articles in recent weeks, one from The Guardian (August 28th), reporting on Nvidia's latest earnings call and consequent outlook for the wider AI technology business, and the other from Forbes , examining the increased spotlight on governance, security and ethics as AI is rolled out across the technology sector. All content is referenced in detail below.

This week's focus is on Nvidia's latest earnings report, which highlights the semiconductor giant's significant revenue due to big tech's aggressive AI investment strategies, fueling a massive demand for Nvidia chips. Additionally, an MIT survey report emphasizes that while industry leaders are eager to adopt AI technologies, but not at the expense of governance, security, and privacy.



Nvidia rides big tech's AI investment to beat Wall Street's sky-high expectations.

The Guardian (2024) reports that chipmaker, Nvidia, the third most valuable company in world, has recorded \$30.04bn in revenue for Q2, showing AI demand continues to rise.

Chipmaker Nvidia reported its latest financial results on Wednesday, recording \$30.04bn in revenue over the past three months – a 122% jump from the year prior – and showing that artificial intelligence investment mania shows no signs of cooling. Analysts had anticipated about \$28.7bn in revenue. Shares slid more than 3% in after-hours trading.

In an earnings call, founder and CEO Jensen Huang said he expected Nvidia to ship “a lot more” chips and hardware next year than the company had in its 31-year history. “The reason why our velocity is so high is simultaneously because the complexity of the model is growing, and we want to drive its costs down, and we want to increase the scale of AI models so that it will reach a level of extraordinary usefulness and realize the next industrial revolution,” he said. Analysts welcomed the results, despite signs that Nvidia’s extraordinary sales growth might ultimately slow. “The company continues to benefit from a market paradox: big tech’s aggressive AI investment strategies drive massive demand for Nvidia’s chips, even as these same companies invest in developing their own silicon,” said Jacob Bourne, a technology analyst with Emarketer.

The Guardian (2024)

The Guardian (2024) highlights the recent reports on projected growth in AI investment across the tech sector, announced earlier this summer by the so-called 'Magnificent 7'. Plus the huge demand for Nvidia's next generation semiconductor, code-named 'Blackwell', used extensively in data centre build and training:

Nvidia has told customers that its next-generation AI chips, code-named Blackwell, will be delayed several months from January, though early samples are shipping to a small group of customers now. However, its current line of graphics processing units, nicknamed Hopper, continues to sell well, chief executive officer Jensen Huang said in a press release.

"Hopper demand remains strong, and the anticipation for Blackwell is incredible," Huang said. "Nvidia achieved record revenues as global data centers are in full throttle to modernize the entire computing stack with accelerated computing and generative AI." The company's data center revenue, its most closely watched financial metric, increased by 154% from a year ago to \$26.3bn. Recent earnings reports from Nvidia's main big tech customers – Microsoft, Amazon, Meta and Google – which use the company's chips to build and train their own AI models, indicated higher capital spending as AI demand continues to rise.

"As competitors like AMD intensify their efforts, the timely release of Nvidia's next-generation Blackwell chip will be essential for maintaining its dominant position in the increasingly competitive AI chip market," said Bourne.

From an overall market perspective, The Guardian (2024) reminds us that as big tech is driving US stocks to new record highs, and because spending on Nvidia is seen as a signal of future tech earnings, Nvidia's financial reporting is a key barometer of the US stock market in particular:

The importance of Nvidia's earnings results to Wall Street can hardly be overestimated – the company represents 6% of the total value of the S&P 500, currently the third most valuable company in the world by market capitalization at \$3.1tn. The index has gained 27% over the past 12 months, but Nvidia is individually up 167% over the same period. The company also reported \$0.68 in earnings per share and announced a \$50bn stock buy-back. Analysts expected \$0.64 per share for the quarter, compared to \$13.5bn in revenue a year earlier. Profits were seen at \$15.1bn, up from about \$6.2bn a year earlier.

The company's last earnings, released in May, showed quarterly growth of 18% and annual revenue growth of 262%. Against that extraordinary precedent, anything less than a repeat could be seen as a disappointment. The Wedbush analyst Dan Ives called Nvidia's earnings call "the most important week for the stock market this year and potentially in years". Ives estimates that for every \$1 spent on an Nvidia GPU chip, there is a \$8-\$10 multiplier across the tech sector. "In a nutshell, we expect another drop-the-mic performance from Nvidia, as right now Jensen & Co are the only game in town with \$1tn of AI cap-ex [capital expenditure] on the way for the next few years with Nvidia's GPUs the new oil and gold in this world," he added. The expectations are so high, in fact, that Ameriprise Financial's Anthony Saglimbene told Bloomberg that the results could have more impact on the overall market than Federal Reserve chair Jerome Powell's speech last week at Jackson Hole, Wyoming.

