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Nvidia

The 90% Drawdown That Built the AI Age

NASDAQ: NVDA · Semiconductors / AI Compute · Founded 1993 · Santa Clara, California, USA

Public · v1.0 · July 2026

It is autumn 1996, the office lights kept low to save on electricity, and Jensen Huang is doing the math on how many weeks of payroll his company has left. The answer is not many. For years he would open meetings with a sentence that became Nvidia's unofficial motto: our company is thirty days from going out of business. He was not being dramatic, he was describing the bank balance. Three decades later Nvidia became one of the most valuable enterprises in the history of capitalism, and the path between those two points runs directly through a stock-market fall of roughly 90%.

Key Facts

Founders	Jensen Huang, Chris Malachowsky and Curtis Priem — in a booth at a Denny's
Sector	Semiconductors — GPUs and AI compute
Moat	Hardware leadership + CUDA software lock-in, two layers that reinforce each other
Founder Archetype	The serial reinventor — standing still is the only fatal move
The Second Founding	CUDA (2006) — billions bet on a market that did not yet exist
The Drawdown	A ~90% fall bottoming Oct 9, 2002, then 4.1 years just to break even
Status	Public (NASDAQ: NVDA)

By the Numbers

Maximum drawdown of ~90%, bottoming October 9, 2002 — then 4.1 years just to recover to its prior peak
The best-performing stock in the S&P 500 over the twenty years to 2024
Record revenue around $130 billion in fiscal 2025; data-centre ~90% of revenue
Briefly among the most valuable companies on Earth in 2025, ~$4–5 trillion
Near bankruptcy in 1996: staff cut from ~100 to ~40, one month's payroll left at the RIVA 128 launch
Founded in 1993 with ~$2M from Sequoia and Sutter Hill; named from the Latin invidia, envy

The Moat

A Hardware Lead With a Software Moat Poured Around It

Nvidia's moat is the deepest kind in technology, two layers that reinforce each other. The first is hardware leadership: the most powerful AI chips in the world, manufactured by TSMC under the fabless model and connected into vast "AI factories" with networking from its 2020 Mellanox acquisition. A competitor could, in principle, design a competitive chip. The second layer is why they cannot easily win anyway: CUDA. Over nearly two decades essentially the entire global community of AI researchers learned to build on CUDA, so a rival chip that is merely as fast is not enough, the world's AI software does not run on it without enormous switching cost. Chips commoditise; ecosystems do not. Nvidia built a hardware lead and then poured a software moat around it, and the moat is what makes the lead durable.

Thirty Days From Bankruptcy, and a 90% Drawdown

A Doorway Both Legends and Corpses Walk Through

Nvidia's first chip, the NV1, failed, and the Sega partnership meant to carry it collapsed. By late 1996 the company was months from bankruptcy; a $5M investment from Sega and layoffs from ~100 to ~40 bought time, and the RIVA 128 shipped in 1997 with roughly one month of payroll left. Survival was only the start. Nvidia went public in 1999, rode the dot-com boom up and the bust down, falling roughly 90% and bottoming October 9, 2002, worse than its own sector, then taking 4.1 years just to get back to even. The same Nvidia went on to be the best-performing S&P 500 stock over the next twenty years. A 90% drawdown tells you almost nothing on its own, it is a doorway both legends and corpses walk through; the only question is whether the business is quietly getting stronger or quietly dying while the stock is destroyed.

> *" A 90% drawdown tells you almost nothing on its own; it is a doorway that both legends and corpses walk through. "*

The Legendary Scorecard

Category	Score	Notes
Founder Vision	10	Saw a general-purpose computer inside a graphics chip
Innovation	10	Invented the GPU category; CUDA created GPU computing
Execution	10	From one month's payroll to a relentless architecture cadence
Moat	10	Hardware lead + CUDA software lock-in; near-total AI share
Capital Allocation	9	Bet billions on CUDA years before the market existed
Wealth Creation	10	Best-performing S&P 500 stock over the 20 years to 2024
Durability	8	Dominant, but competition and cyclicality are real risks
Historical Importance	10	The hardware foundation of the entire AI era
Overall Legendary	**9.7 / 10**	A defining example of the technology gamble, and the 90% drawdown test

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

Timeline

1993	Founded at a Denny's; ~$2M from Sequoia and Sutter Hill
1995	The NV1 chip fails
1996	Sega deal collapses; staff cut from ~100 to ~40
1997	RIVA 128 sells ~1M units in four months and saves the company
1998	TSMC foundry partnership (a letter to Morris Chang)
1999	GeForce 256 marketed as the world's first GPU; IPO
2002	Stock bottoms October 9 after a ~90% drawdown
2006	CUDA launches — the “second founding”
2012	AlexNet ignites the deep-learning revolution on Nvidia GPUs
2020	Acquires Mellanox for AI networking
2025	Briefly among the most valuable companies on Earth (~$4–5T)

Lessons — What This Means for You

THE MOVE · Reinvent before you are forced to
Nvidia survived because Huang treated the company as a thing that must continually become something new: quadrilaterals to triangles, gaming to general computing, chips to AI factories. The trader's analogue is the refusal to marry a single setup or market regime that has stopped working.

THE MONEY · Size to survive the drawdown
A 90% drawdown is survivable only if you sized and structured your position to survive it. Most people who “would have held” Nvidia would have been shaken out long before the payoff. The discipline is to participate in asymmetric upside in a way that does not force you to sell at the bottom.

THE MIND · Endure the wait, and tell conviction from stubbornness
The hardest thing in the Nvidia story is enduring four years just to get back to even while the crowd calls you a fool, the same test a trader faces in a long drawdown. The ones who compound can tell conviction from stubbornness and hold the first while shedding the second, answering, against the screaming of the price, whether the business is becoming more valuable or dying.

Related Reading

Nvidia's fabless manufacturing partner: TSMC: The Most Important Company You Have Never Thought About

The machine behind every chip: ASML: The One Machine the Whole World Runs On

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Sources & Further Reading

Tae Kim, The Nvidia Way: Jensen Huang and the Making of a Tech Giant (2024)

Morgan Stanley Counterpoint Global drawdown study; Nvidia Corporation SEC filings

Greatest Companies (Nvidia chapter), The Complete Trader's Edge

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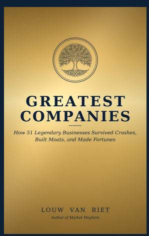

FROM THE BOOK

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