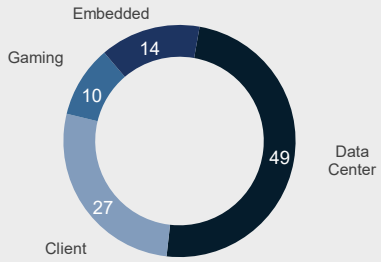
Company: Advanced Micro Devices
Ticker: AMD
Recommendation: HOLD
Valuation date: 2025-10-21

Revenue Breakdown Per Segment
Percentage of Total Revenue by Segment 2024, %



Implied share price (Base case DCF)
$206.72

Current share price
$234.56

Implied premium
13.47%

Investment thesis

AMD presents a compelling long-term case driven by structural exposure to Data Center and AI growth, supported by a solid balance sheet and improving product mix. However, much of this upside is already priced in, and uncertainties related to market demand, competitive dynamics, and execution temper the near-term outlook. These factors, combined our intrinsic valuation justifies a **HOLD recommendation** for the coming 12 months.

Diversified growth platform

AMD has transformed into a diversified semiconductor company with exposure across Data Center, client computing, gaming, and embedded markets. Data Center remains the primary growth engine, supported by share gains in EPYC server, CPUs and expanding adoption of AI accelerators. The Embedded segment provides stable cash flows and diversification benefits, while client and gaming remain cyclical but strategically important for maintaining scale and software compatibility across AMD's overall portfolio.

AI and Data Center opportunity

AMD is well positioned to capture sustained demand for AI and high-performance computing. Partnerships with OpenAI and Oracle reinforce AMD's credibility as a key supplier in the AI accelerator market, although execution and scaling risks remain. Continued architectural innovation in CPUs and GPUs will be essential for sustaining competitiveness against the likes of Nvidia, Intel and others in the sector.

Financial position and capital allocation

AMD's net cash position and low leverage provide flexibility to invest in R&D and strategic acquisitions, providing shareholder returns. Strong cash generation and an efficient cost base enhance resilience through market cycles.

DCF Valuation

The intrinsic value of AMD was estimated using a Discounted Cash flow (DCF) model over a 10-year horizon (2025-2035). The forecast includes a 5-year high-growth phase followed by a 5-year convergence to steady state. A WACC declining from 10.90% to 7.73% and a terminal growth rate of 2,5% were applied.

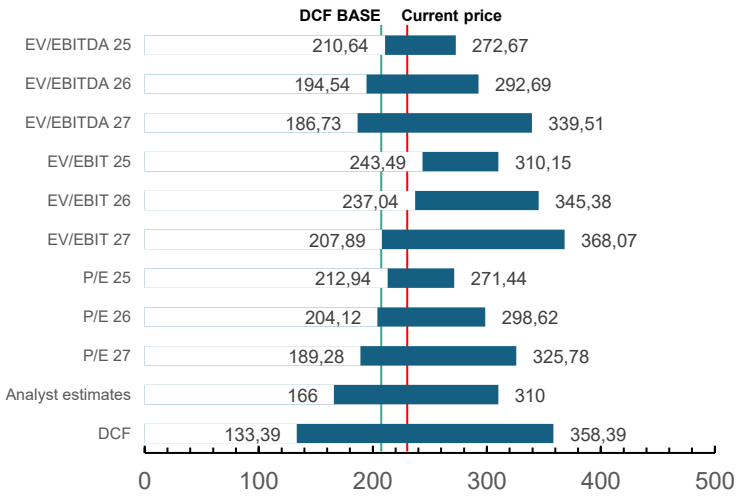
Relative valuation

A relative valuation based on EV/EBITDA, EV/EBIT, and P/E multiples for 2025-2027 was conducted against peers (such as Nvidia, Intel, Broadcom, Qualcomm to name a few). Here, AMD trades at a premium, reflecting strong AI and server growth expectations, consistent with the DCF outcome.

Valuation summary

The combined analysis implies a share price of $206.72, representing a 13.5% premium to the market price of $234.56 at the valuation date. While AMD's long-term fundamentals remain solid, the current market valuation already prices in optimistic scenarios, implying a slight premium which very well could be justified.

AMD's valuation range indicates potential upside vs current market price



Company Overview

Advanced Micro Devices (AMD) designs high-performance and adaptive computing products and operates a fabless model. The company was founded in 1969 in Sunnyvale and is headquartered in Santa Clara, California, with shares listed on NASDAQ: AMD. AMD employs approximately 28,000 people and serves customers in 70 countries. Reported FY2024 revenue was $25.8 bn and EBITDA $5.08 bn; these anchors frame the 2019–2024 analysis.

Corporate History and Model

AMD was founded in 1969 to supply innovative microelectronics to a growing computing market, beginning with TTL logic and the Am9300 shift register and an initial base in Sunnyvale, California. The company expanded into x86 microprocessors, including early second sourced Intel 8080 compatible parts and the Am2900 bit slice family, added discrete graphics through the ATI acquisition in 2006, and moved to an asset light fabless model by creating GlobalFoundries in 2009 while building partnerships with external foundries such as TSMC. Before 2019, leadership changes under Chief Executive Officer Lisa Su, appointed in 2014, stabilized execution, reset the roadmap around the Zen central processing unit architecture and RDNA graphics, and positioned the company to pursue share gains in client and server while remaining asset light.