“The primary difficulty is determining how to adopt the appropriate governance frameworks for high-risk applications while still driving responsible AI innovation and adoption.” *Raj Sharma, global managing partner for growth and innovation at EY.*



Getting AI Past The Finish Line, Responsibly And Ethically.

The global impact of AI on business and its projected growth are well-recognised. Nonetheless, Forbes (2024) highlights several significant factors impeding the integration of AI into daily operations. Survey results from MIT indicate that governance, security, and privacy are still major concerns for businesses and remain a priority for regulatory bodies.

There has been no end to talk of embracing artificial intelligence – or any other new technology for that matter – before one’s competitors take hold of it. The consequences, it is always said, are dire, with slow-adopting companies becoming dinosaurs ready to suffer the effects of an asteroid hit. But business leaders are apparently not buying into this notion – governance, security, and corporate culture need to be factored into the equation before AI becomes a significant part of operations and decision-making. If anything, nearly all business leaders (98%) say they are “willing to forgo being the first to use AI” if that ensures they deliver it safely and securely, the survey of 205 executives, published in MIT Technology Review and underwritten by Boomi, shows.

AI ambitions are substantial, but few have scaled beyond pilots, the survey showed. Fully 95% of companies surveyed are already using AI and 99% expect to in the future. But few organizations have graduated beyond pilot projects, the survey finds. The great majority, 76%, have only deployed AI in one to three use cases. Welcome to the trailing edge of AI. What will bring organizations to get AI past the finish line – which is the point in which it is in full production, and delivering the returns promised?

Industry leaders agree that it’s time to look past the hype and hopes of AI and focus on solid results. “It’s understandable to be skeptical of headlines claiming that every new tech breakthrough will change everything,” said Raj Sharma, global managing partner for growth and innovation at EY. Sharma, for one, advises caution, but is optimistic about what AI can ultimately deliver. “Generative AI and AI-driven large language models appear poised to fulfill this promise. With last year being considered the year of AI hype, currently, we’re witnessing 2024 as the year of AI reality. Businesses are exploring large-scale transformation while regulators focus on implementing new AI codes and regulations.”

Forbes (2024)

Meanwhile at corporate level, Forbes (2024) emphasizes the need for a change in corporate culture to drive compliance and adoption of AI and outlines how strong AI governance will drive faster innovation and more reliable, real-world deployment:

Governance, security and privacy are the biggest brake on the speed of AI deployment, cited by 45% of respondents to the MIT-Boomi survey. “The fake-it-until-you-make-it approach ceases to be a viable strategy when it comes to AI,” Sharma said. “The primary difficulty is determining how to adopt the appropriate governance frameworks for high-risk applications while still driving responsible AI innovation and adoption.”

Accordingly, “people drive faster when they have seatbelts on,” Mrinal Manohar, CEO of Casper Labs, pointed out. “Governance and risk management can help unleash AI’s full potential and get it across the finish line. However, the technology has yet to deliver on its potential, “largely due to a lack of governance and unified standards. Strong AI governance will drive faster innovation and more reliable real-world deployment, setting AI up for success.”

Corporate culture is a significant factor with AI governance and risk management. “While at this point many organizations have adopted an internal policy on the use of AI tools, such policies are only helpful if they are actually implemented and followed throughout an organization, not stashed away in a drawer or on a rarely-visited intranet site,” said Anna Westfelt, partner and head of the data privacy practice at law firm Gunderson Dettmer.

“Build a culture of accountability and compliance when it comes to privacy and security, and train employees to apply caution when using AI tools,” Westfelt urged. This includes “consistent monitoring by the organization’s IT team of AI, together with regular training to make sure employees are aware of the boundaries around the use of AI tools.”

At this point, “many organizations have been able to obtain more secure and restricted walled-off commercial versions of popular and publicly available GenAI tools,” Westfelt continued. “Employees should be discouraged from using any tool that is not vetted by the organization.” An inventory of tools used and training provided should also be tracked, she said. Ultimately, the goal of AI governance and risk management is the responsible and ethical use of the technology as it develops within organizations. “The way forward is to integrate proactive risk management throughout every stage of the AI transformation,” Sharma said. “This can help to build confidence, foster agility, and navigate disruption effectively.”

Forbes (2024)

References:

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Forbes (2024). *‘Getting AI Past The Finish Line, Responsibly And Ethically’*. Forbes August 12th . Available at: <https://www.forbes.com/sites/joemckendrick/2024/08/10/getting-ai-past-the-finish-line-responsibly-and-ethically/> . (Accessed 12 August 2024).