

AMD



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OVERVIEW

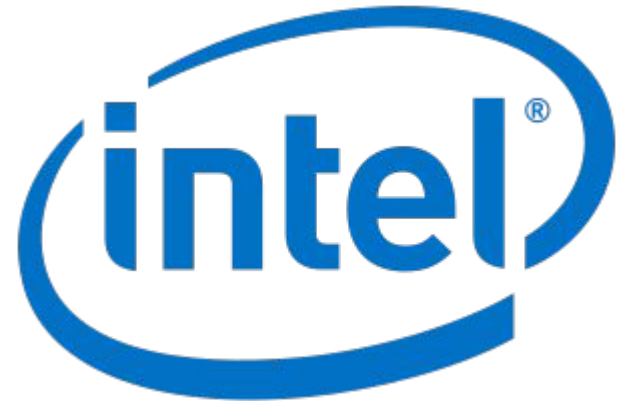
- Industry
- Competitors
- Key Drivers/Challenges
- Timeline
- Street's Position and Expectations
- Risks
- Business Drivers
- Executive Compensation Structure
- Summary of Earnings Call
- Horizontal/Vertical Analysis for last 2 years
- Key Ratios
- Our stand, Would we invest?
- As a creditor, Would we lend?
- Conclusion

The SEMICONDUCTOR Industry

- Formed around 1960, has since grown to be a \$335.2 billion industry in 2015.
- Collection of companies engaged in the design and fabrication of semiconductor devices.
- Key to making cellular phones, computer hardware, etc.
- Industry dominated by USA, Japan, South Korea, Taiwan, Singapore, China and European Union.

INTEL

- #1 in Semiconductor Industry
- Headquartered in Santa Clara, California
- Revenue 2016 : US\$59.38 billion
- First major brand for desktop CPUs
- Established as market leader in producing motherboards and processing chips for personal computers.
- 2015Q4 Mercury Research: ~ 70% market share



AMD

- Second largest company in the semiconductor industry
- Headquartered in Sunnyvale, California
- Revenue 2016 : US\$4.27 billion
- Intel's main competitor in the market for x86-based microprocessors
- AMC said to offer same basic products at a cheaper price than Intel
- 2015Q4 Mercury Research: ~ 12% market share



Key Competitors

INTEL

- AMD
- VIA Technologies
- Silicon Integrated Systems
- NVIDIA Corporation
- NXP Semiconductors
- Infineon
- Broadcom Limited
- Samsung
- Toshiba

AMD

- Intel Corp.
- IBM
- NVIDIA Corporation
- Analog Devices Inc.

Key Drivers

INTEL

- Product features and competitiveness.
- Product cost structure.
- Higher productive performance vs. the competition.
- Need for high degrees of flexibility and Innovation.

AMD

- Gain market share in the high-end CPU and GPU space.
- Introduction of new products.
- Competitive Rivalry

Key Challenges - INTEL

- Catching up in mobile
- Increasing chip complexity requires more advanced processes to keep costs under control
- It takes years to develop a chip or build a foundry, and even longer before the products make money
- Constant pressure to push the performance envelope and keep pace with the law
- Challenges due to increase in semiconductor demand from smartphones and tablet market

Key Challenges - AMD

- Severe price competition which results in shrinking profit margins
- Threat of new entrants
- Availability of substitutes
- Failure to keep up with technology and at the same time not increasing costs too much

Risk Factors

Risk factors of Intel

- Changes in business and economic conditions, including downturns in the semiconductor industry economy
- Changes in consumer confidence caused by changes in market conditions, including changes in the credit market, expectations for inflation, unemployment levels, and energy or other commodity prices
- Competitive pressures, including pricing pressures, from companies that have competing products, chip architectures, manufacturing technologies, and marketing programs
- Changes in the level of customers' components inventories
- Changes in customer product needs
- Strategic actions taken by our competitors
- Market acceptance of intel products.

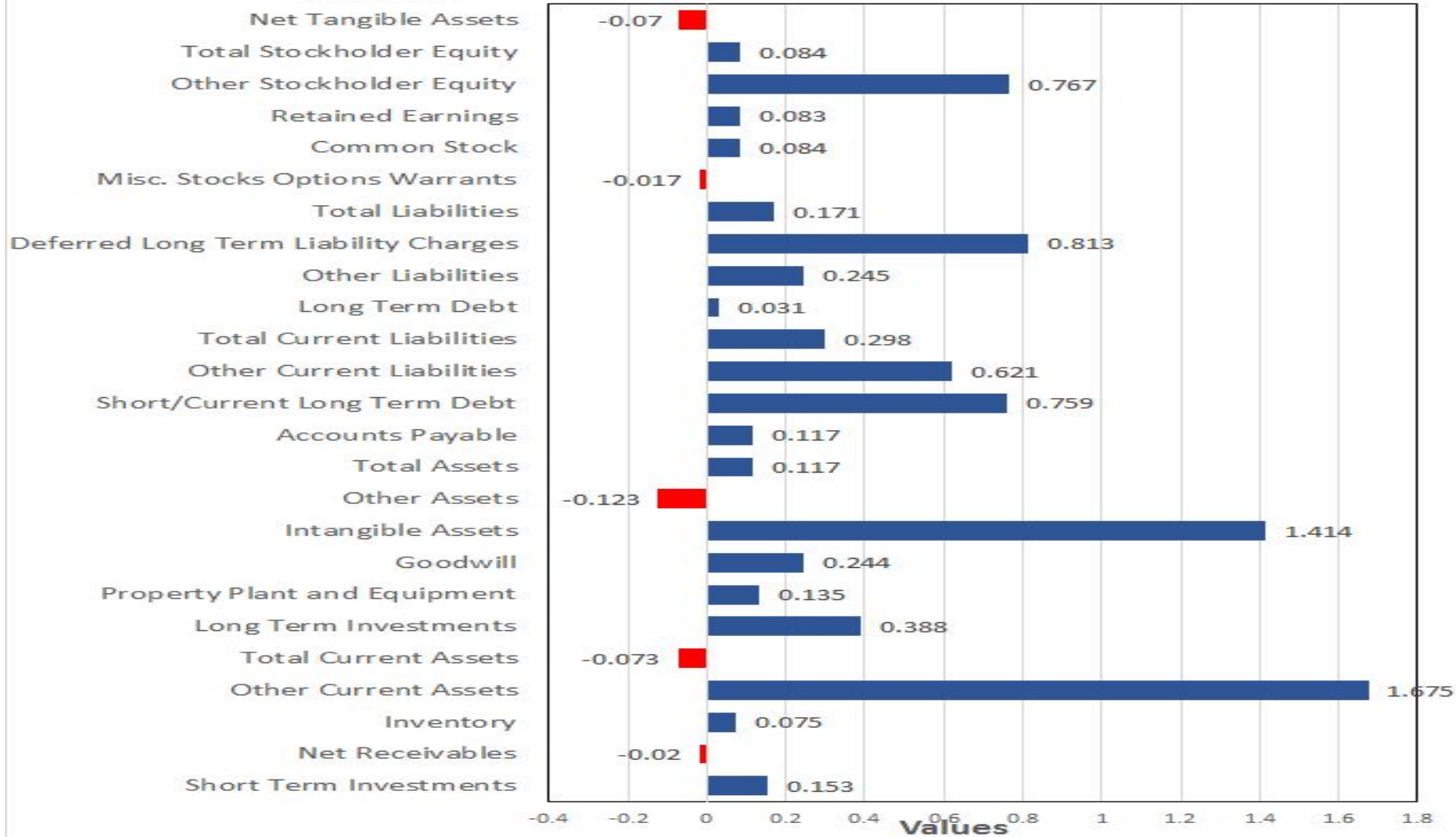
Risk factors of AMD

- Despite the stock increasing over 70%, nothing has materially changed in AMD's business.
- 2016 promises many obstacles, including an aggressive Intel.
- AMD competes with Intel in PC and server processors but has been bleeding share in both markets
- AMD does not have the resources to battle either Intel *or* NVIDIA
- AMD is sacrificing top-line revenue to explore new markets
- Consistent negative revenues and cash flow, it is difficult for AMD to maintain operations.
- Revenues and net income have been negative for the past few years, which affect all of its financial ratios.