Business Description

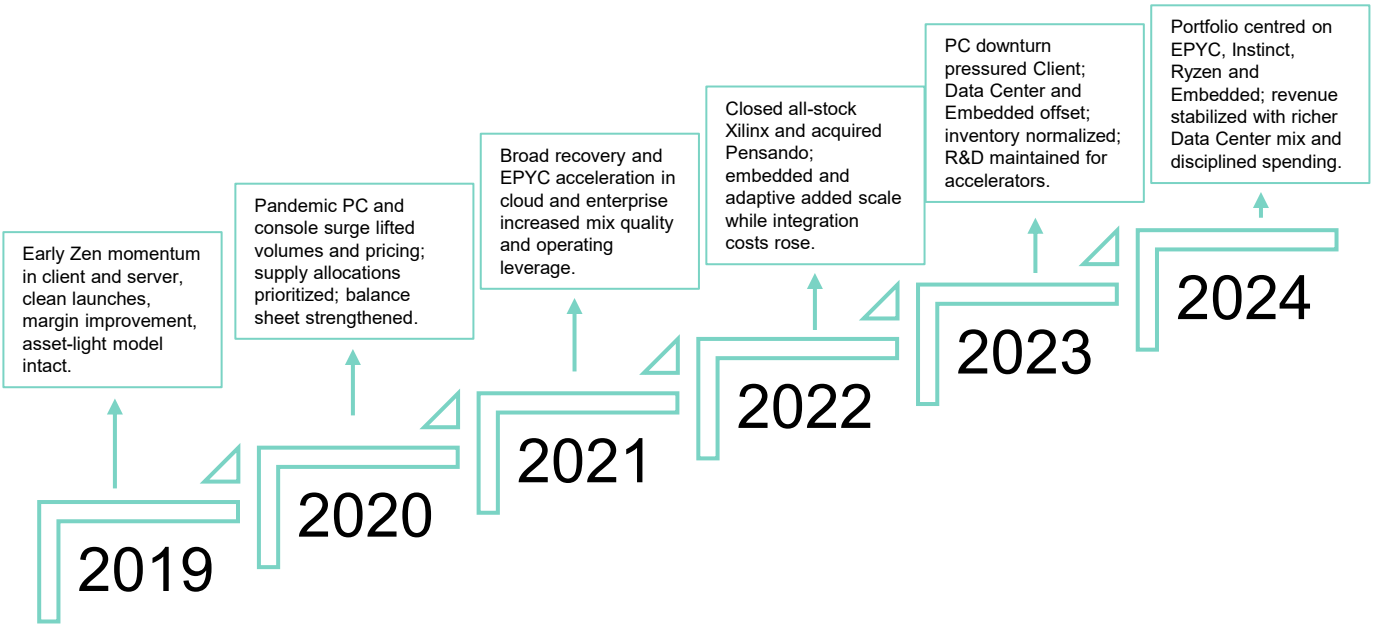
Between 2019 and 2024, AMD transformed from a smaller PC-centric chipmaker into a diversified semiconductor leader. Annual revenue roughly quadrupled, as the company expanded across four key segments: Data Center (including AI), Gaming (with semi-custom chips), Embedded & Industrial, and Client (PC & workstation processors).

AMD's Data Center business grew from an early-stage initiative into the company's largest revenue segment by 2024. Leveraging its EPYC server processors which gained significant market share and broad adoption among cloud providers. The Data Center segment's revenue GPUs, seeing initial large-scale deployments by customers like Amazon, Google, Microsoft and Meta in early 2023, skyrocketed to a record $12.6 bn in 2024 (approximately half of AMD's sales). AMD also entered the AI accelerator market with its *Instinct Data Center II* deploying large amounts of capital to fuel their cloud- and software services. This focus on high-performance server chips and AI hardware has made AMD a strong competitor against established players in the Data Center field.

AMD's gaming segment, which includes Radeon graphics and custom Semi-custom (SoC chips) designs for consoles, surged early in this period. The launches of Sony's PlayStation 5 and Microsoft's Xbox Series X|S in early 2020-decade, which were both powered by AMD silicon, drove semi-custom revenue to new highs, with gaming segment sales peaking at over $6 bn by 2022. However, as console demand levelled off and pandemic-era PC gaming booms subsided, Gaming revenue receded to $2.6 bn in 2024. AMD remains the exclusive chip supplier for major game consoles and even powered the mid-generation PlayStation 5 Pro upgrade in 2024 with an enhanced AMD SoC. Full-scale launch for the PS5 is projected for 2025.

