

# Compute

Institutional Equity Research  
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## NVIDIA & Groq's Christmas of Chaos and Confusion

*NVIDIA's recently announced licensing agreement with Groq this past Wednesday has left us confused to say the least. In which we have two dominant explanations as to why NVIDIA would have done such a deal. Either for (1) technological reasons or (2) strategic/defensive reasons.*

**Contrary to what some are saying, we do not believe Groq has a technology advantage in today's inference market.** Groq's core architectural differentiation for their LPU is the use of on-die SRAM as the primary weight store, which notoriously gives them a latency and speed advantage meaning greater tokens per second at inference. However, even just a few data points makes our concern abundantly clear. Currently, inference requires tremendous amounts of memory as we focus on reasoning and long-context, which increases KV cache, which in-turn increases required memory capacity. Now Groq's current gen chip only has 230MB of SRAM capacity, which is incredibly low, especially contrasting it to NVIDIA's HGX B300 that has 288GB of HBM3E per-chip. Additionally, limited memory capacity means limited workloads it can be used for. A 1T-parameter model for example is ~500GB just to resident the weights, while a multi-trillion parameter model (e.g. Gemini 3) is in the ~1-3TB range, all before we even talk about other constraints, like KV cache that would make required memory capacity higher. Needless to say, you're not doing inference of frontier models that we're predicting this upcoming year will only be getting larger. Now, there are far more nitpicks to be made, but what we do think is clear is that Groq's current technology is greatly limited to only a small subset of inference workloads.

**So what could Groq's chips be good at then?** Our best guess is prefill because it's a compute-bound stage of inference that doesn't require as immense memory capacity. The problem is that NVIDIA already has Rubin CPX on the way. The other guess is for decode, which relies more on memory bandwidth, which we could argue Groq has a slight edge in but marginal at best. The first option is hard to believe, and the second option would require designing a new decode-specific chip, which is possible, but if NVIDIA was considering this route, why not look at dMatrix that is taking a similar approach and has a great team that would have been a fraction of the cost. The reality is, we have a hard time seeing this as a deal for technology reasons. While our reasoning in the aforementioned points might be a little harsh, most people we have talked to about Groq, Cerebras, or SambaNova have all told us the exact same thing. That these specialized architectures can be excellent in narrow slices of inference, but they don't generalize well to the kind of workloads the frontier is converging on.

**In a scenario where NVIDIA is making a defensive move, we still have a hard time seeing the rationale.** Base-case you're overpaying \$20B for the creator of the TPU that has created an inference-only ASIC that admittedly isn't anywhere near the TPU. Additionally, on the defensive side of the argument, Rubin should have the upper hand on TPU v8 (Sunfish/Zebrafish), so while there's a growing threat from Google, we don't think it's enough of a threat to make this kind of move. Maybe they're preventing a competitor from catching up, but they really only have to be concerned about Google for the foreseeable future who is not going down this SRAM architecture path. We've taken a considerable look at all three major players in this specialized inference space, and none of them stood out as compelling. It wasn't necessarily the case when they were more relevant pre-reasoning, and it certainly isn't afterward, where bottlenecks are even more pronounced and Blackwell has already closed the gap between them and specialized players tremendously.

**In our view, best case isn't a great case, but we could easily be wrong.** Best case scenario we believe is that Jensen does in fact see something with SRAM chips or Groq's future generations in particular that make him concerned and thus he's making a strategic move. That being said, we find it hard to believe there aren't better assets in the same market for NVIDIA to take a look at. Regardless, whatever the reasoning behind this move, we're inclined to give Jensen the benefit of the doubt.

## INDUSTRY UPDATE

Price (12/26/25)

Industry:

TECHNOLOGY

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## Other Companies Mentioned in this Report

Company Name	Ticker	Rating	Price
NVIDIA Corporation	NVDA	BUY	\$188.61





<b>Company Name</b>	<b>Ticker</b>	<b>Rating</b>	<b>Price</b>
<b>Nebius Group N.V.</b>	NBIS	BUY	\$91.13
<b>CoreWeave, Inc.</b>	CRWV	UNDERPERFORM	\$78.87
<b>Oracle Corporation</b>	ORCL	NEUTRAL	\$197.49
<b>Amazon.com, Inc.</b>	AMZN	BUY	\$232.38
<b>Apple Inc.</b>	AAPL	NEUTRAL	\$273.81
<b>Meta Platforms, Inc.</b>	META	BUY	\$667.55
<b>Microsoft Corporation</b>	MSFT	BUY	\$488.02
<b>Alphabet Inc.</b>	GOOGL	NEUTRAL	\$314.09