Horizontal and Vertical Analysis

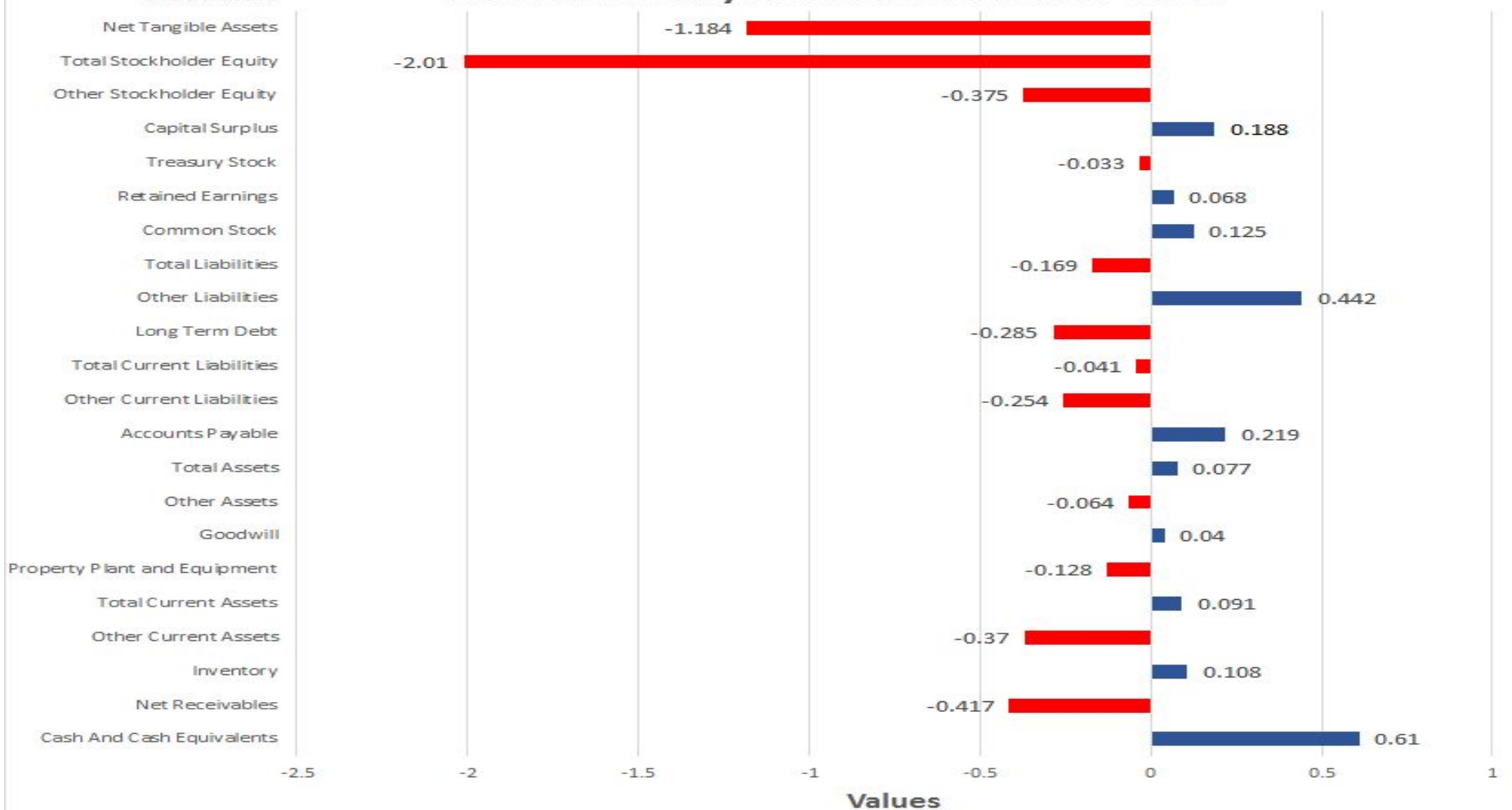
Horizontal Analysis of Intel's Balance Sheet

Accounts



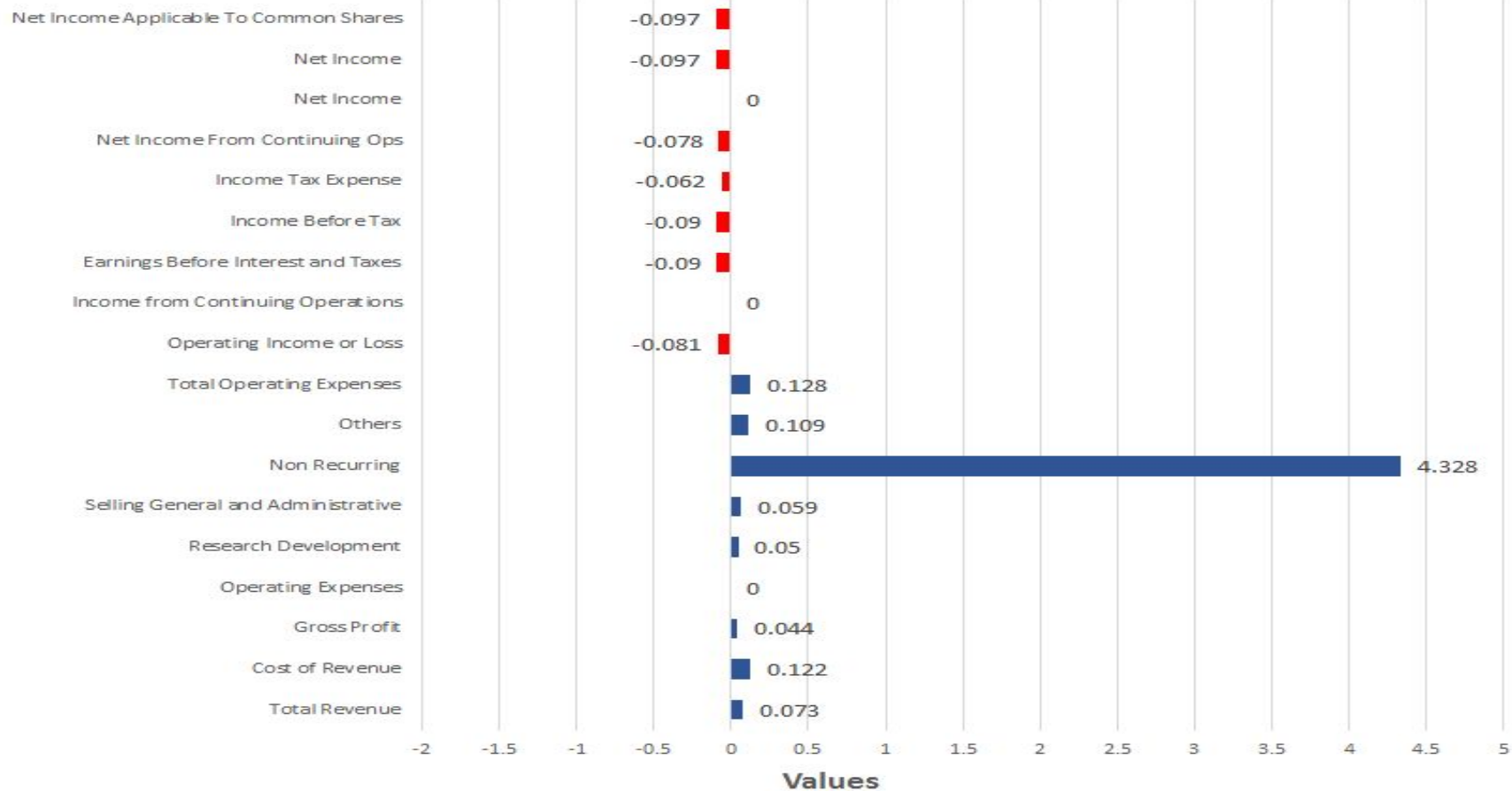
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Horizontal Analysis of AMD's Balance Sheet