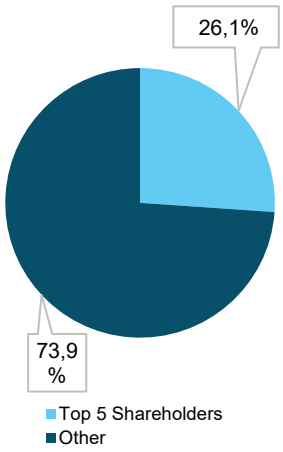
In 2022, AMD vastly expanded its presence in embedded and industrial markets by acquiring Xilinx, a leading provider of adaptive computing products, for about $49 bn. This brought FPGAs and adaptive SoCs into AMD's portfolio and drove a steep increase in embedded segment revenue up to $5.3 bn in 2023. That initial surge normalized as customers worked through inventory, pulling embedded revenue down to $3.6 bn in 2024. Even so, AMD emerged as a top supplier in industrial and automotive silicon and as a leader in adaptive computing solutions.

AMD's client computing business has staged a dramatic turnaround. Fuelled by the Ryzen CPU lineup and Zen architecture improvements, AMD steadily gained PC market share and achieved record client processor sales.



The Client segment's revenue climbed sharply through 2021, attaining all-time highs and a record share of the laptop CPU market. After a brief dip in 2023 during a global PC downturn, client revenue rebounded to $7.1 bn in 2024, which was a new peak for AMD. By delivering top-tier performance and even integrating AI capabilities into its chips, AMD has solidified its position as a leading supplier of PC processors.

Shareholder Structure

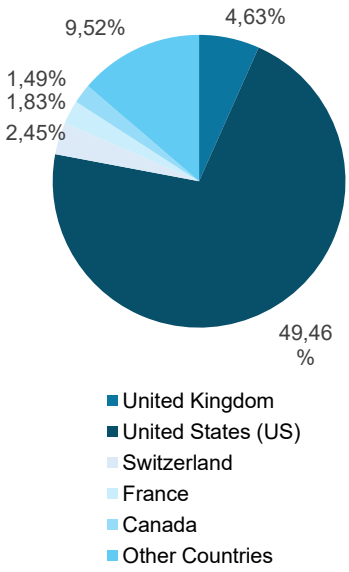


Shareholder Structure

As of 2024 the register is dominated by global index and active institutional investors, with the top ten holders representing a material minority of outstanding shares and insiders holding a modest stake. The free float is effectively the entire capital base, and the shareholder mix is largely financial rather than strategic. Comparing 2019, 2022 and 2024 shows dilution from stock-settled acquisitions offset by opportunistic buybacks in stronger cash-flow years, as well as incremental accumulation by ETFs and large US asset managers. Governance reflects a one-share one-vote structure with a majority-independent board, and no dual-class features, or special voting agreements noted.

Ownership is primarily based in the United States with additional holdings across the United Kingdom, the European Union and Asia-Pacific**.** Since 2019 the proportion held by US-based funds increased as passive vehicles accumulated shares, while certain European and other regional stakes declined in relative terms.

Ownership Structure by country



Historical Analysis

AMD underwent a dramatic transformation from 2019 to 2024, roughly quadrupling its annual revenue in five years. Sales rose from $6.7 bn in 2019 to a record $25.8 bn in 2024, which corresponds to a 31% CAGR. Growth was especially rapid in-between 2020 and 2022, including a 68% surge in 2021 to $16.4 bn, as Ryzen processors gained PC share and new consoles drove graphics sales. In 2022, revenue jumped another 44% to $23.6 bn despite a late-year PC downturn, held afloat by the strategic Xilinx acquisition and strong EPYC server chip adoption. AMD's Data Center segment became the largest contributor, nearly doubling in 2024 to $12.6 bn as EPYC CPUs and Instinct AI accelerators together made up around 50% of total revenue. After a slight deceleration in 2023 of -4% growth to $22.7 bn during soft PC demand, AMD rebounded with 14% growth in 2024 supported by increased Data Center and Client Processor sales. This period's expansion was both organic through share gains in CPUs/GPUs and inorganic through acquisitions, reshaping AMD into a diversified chip leader.

Rapid revenue growth turned into sharply improved earnings as AMD's EBITDA increased from below $1 bn in 2019 to approximately $5.1 bn by 2024. EBITDA margins expanded to roughly 20% as the product mix shifted toward high-end Data Center chips. In 2021, AMD achieved record profitability with GAAP operating margins above 20%, though margins declined in 2023 due to PC market softness together with heavy R&D investments. The company's strategic acquisitions contributed significantly to its financial evolution. In 2022, AMD completed the takeover of Xilinx for about $50 bn, which was the largest deal in semiconductor history. This acquisition brought in Xilinx's high-margin FPGA and adaptive SoC business. This acquisition instantly diversified AMD's portfolio, strengthening and sharpening AMD's edge in Data Center markets. AMD also acquired the cloud networking-startup Pensando in 2022 for $1.9 bn to enhance its Data Center offerings. In 2024 AMD acquired the AI-software firm Silo AI for around $665 m to support its end-to-end AI infrastructure offerings. These recent acquisitions alongside smaller acquisitions and strategic investments in AI startups have strengthened AMD's technological expansion. Overall, AMD's 2019–2024 journey was marked by exponential Revenue/EBITDA growth together with transformative M&A, setting a foundation for sustained, broad expansion.

