

DCF - VALUATION



VALUATION#1 - SEPT 27

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**THIS IS NOT AN INVESTMENT ADVICE
THIS VALUATION IS JUST FOR
EDUCATIONAL PURPOSE**

ALL values in millions, except par values

AMD											Sep-24
Base Year and Comparison			Growth Story Aquisition of xilinx in 2022 has boosted their revenues in Data center business. Revenues in first six months o 2024 are 5157 million compared to 2616 million in same period of 2023 which is an increment of 198%. Data center business will boost the revenues and the margins aided with growth in clients business, gaming and aero and auto chips		Profitability Story Company will see incease in its operating margins as expenditure(mainly R&D) will slow down. Outsourcing will also be cheaper		Growth Efficiency Story Maintained at industry third quartile, eventually increase as R&D will provide growth		Terminal Value		
	Company	Industry							Growth Rate	3.79%	
Revenue Growth	5.32%	5.77%							Cost of capital	7.90%	
Revenue	\$23,276	16.32%							Return on capital	7.90%	
Operating Margin	13.82%								Reinvestment Rat	47.97%	
Operating Income	\$3,217										
EBIT (1-t)	\$2,605										
PV(Terminal value)	\$ 1 ,21,604										
PV (CF over next 10 years)	\$ 7 5,221										
Probability of failure =	0.00%										
Value of operating assets =	\$1,96,825										
- Debt	\$2,245										
- Minority interests	\$0										
+ Cash	\$5,340										
+ Non-operating assets	\$0										
Value of equity	\$1,99,920										
- Value of options	\$0										
Value of equity in common stock	\$1,99,920										
Number of shares	1 ,616.00										
Estimated value /share	\$123.71										
Price per share	\$164.70										
Over Valued by	33.13%										
Risk Story		Competitive Advantages									
Initail cost of capital based upon semiconductor company risk and company's financial leverage, but declines to the median company's cost of capital.		Competitive advantges, from patents and IPs . Data center business and significant cpature in AI chip business, though will not be the market leader									

10.55%

COST OF CAPITAL

Components of cost of capital

Risk Free Rate - 3.79%

current 10 Year US T.Bond rate

Cost of Equity - 10.61%

Beta of 1.46, equity risk premium of 4.64% based on weights of revenues in different markets across the globe and RFR of 3.79%

Pre Tax Cost of Debt - 4.86%

RFR + Company's bond rating -A2/A, + Default spread

**WACC = weight of equity * cost of equity +
weight of debt * cost of debt = 10.55%**

GROWTH RATES

Growth rates used here are analyst estimates. analyst estimates shows 28% growth in revenues in this financial year, The next 5 years growth estimates range from 10%- 16%

Growth Drivers - Rapidly increasing market share in Data Center and AI business

AMD sees a long-term total addressable market (TAM) worth \$42 billion in the data center business, which means there's still a lot of room for growth in this segment. AMD claims this acquisition has given it access to a massive addressable revenue opportunity worth a whopping \$135 billion. Xilinx's portfolio of chips includes field-programmable gate arrays (FPGAs), adaptive system-on-chips (SoCs), data processing units (DPUs), and adaptive compute acceleration chips. The demand for these chips will grow rapidly thanks to their application in multiple industries such as data centers, gaming, AI, wireless communications, and automotive.

Operating Margins also expected to increase analyst estimate operating margins improve by 20-25% eventually company will mature and have a higher margin

Terminal Values

Terminal Value	
Growth Rate	3.79%
Cost of capital	7.90%
Return on capital	7.90%
Reinvestment Rat	47.97%

	Terminal year
Revenue Growth	3.79%
Revenue	\$ 72,188
Operating Margin	45.00%
Operating Income	\$ 32,485
EBIT (1-t)	\$ 24,364
Reinvestment	\$ 11,688
FCFF	\$ 12,675

Final - output

Estimated value /share \$123.71

Current - Price per share \$164.70

Over Valued by 33.13%

***This is NOT an investment advice, This valuation is only of educational purpose. Do not be stupid and consider this as an investment advice**



**PLEASE DO PROVIDE FEEDBACK AND I WILL IMPROVE IN
THE FUTURE VALUATIONS**

Next valuation - Vodaphone Idea