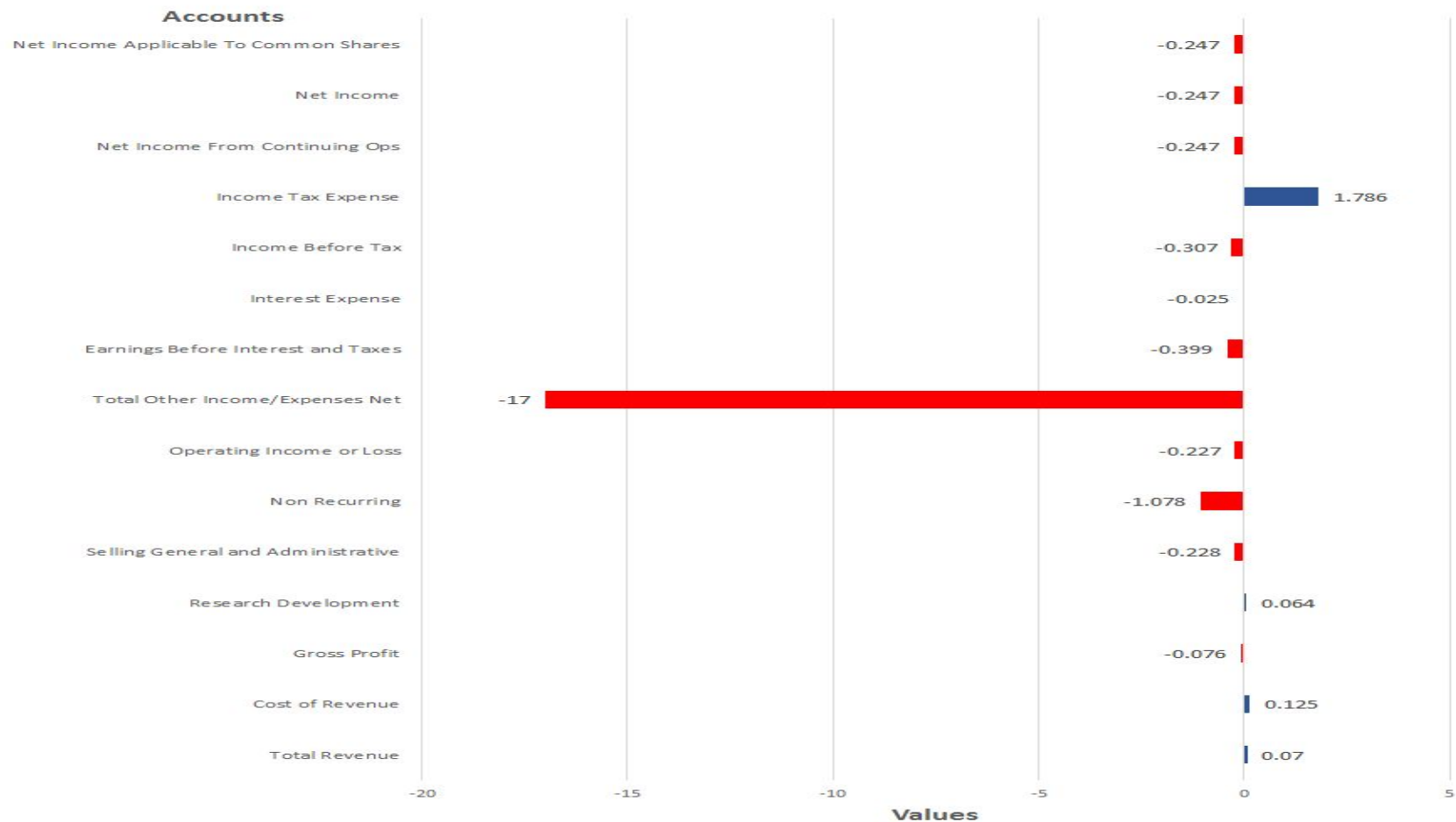


Horizontal Analysis of Intel's Income Statement

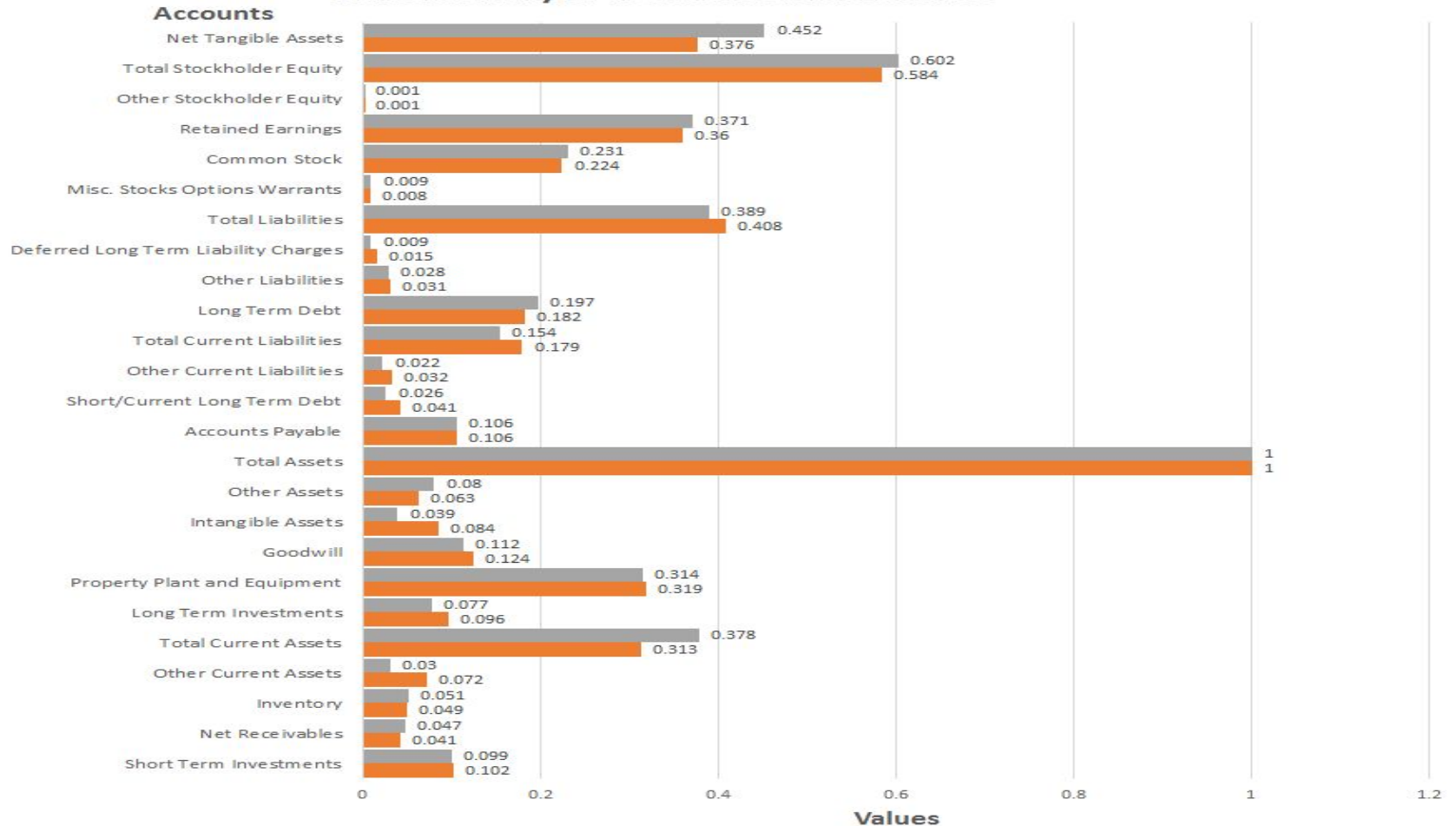
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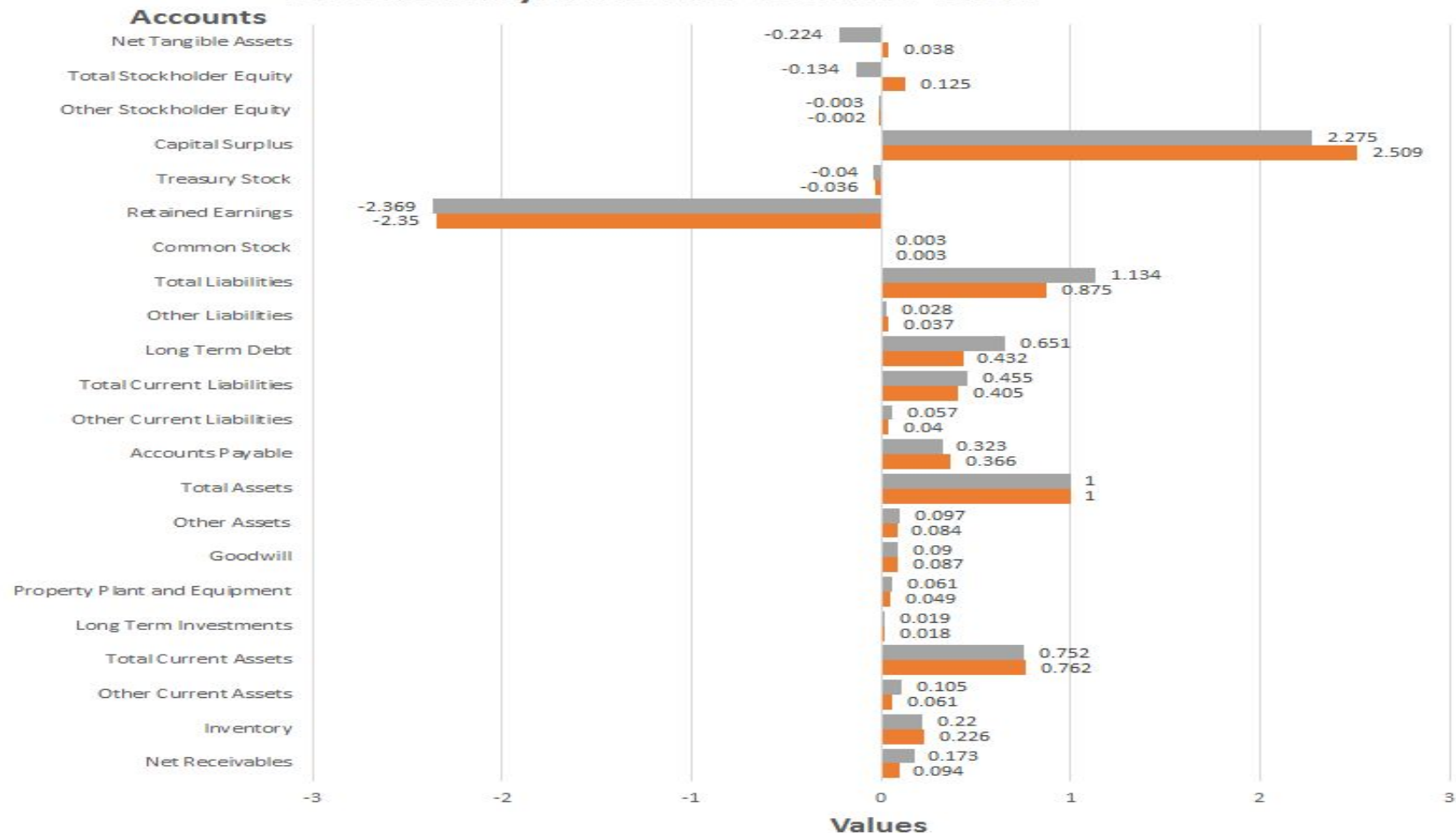
Horizontal Analysis of AMD's Income Statement



