EQUITY RESEARCH | INITIATING COVERAGE | SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT | February 2026

Advanced Micro Devices, Inc. (NASDAQ: AMD)

Last Standing Challenger · Data Center GPU Ramp + Intel CPU Share Gains Drive Re-Rating

OVERWEIGHT	PRICE TARGET $145	CURRENT PRICE $120[1]	UPSIDE +20.8%

Fiscal Year End	**December**	FY2024A Revenue	**$25.8B**
Shares Outstanding	**1,620M**	FY2024A EBITDA	**$4.2B (GAAP)**
Market Cap (approx)	**~$194B**	FY2029E Revenue	**$58.7B (base)**
Enterprise Value	**~$190B**	FY2029E EBITDA M	**29.0% (base)**
Net Cash	**~$4.0B**	Base Case WACC	**9.0%**
NTM P/E (non-GAAP)	**~27x**	Terminal Growth	**3.5%**

EXECUTIVE SUMMARY

We initiate coverage of Advanced Micro Devices (AMD) with an **Overweight** rating and a **$145 price target**, implying 20.8% upside from current levels. AMD sits at the intersection of two secular shifts: the collapse of Intel's CPU dominance and the explosion in AI accelerator demand. Our 5-year DCF (WACC: 9.0%, TGR: 3.5%) models 17.9% revenue CAGR and EBITDA margin expansion from 21.6% (FY2024A) to 29.0% (FY2029E) as revenue mix shifts toward high-margin Data Center.

The key debate is simple: can AMD's MI300X/MI350/MI400 series take meaningful AI accelerator share from Nvidia? We don't need AMD to beat Nvidia — we just need AMD to be relevant. At $120, the market is pricing in modest success. Our base case assumes 28% Data Center revenue CAGR, implying AMD holds 10–12% of the AI accelerator TAM by FY2029. That is conservative relative to AMD's current MI300X design wins at Microsoft, Meta, and Oracle.

INVESTMENT THESIS — FOUR VALUE CREATION DRIVERS

1. Data Center GPU Ramp

The MI300X launched in Q4 2023 as the first legitimate alternative to Nvidia's H100 in large language model inference workloads — where memory bandwidth matters more than raw FLOPS. With 192GB HBM3 vs. Nvidia's 80GB, AMD wins on memory-intensive inference tasks. MI300X already powers Azure's GPT-4o inference fleet and Meta's Llama 3 serving. We model Data Center at $38.3B by FY2029, a 25% CAGR from FY2024's $12.6B.

2. Intel CPU Share Gains

Intel's manufacturing stumbles — delayed 10nm, botched Sapphire Rapids, CEO turnover — handed AMD structural server CPU share. AMD EPYC now runs in 4 of 5 major hyperscalers and holds ~35% server CPU market share, up from near zero in 2017. Each 1% of server CPU share is worth ~$400M in annual revenue. Client Ryzen continues gaining in premium notebooks.

3. Operating Leverage & Amortization Roll-Off

AMD's fabless model means Data Center revenue scales at 65–70% gross margin with minimal incremental capex (~$300–600M/yr vs. Intel's $20B+ capex). Equally important: AMD's GAAP results are depressed by ~$3.8B/yr in Xilinx acquisition amortization (acquired Feb 2022 for $49B). As this rolls off toward FY2028–FY2029, GAAP EPS will reconnect with cash earnings — a re-rating catalyst most generalist investors haven't modeled.

4. Embedded Recovery (Xilinx FPGAs)

AMD's Embedded segment collapsed from $5.3B (FY2023) to $3.6B (FY2024) as customers burned through excess FPGA inventory. Recovery is underway. Xilinx FPGAs dominate aerospace, defense, automotive, and telecom — all industries with zero-tolerance for supplier switches. We model 25% Embedded growth in FY2025E as inventory digestion completes, reaching $6.9B by FY2029.

FINANCIAL PROJECTIONS ($M, FY ending December)

Metric	FY2022A	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E
Revenue	23,601	22,680	25,785	32,188	39,725	47,165	53,655	58,673
YoY Growth	—	—	+13.7%	+24.8%	+23.4%	+18.7%	+13.8%	+9.3%
Gross Profit	10,492	10,460	12,382	16,094	20,657	25,469	29,778	33,444
Gross Margin	44.5%	46.1%	48.0%	50.0%	52.0%	54.0%	55.5%	57.0%
EBITDA	3,937	4,338	5,569	6,920	9,733	12,499	15,023	17,015
EBITDA Margin	16.7%	19.1%	21.6%	21.5%	24.5%	26.5%	28.0%	29.0%
D&A;	3,936	3,936	3,758	3,700	3,400	3,100	2,750	2,400
EBIT (GAAP)	1	402	1,811	3,220	6,333	9,399	12,273	14,615
Unlevered FCF	N/M	N/M	N/M	5,737	7,908	10,139	12,257	13,873