Strategic Analysis

A great development for AMD in late 2025 was its strategic alliance with OpenAI, announced in October. Under this multi-year deal, AMD will supply hundreds of thousands of AI accelerators to OpenAI, starting in 2026. In return, OpenAI secured warrants to purchase up to 10% of AMD's stock at a nominal price, aligning the two companies' interests. Financially, the partnership is projected to be transformative for AMD. Executives estimate that the deal could generate tens of billions of dollars in annual revenue once fully established, and potentially over $100 bn in total sales over four years. For context, AMD's total revenue in 2024 was approximately $26 bn, thus this deal alone could increase AMD's top line to new heights if executed fully.

News of the OpenAI agreement saw AMD shares rise +30% in a day, reflecting investor perception that AMD may finally damage Nvidia's hold on the AI accelerator market.

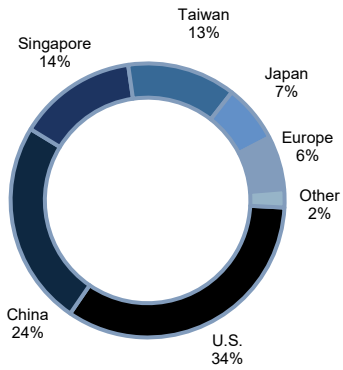
Tactically, the OpenAI partnership is a major vote of confidence in AMD. OpenAI choosing AMD's hardware validates the performance and scalability of AMD's AI platform in large-scale deployments. It also gives AMD a highly influential customer to optimize for, likely leading to

References: Advanced Micro Devices, Inc. (2021, January 26) *Annual report (Form 10-K) for the fiscal year ended December 31, 2020.* ; (2022, February 1). *Annual report (Form 10-K) for the fiscal year ended December 31, 2021.* ; (2023, February 27) *Annual report (Form 10-K) for the fiscal year ended December 31, 2022.* ; (2024, January 30). *Annual report (Form 10-K) for the fiscal year ended December 30, 2023.* ; a, February 5). *Annual report (Form 10-K) for the fiscal year ended December 31, 2024.*, Reuters. (2022, April 4). *AMD to buy cloud startup Pensando for $1.9 billion in data center push.* https://www.reuters.com/technology/amd-buy-cloud-startup-pensando-19-bln-data-center-push-2022-04-04., Cherney, M. A. (2024, July 10). *AMD to acquire Finnish startup Silo AI for $665 mln to step up in AI race.* Reuters. https://www.reuters.com/markets/deals/amd-acquire-finnish-startup-silo-ai-665-mln-step-up-ai-race-2024-07-10

co-designed systems. This volume commitment could help AMD achieve better economies of scale in GPU manufacturing and push its software ecosystem to maturity with OpenAI's feedback. Moreover, the equity component where OpenAI can acquire up to 160 million AMD shares at $0.01 suggests OpenAI is incentivized to ensure AMD succeed in the long-term, creating a strategic partnership similar to what Nvidia has done with many of its cloud customers. Strategically, securing OpenAI's workload gives AMD stature as the credible second source for cutting-edge AI chips. This is a reputation that could attract other hyperscalers or AI-related firms looking to diversify beyond Nvidia.

Revenue breakdown per country

Percentage of Total Revenue by Country 2024, %



Conclusively, AMD recently also secured a deal with Oracle, becoming their sole provider for Oracle's creation of their "supercomputers". The deal itself guarantees AMD the opportunity to deliver approximately 50 000 units of their up-and-coming MI450 series. The deal is estimated to be valued between $1.5-2 bn with the first batch of units being estimated for delivery in late 2026.

Investment Risks

Economic (ER) and regional risks (RR1), including competitive pressures (CR), Data Center faces cyclical demand and geographic sensitivity. AMD faces cyclical demand risk. A slowdown or recession reduces spending on PCs, Data Center chips, and gaming consoles. Customers delay or cancel orders when confidence falls. In 2024 the Embedded segment declined as clients normalized inventory after the downturn. AMD derives most of its revenue abroad and thus faces regional sensitivity. International sales were 66% of revenue in 2024 with a heavy weight in the Asia-Pacific area. China revenue increased about 15% of total in 2023 to about 24% in 2024. Japan also saw a big swing from $4.6 bn in 2023 down to $1.8 bn in 2024 as console chip shipments fluctuated.

Geopolitical (GR) and regulatory risks (RR2) focus on export controls, supply-chain concentration, and shifting rules. U.S. export controls currently restrict certain AMD products against China and require advance notifications or licenses, which can delay or block shipments and add compliance cost. AMD relies on third parties to manufacture products, and if they are unable to do so on a timely basis in sufficient quantities and using competitive technologies, their business could be materially adversely affected. Any disruption at key partners would hit supply, cost, and timing. Broader sanctions, conflicts, and changing rules can also dampen demand and complicate logistics and licensing.

Probability-Impact Risk Matrix

IMPACT \ PROBABILITY	LOW	MEDIUM	HIGH
HIGH		GR, RR2	ER, RR1, MR
MEDIUM	SR	OR	
LOW			

Ownership risks (OR) stem from customer concentration and console-cycle exposure. A few large customers drive much of the total revenue of AMD. One customer represented 18% of 2024 revenue and 16% in 2022. Losing or pausing such accounts would hurt sales and cash flows. Gaming console cycle timing amplifies this effect. As seen in 2024, revenue tied to gaming products declined by -58% YoY, which is tied to lower semi-custom shipments which power the Sony PlayStation 5, the Microsoft Xbox Series X|S game consoles, as well as the Valve Steam Deck PC. Investors should recognize that AMD's client base is less diversified than total end-users suggest, the result of a few big accounts can move the needle on revenue growth.