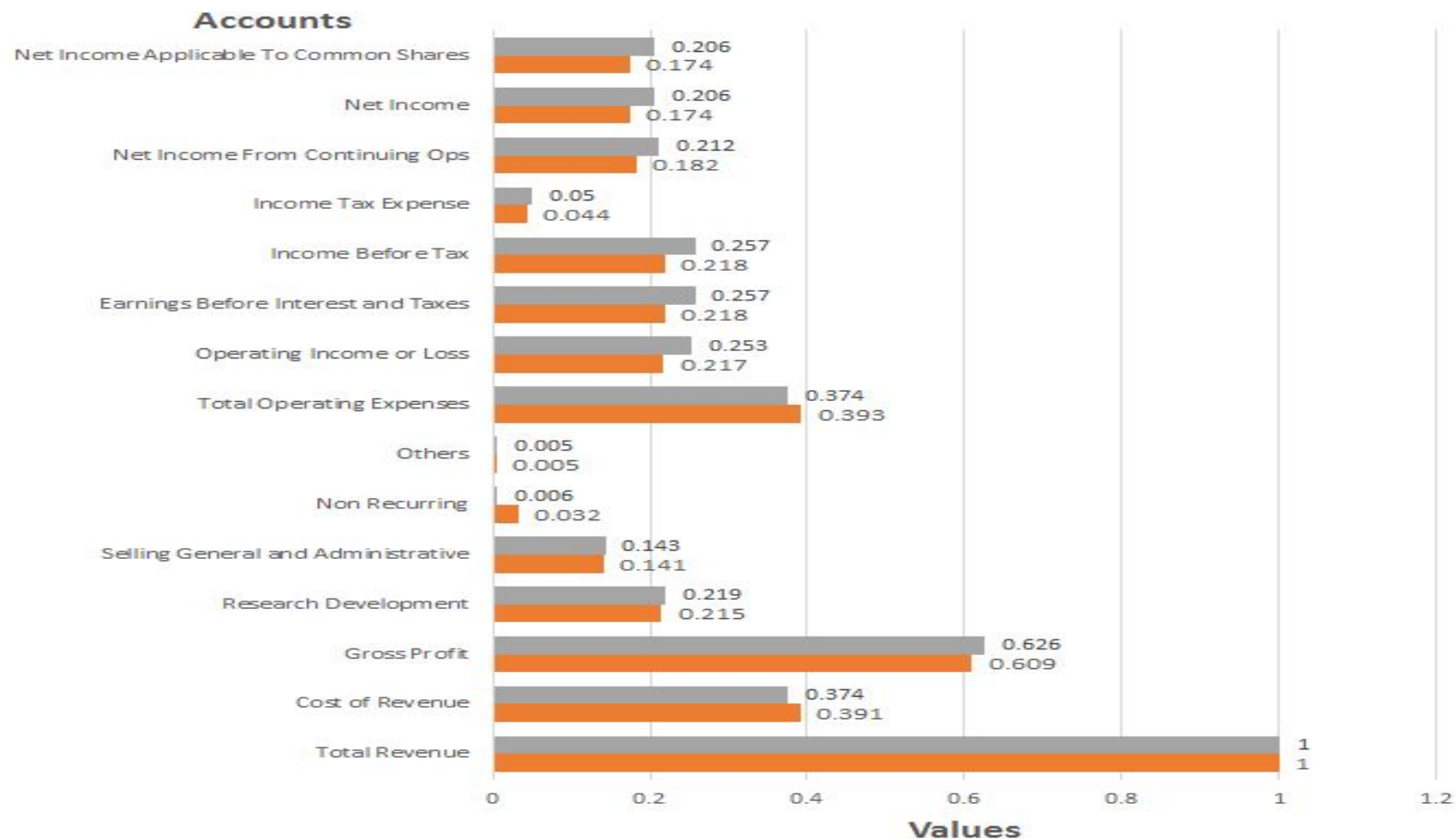
Vertical Analysis of Intel's Balance Sheet