DCF RETURNS ANALYSIS

Component	Value	Notes
Sum of PV (FCFs, FY2025–FY2029)	$37,174M	Discounted at 9.0% WACC, mid-year convention
Terminal Value (Gordon Growth)	$261,055M	FY2029E FCF × 1.035 / (9.0% – 3.5%)
PV of Terminal Value	$169,626M	Discounted 4.5 periods at 9.0%
Enterprise Value	**$206,800M**	**PV FCFs + PV Terminal Value**
Plus: Cash & Equivalents	+$5,700M	AMD Q4 2024 balance sheet
Less: Total Debt	–$1,700M	Senior notes, primarily 2026 maturity
Equity Value	$210,800M	
Shares Outstanding	1,620M	Fully diluted, Q4 2024
Implied Price Per Share	**$130**	**Base DCF output**
Bull Case (WACC 8.5%, TGR 4.0%)	$205	Data Center 40%+ CAGR, margin upside
Bear Case (WACC 11.0%, TGR 3.0%)	$68	DC disappoints, Nvidia moat holds
Price Target (analyst judgment)	**$145**	**Bull-adjusted base, rounded**

SENSITIVITY — WACC × TERMINAL GROWTH RATE (Implied Share Price)

TGR \ WACC	7.5%	8.0%	8.5%	9.0%	9.5%	10.0%	10.5%
2.5%	**$154**	$140	$128	$118	$110	$102	$96
3.0%	**$169**	**$152**	$138	$126	$117	$108	$101
3.5%	**$188**	**$167**	**$150**	$136	$124	$115	$107
4.0%	**$211**	**$185**	**$164**	**$147**	$134	$123	$113
4.5%	**$243**	**$208**	**$182**	**$162**	**$145**	$132	$121

Green = above $145 PT · Dark green = above $120 current · Red = below $85 | Base case: WACC 9.0%, TGR 3.5% (highlighted cell).

KEY RISKS & MITIGANTS

Risk Factor	Bear Case Scenario	Mitigant
Nvidia CUDA Ecosystem Moat	Nvidia's CUDA software stack has a 15-year head start. AMD's ROCm is catching up but enterprise AI teams default to CUDA. AMD needs hyperscalers — not enterprises — to drive initial adoption, which is already happening.	AMD wins on memory bandwidth for inference; hyperscalers are actively dual-sourcing to reduce Nvidia concentration risk. Microsoft, Meta, and Oracle MI300X deployments validate the product is enterprise-ready.
Execution Risk on MI400 Roadmap	Any delay in the MI400 (successor to MI300X, expected 2025) gives Nvidia time to cement Blackwell (B200/B300) dominance before AMD can respond.	AMD has shipped every major product on schedule since Lisa Su took CEO in 2014. Track record is strong. MI350 is an interim bridge product already in sampling.
Semiconductor Cyclicality	A global semi cycle downturn would simultaneously hit Client (Ryzen) and Embedded (Xilinx) segments, partially offsetting Data Center strength.	Data Center is the largest and fastest-growing segment, providing a natural hedge. Net cash position ($4B) provides balance sheet resilience through cycles.
Valuation Multiple Risk	AMD trades at ~27x NTM non-GAAP P/E — pricing in significant execution. A quarterly miss on Data Center revenue would trigger a de-rating.	Our $145 PT is based on DCF, not multiple expansion. Base case uses conservative WACC (9%) and requires no multiple expansion — upside comes from operational improvement only.

RECOMMENDATION

Initiate with Overweight · Price Target $145 · ~21% upside from $120.

AMD is the only credible alternative to Nvidia in AI acceleration and the primary beneficiary of Intel's structural decline. At $120, you are paying a fair price for the base case — but getting the Data Center GPU ramp optionality for free. Our probability-weighted price target across bull/base/bear scenarios is approximately **$150**, implying 25% expected return. The risk/reward is asymmetric: bull case upside (+71%) meaningfully exceeds bear case downside (–43%), given AMD's Xilinx amortization re-rating catalyst and continued CPU share gains.

Key catalysts to watch: **(1)** MI350/MI400 sampling and customer announcement, **(2)** Data Center revenue acceleration in Q1–Q2 2026 earnings calls, **(3)** Xilinx Embedded segment revenue recovery confirming inventory digestion is complete, **(4)** any Intel production setback that accelerates EPYC adoption.

---

[1] Current price is a placeholder as of model build date (February 2026). Update the current price input in the DCF tab to refresh implied upside/downside. All dollar figures in USD millions unless otherwise noted. Historical financials sourced from AMD 10-K filings (FY2022–FY2024). Projections represent analyst estimates and are subject to material uncertainty. This document is for portfolio and educational purposes only and does not constitute investment advice. Francisco Rodriguez · Dallas, TX · February 2026.