Ownership structure and shareholder risks (SR) concern capital-return policy, dilution, and the lack of dividends. AMD has a widely held shareholder base and is listed on NASDAQ. The company reported 5,028 registered holders as of January 24, 2025. Capital returns rely on buybacks rather than dividends. AMD runs a $12 bn repurchase authorization and in 2024 repurchased 5.9 million shares for $862 million, leaving $4.7 bn available at year-end. This equity compensation introduces dilution risk. Share count moves with equity awards and buybacks. Diluted weighted-average shares were 1,637 million in 2024. With no near-term dividend expected, shareholder returns hinge on price appreciation and repurchases.

Macroeconomic risks (MR) relate to inflation, interest rates, and foreign exchange and how they flow through demand and valuation. Global inflation spiked in 2022 and eased in 2023 as central banks lifted policy rates. Tighter financial conditions and recession risk reduce end-market demand and raise discount rates. AMD states that inflation, higher interest rates, recession risk, or tight credit can lead customers to delay or cancel purchases and can strain suppliers. AMD earns and spends in multiple currencies and uses forward contracts, yet foreign exchange still affects reported results and cash flows.

References: Advanced Micro Devices, Inc. a, February 5). *Annual report (Form 10-K) for the fiscal year ended December 31, 2024.* ; b, October 14). Oracle and AMD expand partnership to help customers achieve next-generation AI scale [Press release]. https://www.amd.com/en/newsroom/press-releases/oracle-and-amd-expand-partnership-to-help-customers-ach.html., Cherney, M. A., & Bajwa, A. , October 6). *AMD signs AI chip-supply deal with OpenAI, shares surge over 34%.* Reuters. https://www.reuters.com/business/amd-signs-ai-chip-supply-deal-with-openai-gives-it-option-take-10-stake-2025-10-06., International Monetary Fund. (2024, October). *World Economic Outlook.* https://www.imf.org/en/Publications/WEO

Competitive Landscape

Focus is on AMD's Data Center franchise alongside the Client, Gaming, and Embedded businesses. The portfolio includes EPYC CPUs, Instinct GPU and AI accelerators, Ryzen and Radeon processors, and Xilinx-derived FPGAs and adaptive SoCs. For comparability, foundries and equipment makers such as TSMC and ASML are excluded, as they operate primarily as manufacturing or design service providers rather than fabless or IDM compute vendors. Nvidia dominates discrete graphics and AI accelerators, Intel leads x86 CPUs for PCs/servers, Broadcom excels in networking and infrastructure chips, Qualcomm is the 5G/mobile leader, Marvell focuses on Data Center networking/storage, and TI leads in the analog and embedded segment. Each has overlapping markets with AMD's products or connected markets that shape AMD's opportunities. AMD's 10-K form explicitly cites Intel, Broadcom, Marvell, Texas Instruments, and Nvidia as competitive peers in Embedded and Data Center silicon. By selecting industry leaders, we aim to provide a representative sample of the competitive landscape currently shaping the market.

Nvidia is AMD's strongest competitor in GPUs and now a major CPU/AI player. With the AI super-cycle, Nvidia's scale and growth far exceeds AMD. In FY2024, Nvidia reported record GAAP revenue of $60.9 bn (up 126% YoY), exceeding AMD's $22.7 bn in FY2023. Nvidia's high-end GPUs drive Data Center AI-revenue, and its gaming GPUs control a dominant share of the discrete GPU market. AMD competes with its Radeon graphics and new MI300 AI GPUs, but its shipments and sales remain much smaller as they are more focused within the semi-custom segment of the gaming industry. Nvidia has also executed strategic moves by acquiring networking chipmaker Mellanox in 2020 and announcing the Cumulus Networks deal the same year to broaden its reach, alongside developing the ARM-based Grace CPU. These components make Nvidia by far AMD's closest rival in high-performance computing, both technologically and financially.

Intel is a longtime CPU rival of AMD. Intel's Client (Core) and Server (Xeon) processors compete directly with AMD's Ryzen and EPYC lines. However, Intel's revenue and performance has declined since 2020. For FY2023, Intel reported $54.2 bn revenue (down 14% YoY), versus about $63 bn in 2022 and $79 bn in 2021. Because of Intel's decline in growth, AMD has gained market share in desktops and servers during this period. In response, Intel has renewed investment in process technology and architecture and launched discrete Arc GPUs. Intel's strategy emphasizes "driving process and product leadership," expanding its foundry services, and bringing AI everywhere. Recently, Intel also announced use of Nvidia's NVLink connectivity to pair its CPUs with NVIDIA GPUs. In summary, Intel's scale remains larger but AMD's rising performance has made Intel a more aggressive competitor in both the PC and Data Center segments.