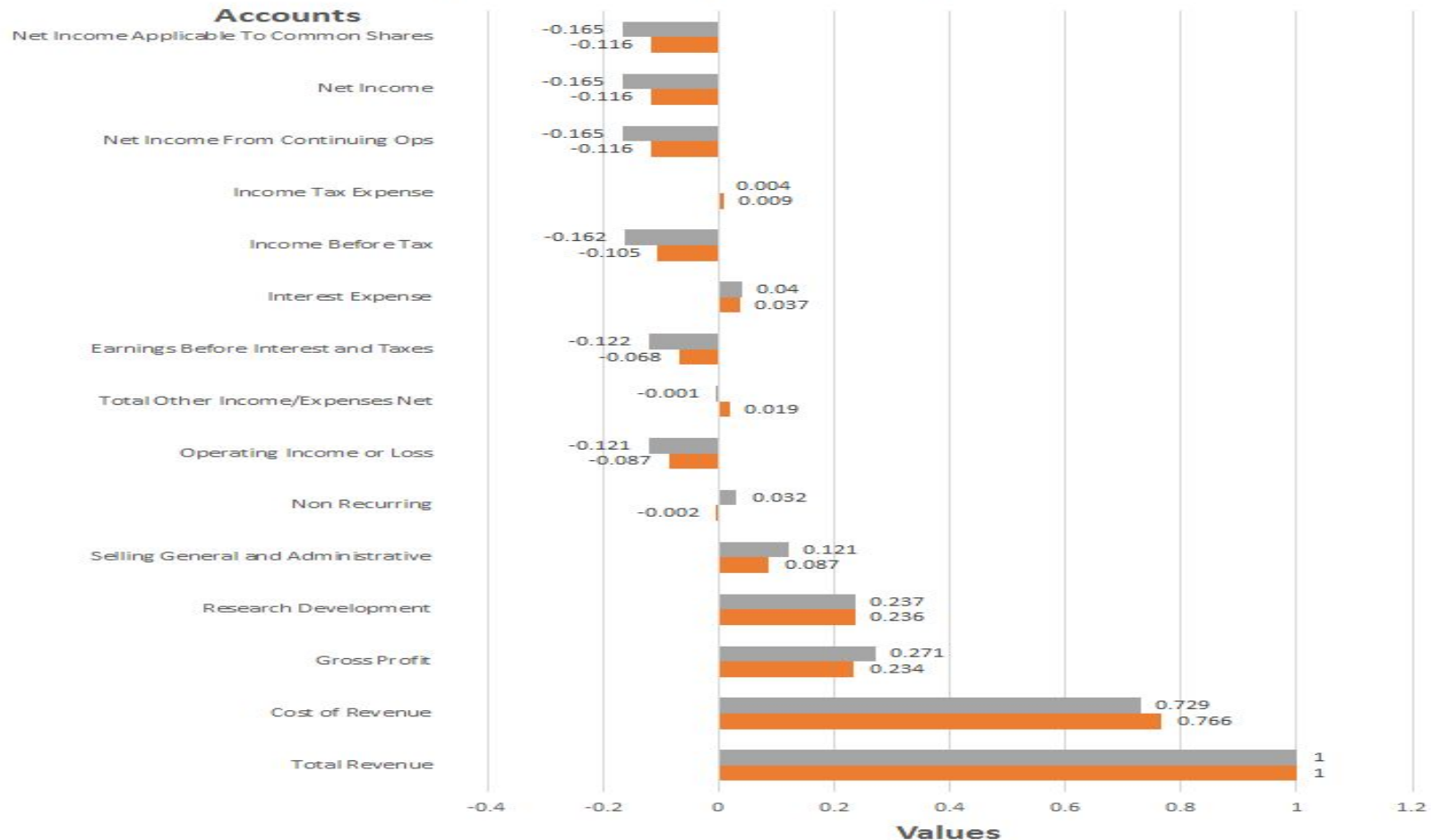
Vertical Analysis of AMD's Balance Sheet



Vertical Analysis of Intel's Income Statement



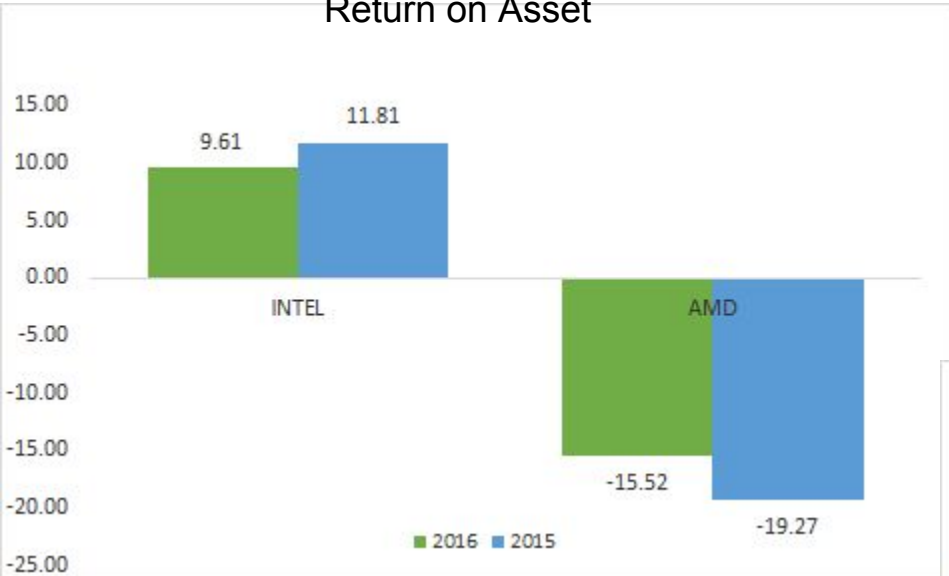
Vertical Analysis of AMD's Income Statement



KEY RATIOS

Tests of Profitability

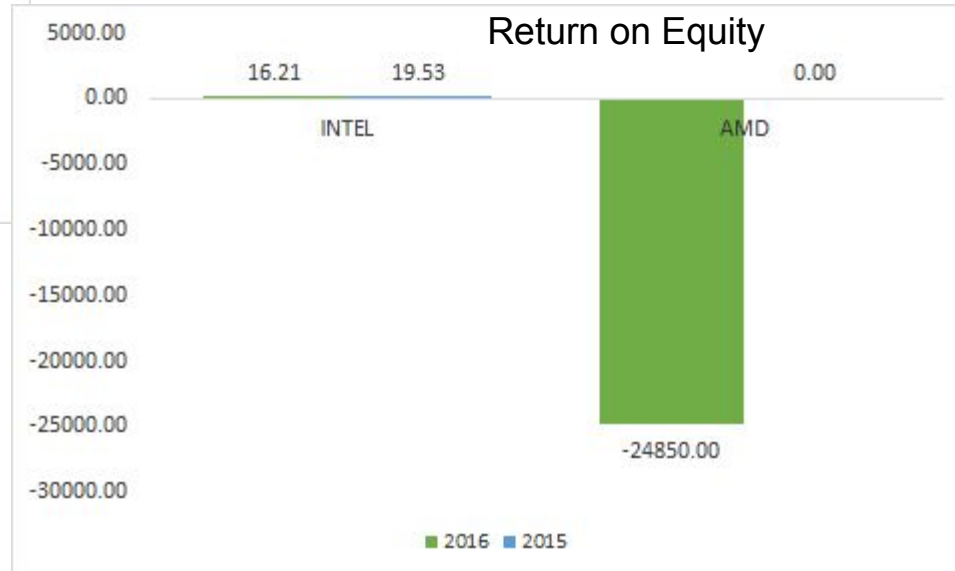
Return on Asset



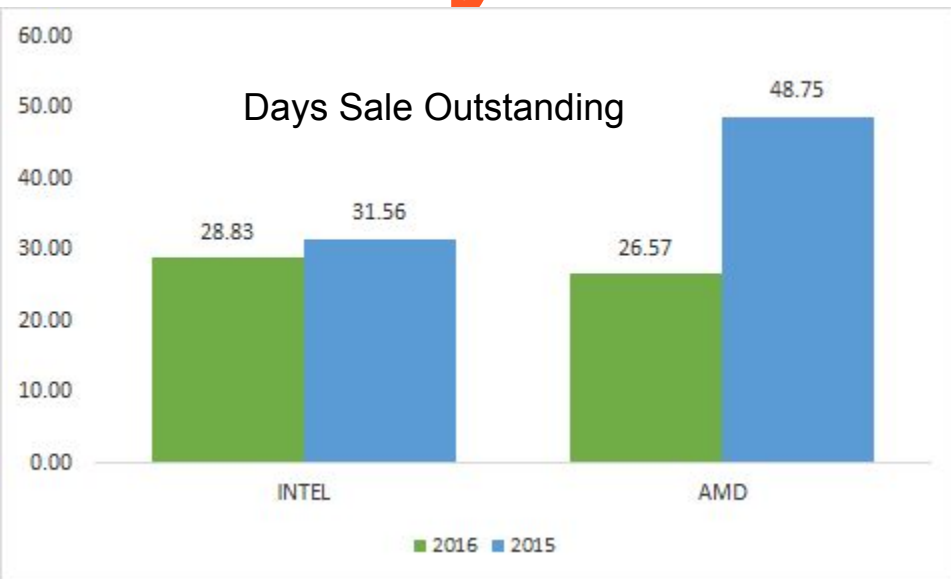
- ROE for AMD is consistently deteriorating which shows the company is receiving less income while investing more money in comparison to INTEL

- ROA for INTEL is higher than the ROA for AMD which indicates that INTEL has responded better to difficult market conditions by utilizing its assets more effectively than AMD

Return on Equity

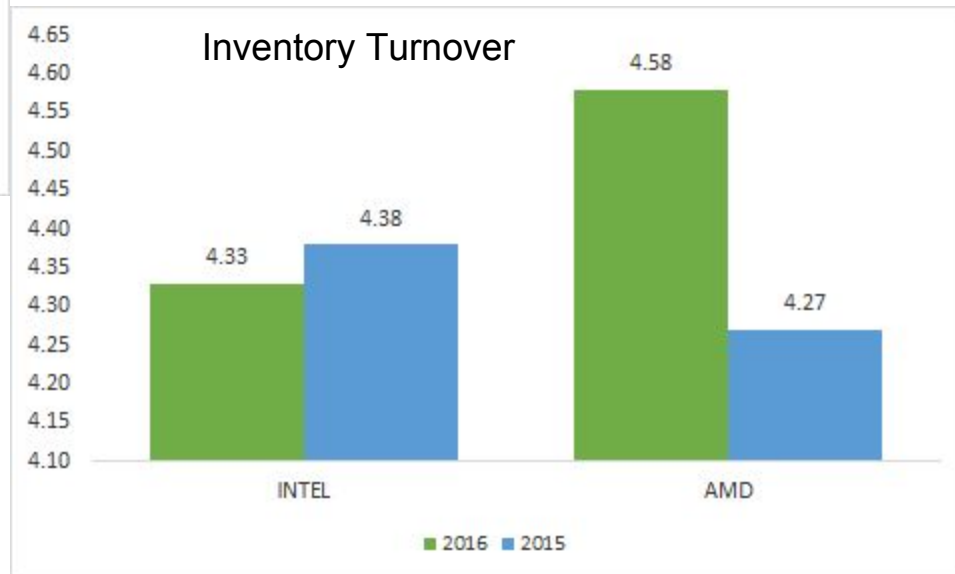


Efficiency Ratios

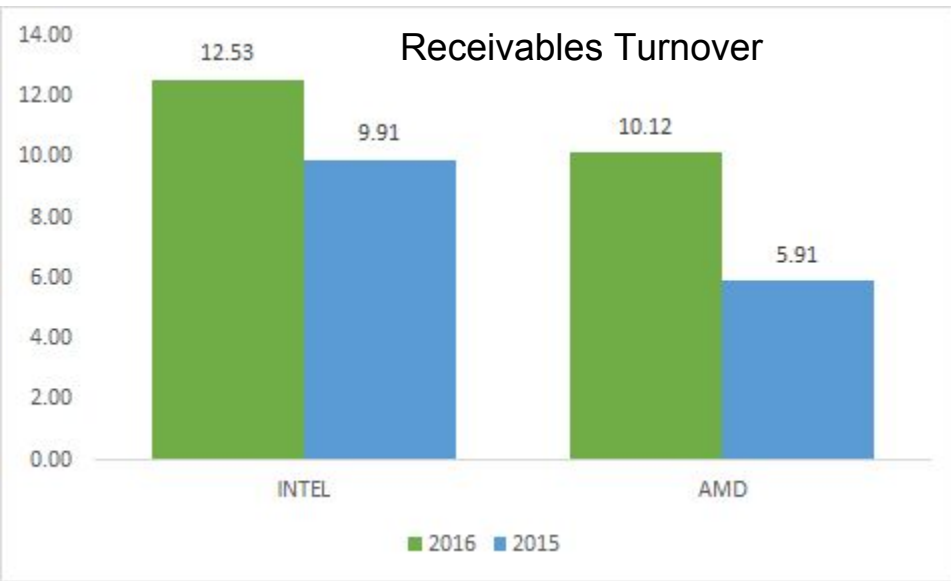


- AMD's effectiveness in inventory management means that the company is able to tie up less money in carrying inventory compared to INTEL

- AMD has lower DSO which shows that even if the company is selling its product to customers on credit, it is taking fewer days to collect money.

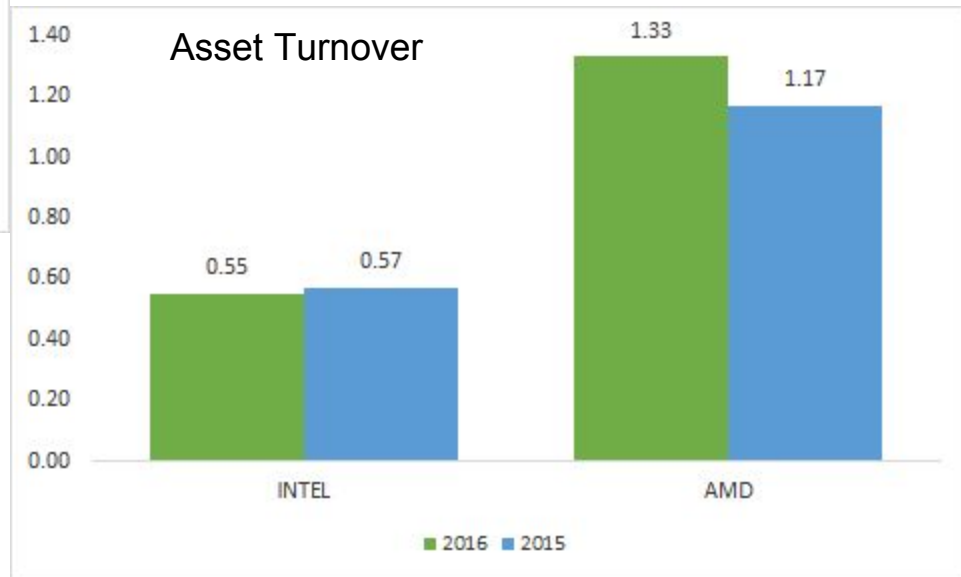


Efficiency Ratios

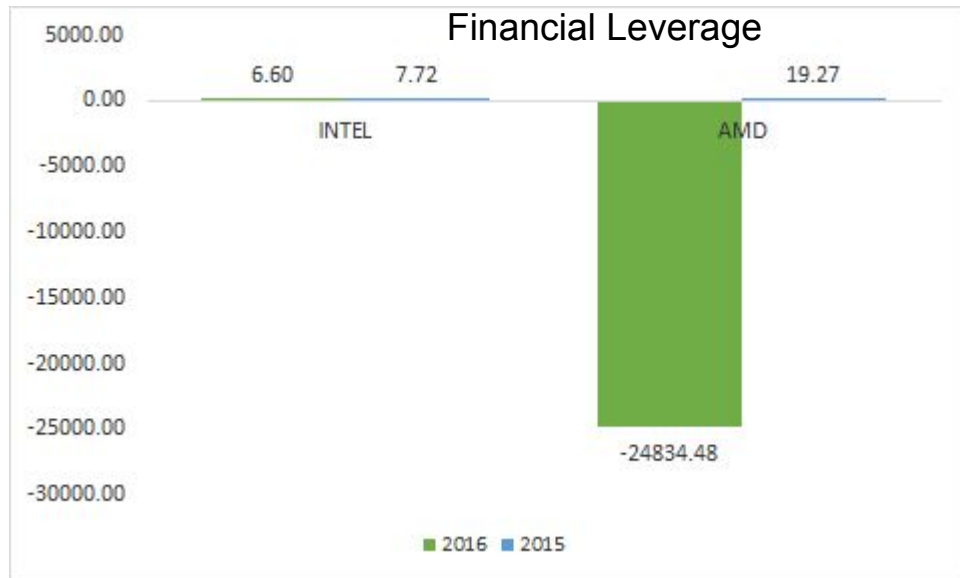


- INTEL has better Receivables Turnover ratio which indicates it is effective in its credit-granting and collection activities as compared to AMD

- Asset Turnover ratio for AMD is better than INTEL which suggests its efficiency in deploying its assets in generating revenue.