Texas Instruments (TI) is the leader in Analog and Embedded processors, with annual revenue near $18 bn. Its core products of power management, sensors, and Analog ICs serve industrial, automotive, and consumer electronics. TI's gross margins and cash flow are among the industry's best. TI's strategy is stable, as it continuously expands Analog content in existing markets, maintains disciplined R&D, and returns capital to shareholders. TI has made few large acquisitions recently, focusing instead on organic growth and supply-chain efficiency. Because TI's products are mostly Analog, it rarely competes head-to-head with AMD's digital CPUs/GPUs. AMD mentions TI as a peer in its embedded portfolio outlook, but the overlap is limited. In effect, TI is a large semiconductor industry peer whose strengths in Analog and mixed-signal contrast with AMD's digital-logic focus.

Broadcom Inc. Focuses on high-performance infrastructure chips (network adapters, switches, ASICs) and enterprise software (especially after its VMware acquisition). Its core semiconductor business and new VMware unit give it influence within the Data Center segment. In FY2023, Broadcom posted $35.8 bn revenue (up 8% YoY), driven by networking and AI-accelerator demand, and called the VMware deal "transformational," with 2024 guidance implying an important change in consolidated revenue trajectory. Broadcom's emphasis on accelerators and connectivity for AI overlaps somewhat with AMD's Data Center customers, but product overlap is limited: Broadcom sells connectivity and storage silicon, whereas AMD sells compute chips. Thus, Broadcom is more of a broad industry peer than a direct product rival. Broadcom's strategic moves strengthen its role in the Data Center, but it competes with AMD only tangentially .

Marvell Technology. Marvell specializes in networking, storage, and connectivity chips for Data Center and communications. It has grown via acquisitions of e.g., Inphi and Innovium. These investments fuelled strong growth in revenue during 2023, driven by cloud networking, 5G telecom, automotive, and enterprise storage markets. AMD's overlap with Marvell is indirect as Marvell's silicon often works alongside AMD CPUs in servers, but Marvell does not sell general-purpose CPUs/GPUs. Still, both target the expanding cloud/AI infrastructure market, so they share end customers. AMD notes Broadcom/Marvell among its semiconductor competitors in Data Center networking. As cloud providers upgrade networks for AI, Marvell's growth benefits the same market trends that benefit AMD's Data Center products.

Qualcomm is largely known for smartphone SoCs and 5G modems, with $36 bn in FY2023 revenue (down from $44 bn in 2022). This mobile focus corresponds to little product overlap with AMD which has no smartphone SoC. However, Qualcomm is pivoting toward Data Center CPUs. In 2025 Qualcomm announced it will build custom server processors designed to interconnect with Nvidia's AI GPUs, an unusual partnership that reflects Qualcomm's bid to leverage its CPU expertise in the AI Data Center, a market dominated by AMD and Intel. Qualcomm's move highlights its desire to diversify beyond phones. Aside from this, Qualcomm's strategic initiatives focuses on automotive and IoT. In summary, Qualcomm competes indirectly with AMD in the broader compute ecosystem, but their core products remain distinct. Qualcomm's entry into Data Center CPUs is an emerging overlap, but AMD's closest rivals remain Nvidia and Intel

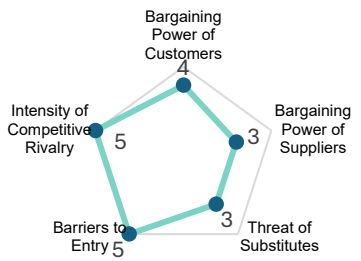
References: Advanced Micro Devices, Inc. (2024, January 30). *Annual report (Form 10-K) for the fiscal year ended December 30, 2023.*, NVIDIA Corporation. (2020a, April 27). *NVIDIA completes acquisition of Mellanox Technologies, Ltd.* [Press release]. ; (2020b, May 4). *NVIDIA to acquire Cumulus Networks* [Press release]. ; (2024). *Annual report (Form 10-K) for the fiscal year ended January 28, 2024.*, Intel Corporation. (2024). *Annual report (Form 10-K) for the year ended December 30, 2023.*, Broadcom Inc. (2023). *Annual report (Form 10-K) for the fiscal year ended October 29, 2023.* ; (2023, November 22). *Broadcom completes acquisition of VMware* [Press release]., Texas Instruments Incorporated. (2024). *Annual report (Form 10-K) for the year ended December 31, 2023.*, Marvell Technology, Inc. (2024). *Annual report (Form 10-K) for the fiscal year ended February 3, 2024.*, Qualcomm Incorporated. (2023). *Annual report (Form 10-K) for the fiscal year ended September 24, 2023.*

Each of these competitors influences AMD's market positioning. Nvidia's surge in AI has raised industry performance targets, Intel's manufacturing and design plans affect the x86 roadmap, Broadcom and Marvell shape Data Center infrastructure trends, and Qualcomm's new focus on server chips signals future platform shifts. From 2019–2024 each has made strategic moves that reshape the competitive landscape. Overall, Nvidia stands out as AMD's closest and most direct rival, especially in GPUs and AI accelerators, while the others occupy adjacent spaces that define AMD's broader industry context.