Tests of Profitability



- AMD's Financial Leverage ratio is very much lower than INTEL because it utilizes comparatively less debt in its capital structure.

Debt/Equity Ratio

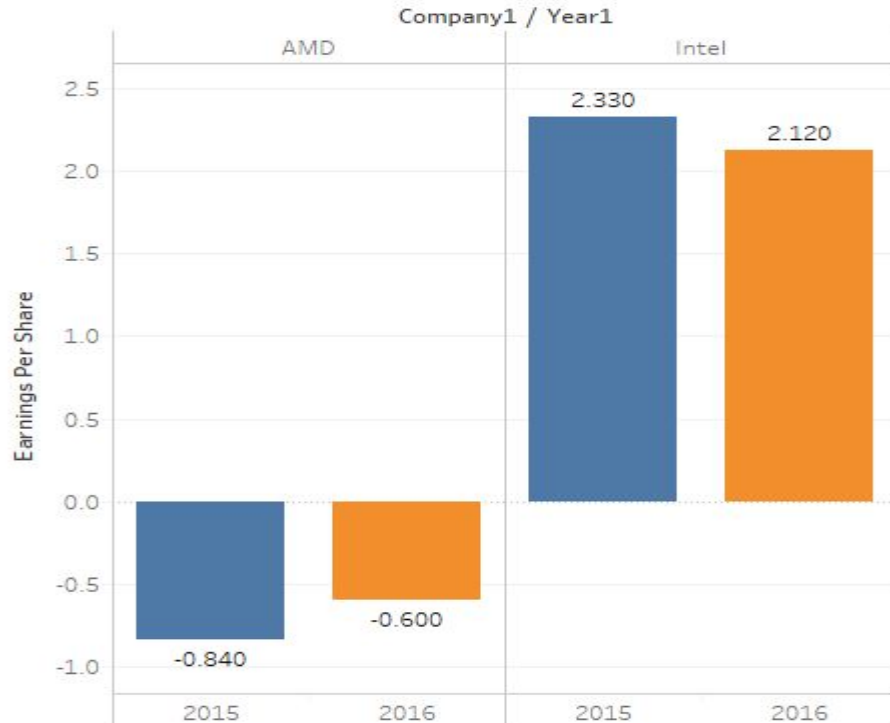
DEBT/EQUITY



- Total Liability/ Total Assets
- A low debt to equity ratio indicates lower risk, because debt holders have less claims on the company's assets.

Earnings per Share

Earnings per share



- **Earnings per share (EPS)** is the portion of a company's profit allocated to each outstanding **share** of common **stock**.
- **Intel's** EPS is better than that of AMD which indicated that the company is more profitable than AMD.

Street Position

- The quick ratio for AMD is 1.05 as compared to Intel's 1.04 which shows that AMD has the ability to cover short term cash needs better than Intel
- Most of the Shares in both the company has been owned by the Institutions, Vanguard Group Inc. being the top Shareholder in both the companies.

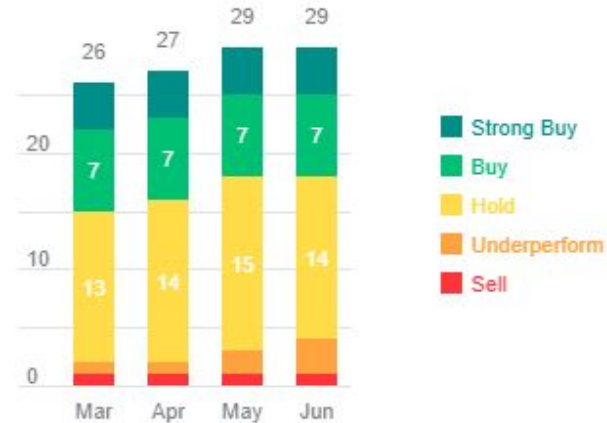
Intel

Recommendation Trends >



AMD

Recommendation Trends >



Earning call summary

Intel

INCOME STATEMENT		
	Q1 FY17	Q1 FY16
Net Sales (\$mil)	14,796.00	13,702.00
EBITDA (\$mil)	5,607.00	4,909.00
EBIT (\$mil)	3,661.00	2,894.00
Net Income (\$mil)	2,964.00	2,046.00
BALANCE SHEET		
	Q1 FY17	Q1 FY16
Cash & Equiv. (\$mil)	17,295.00	15,091.00
Total Assets (\$mil)	115,648.00	105,467.00
Total Debt (\$mil)	25,751.00	25,294.00
Equity (\$mil)	67,722.00	62,068.00

AMD

BALANCE SHEET		
	Q1 FY17	Q1 FY16
Cash & Equiv. (\$mil)	945.00	716.00
Total Assets (\$mil)	3,299.00	2,981.00
Total Debt (\$mil)	1,408.00	2,236.00
Equity (\$mil)	409.00	-503.00
PROFITABILITY		
	Q1 FY17	Q1 FY16
Gross Profit Margin	37.09%	36.30%
EBITDA Margin	-2.23%	-5.40%
Operating Margin	-5.69%	-9.38%
Sales Turnover	1.34	1.27
Return on Assets	-13.97%	-19.75%
Return on Equity	-112.71%	NM

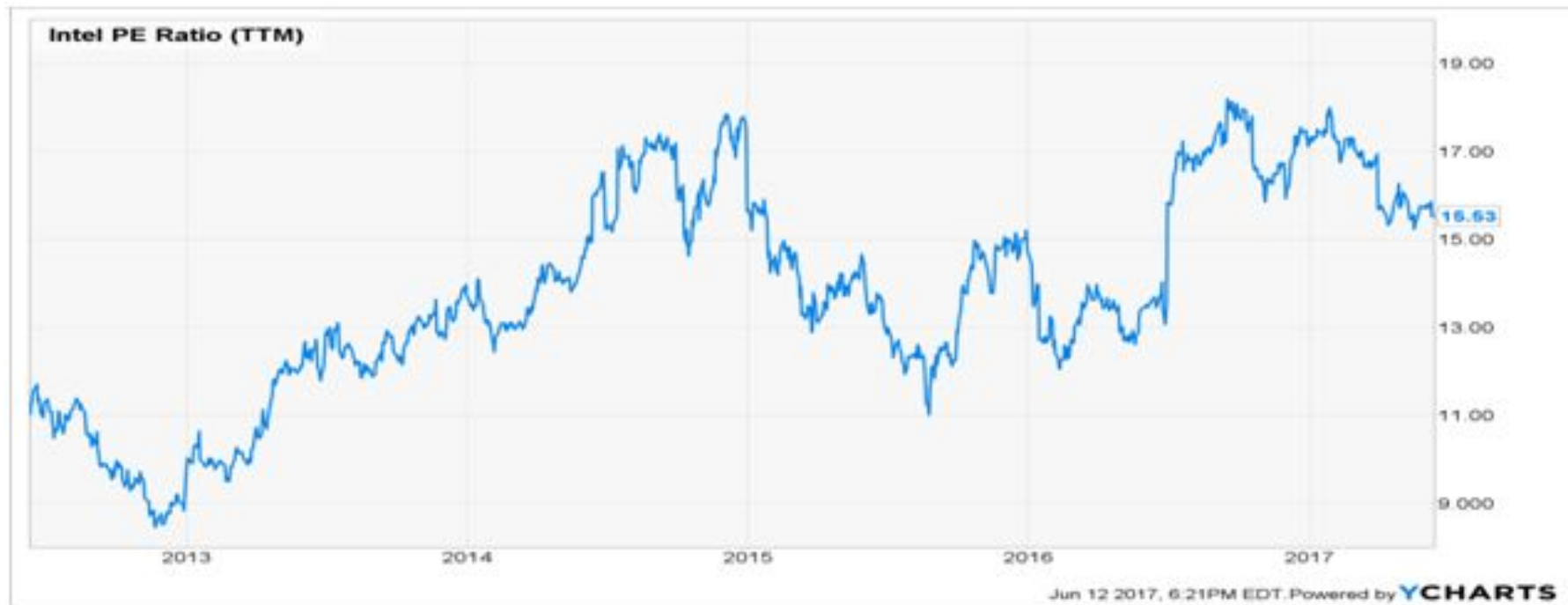
Our Stand: Would we invest

Concern: Whether the company making any money?