Porter's Five Forces

Barriers to entry are high at five of five. Advanced foundry nodes, complex packaging, and leading-edge IP and software require capital and yield excellence. **Supplier power** is moderate at three of five. AMD outsources all wafers and most assembly and test to a limited set of partners, which raises pricing and allocation risk. **Competitive intensity** is high at five of five. Nvidia leads in accelerators and software, and Intel competes in CPUs and FPGAs, while hyperscalers invest in custom silicon that narrows the merchant market. **Customer power** is high at four of five. A small group of hyperscalers and large OEM and ODM channels drives a significant share of revenue and can pressure price and mix. **Threat of substitutes** is moderate at three of five. ARM based CPUs, proprietary accelerators, and alternative AI platforms with software lock in can replace x86 CPUs or merchant GPUs in select workloads.

Porter's Five Forces

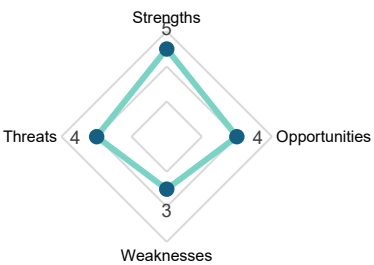


SWOT Analysis

Strengths include breadth across four segments, leadership in EPYC, a rapid MI300 ramp, improving gross margin, and profitable Embedded contributions from Xilinx. The ROCm software push and targeted AI software deals deepen the stack.

Weaknesses include full reliance on external manufacturing with concentration at leading nodes, exposure to substrate and packaging availability, and sensitivity to customer and channel swings.

SWOT Analysis



Opportunities include accelerating demand for AI accelerators with partner systems, a normalizing PC cycle that supports new Ryzen platforms, and cross sell of FPGAs and Adaptive SoCs into industrial, automotive, and networking.

Threats include strong responses from Nvidia and Intel, continued investment in custom silicon by large customers, supply chain constraints across wafers and back-end capacity, and regulatory or export dynamics that can affect Data Center demand.

Table 1: Peer Valuation - Data as of January 1, 2025 (USD)

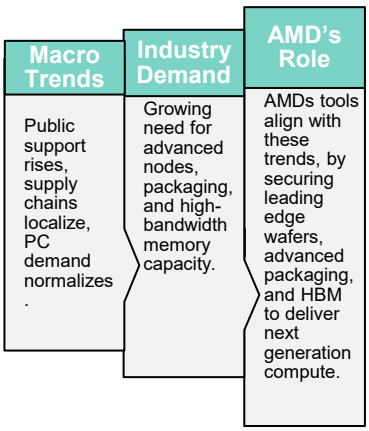
	Market Data			Financial Data			Valuation			
Company Name	Price ($/share)	Market Cap ($M)	EV ($M)	Sales ($M)	EBITDA ($M)	EBIT ($M)	EV/Sales x	EV/EBITDA x	EV/EBIT x	P/E x
Intel Corporation (NasdaqGS:INTC)	19.43	86 476	116 978	53 101	7 526	(3 829)	2,2x	10,8x	NM	NM
Marvell Technology, Inc. (NasdaqGS:MRVL)	69.85	95 572	99 046	5 376	1 151	(240)	18,4x	81,0x	NM	NM
NVIDIA Corporation (NasdaqGS:NVDA)	131.28	3 288 762	3 260 500	113 269	72 741	71 033	28,8x	44,6x	45,9x	53,0x
QUALCOMM Incorporated (NasdaqGS:QCOM)	175.86	170 672	172 812	40 696	12 585	10 880	4,4x	14,2x	16,9x	17,2x
Texas Instruments Incorporated (NasdaqGS:TXN)	183.03	171 050	176 872	15 641	6 858	5 350	11,3x	25,2x	32,3x	34,9x
Broadcom Inc. (NasdaqGS:AVGO)	194.23	1 086 717	1 146 285	51 574	25 364	15 504	22,2x	44,9x	73,9x	179,7x
Advanced Micro Devices, inc	**112.01**	**196 019**	**193 713**	**25 785**	**5 150**	**2 086**	**8,0x**	**41,3x**	**138,6x**	**107,1x**
Average							14,5x	36,8x	42,2x	71,2x
Median							14,8x	34,9x	39,1x	43,9x

AMD trades at EV/Sales of 8.0x, below the peer median of 14.8x. EV/EBITDA of 41.3x and EV/EBIT of 138.6x also sit well above medians of 34.9x and 39.1x. P/E is 71.2x versus a median of 43.9x, suggesting that investors are pricing in strong growth from the Data Center and AI cycle and continued share gains in servers. The premium aligns with the ramp of EPYC and Instinct and a mix that tilts toward higher margin enterprise workloads, while it also leaves less room for execution missteps and heightens sensitivity to supply chain and large customer dynamics.