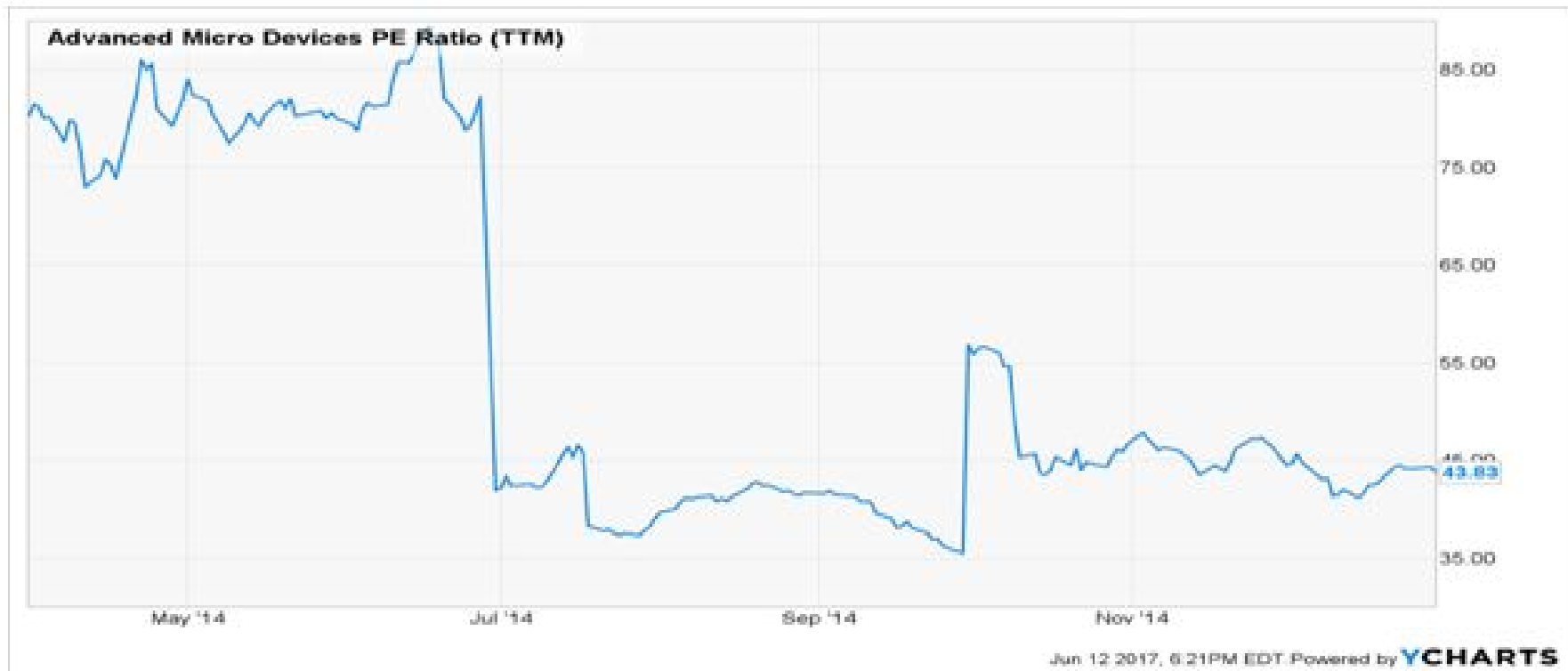
Key Ratios to look for

- P/E Ratio
- EPS
- Payout Ratio= Total Dividends paid/Net Income

PE Ratio



PE Ratio



EPS

Earnings per share



Payout Ratio



AMD payout Ratio is 0.

Our Stand: Would we lend?

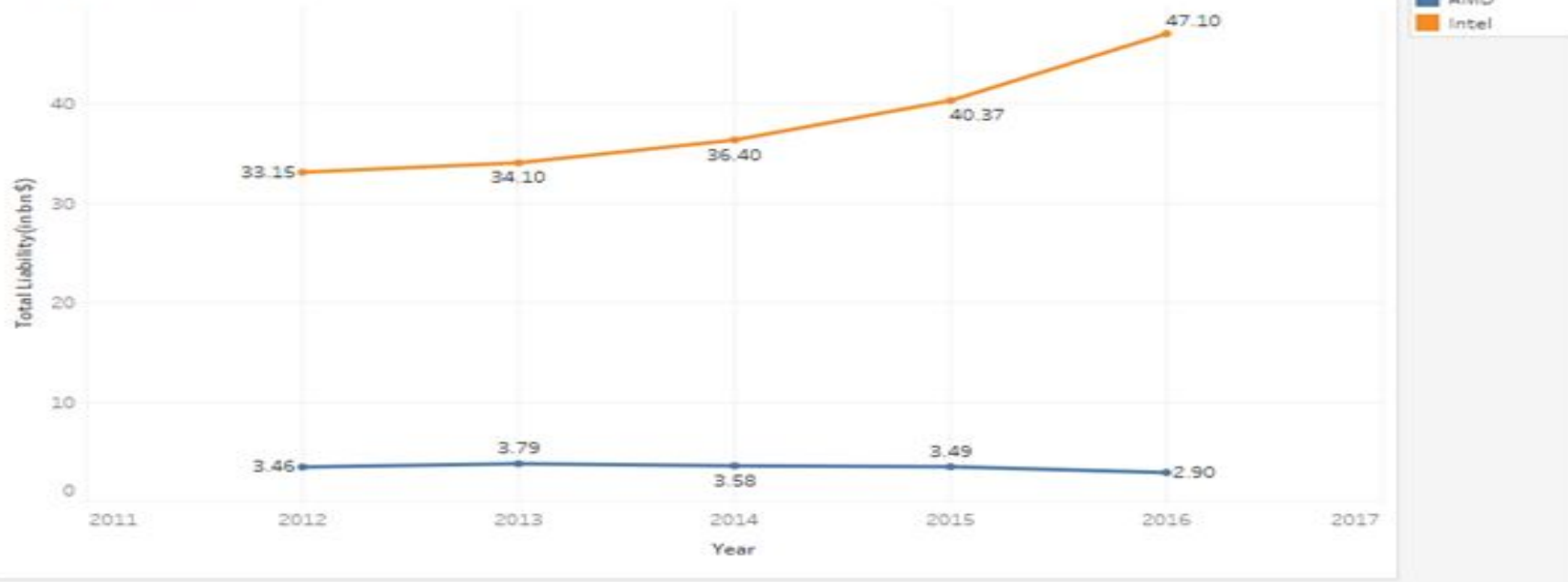
Concern: When we will get our money Back?

Key Ratios:

- Previous Liabilities
- How quickly the assets can be liquidated

Liabilities

Total Liability



Conclusion

- Intel: high receivables turnover, higher inventory turnover
- AMD is the underdog and quickly catching up.
- The growth of Intel has been stable but AMD is still growing.

AMD share has increased 4 times in the last 1.5 years!