References: Advanced Micro Devices, Inc. a, February 5). *Annual report (Form 10-K) for the fiscal year ended December 31, 2024.* ; (2024, January 30). *Annual report (Form 10-K) for the fiscal year ended December 30, 2023.*, NVIDIA Corporation. (2024). *Annual report (Form 10-K) for the fiscal year ended January 28, 2024.*, Intel Corporation. (2024). *Annual report (Form 10-K) for the year ended December 30, 2023.*, Broadcom Inc. (2023). *Annual report (Form 10-K) for the fiscal year ended October 29, 2023*]., Texas Instruments Incorporated. (2024). *Annual report (Form 10-K) for the year ended December 31, 2023,*, Marvell Technology, Inc. (2024). *Annual report (Form 10-K) for the fiscal year ended February 3, 2024.*, Qualcomm Incorporated. (2023). *Annual report (Form 10-K) for the fiscal year ended September 24, 2023.*

Industry Outlook

The industry is being pulled by three key drivers that are easy to track. Artificial intelligence pushes demand for accelerators, server CPUs, high-bandwidth memory and advanced packaging. The World Semiconductor Trade Statistics (WSTS) projects the chip market at about $701B in 2025 in the spring forecast with a mid-year update near $728B as memory and logic recover together. Data points from the first half of 2025 show sales momentum and confirm the rebound.
Client devices return to growth. PC shipments moved back to expansion in 2024, and AI PC share is tracking from about 15% in 2024 to about 31% in 2025, with triple-digit unit growth in the AI category. This supports mix and average selling prices into 2026.

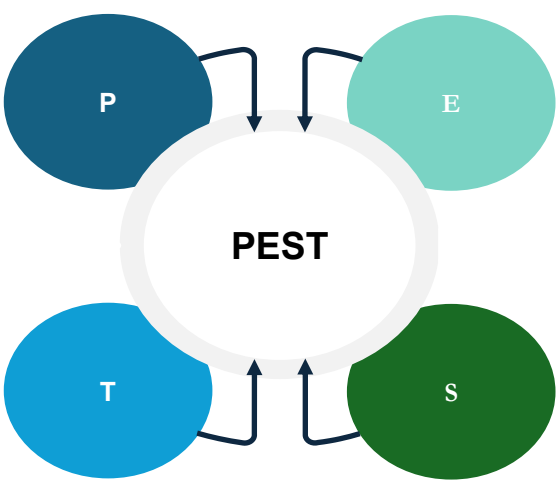


The rise of cloud computing and artificial intelligence drove explosive growth in Data Center chips throughout the 2010s. By 2019–2024 this trend hit overdrive, where processors and accelerators for AI workloads alone grew to an estimated $125 bn market. AMD aligned with this shift. After years lagging in server CPUs, AMD's EPYC processors began capturing record market share, and the company launched Instinct GPU accelerators to challenge Nvidia in AI. By 2024, AMD's Data Center strategy had paid off, and it achieved record server CPU share and scaled its AI hardware business above $5 bn annual revenue. Combined sales of EPYC CPUs and Instinct accelerators nearly doubled year-over-year, reaching roughly half of AMD's total revenues as hyperscalers like Meta, Microsoft, and Oracle deployed AMD chips for large-scale AI computing.

Policy support and supply-chain localisation build a stronger semiconductor supply base. Governments in North America and Europe are funding new fabs, packaging plants, and semiconductor research to ease bottlenecks and reduce geographic risk. These incentives lower the cost of adding capacity and encourage production closer to end customers, which shortens shipping times and helps stabilize lead times during disruptions. As more advanced manufacturing and back-end packaging come online, device makers gain a more resilient supply base and a better fit between specialized processes and product roadmaps. In Europe, the EU Chips Act mobilizes over €43B in policy-driven investment through 2030.

The EU committed $146 million USD to pilot photonic semiconductor production in the Netherlands, backing chips that use light for faster, lower-power data movement. As transistor scaling slowed, the industry shifted to silicon photonics. In the early 2020s, optical interconnects began replacing copper in Data Centers, and co-packaged optics emerged for AI and HPC throughput. This investment strengthens supply-chain resilience in high-growth markets, including Data Center and autonomous vehicles. AMD aligned with this trend by acquiring Enosemi in 2025, adding photonic IC expertise for optical interconnect solutions.

Political
The EU CHIPS Act allocates $47 bn USD for semiconductor R&D, which could provide grant opportunities for AMD.



Economic
The global automotive semiconductor market is projected to grow at a CAGR of 6.9%, reaching $131 bn USD by 2032, driven by advancements in EVs and connectivity.

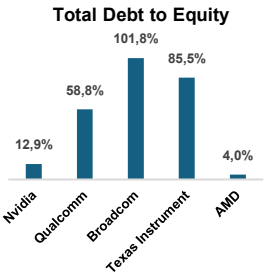
Technology
Increasing demand for advanced nodes (3nm, 2nm), with TSMC's 3nm technology contributing 20% of wafer revenue in Q3 2024.

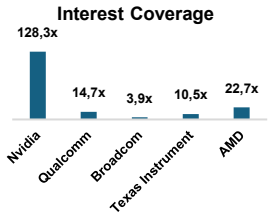
Social
Digitalisation and electrification raises demand. By 2040, the automotive semiconductor market is projected to quadruple to $266 bn USD.

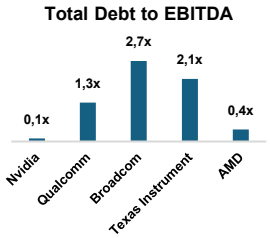
References: Advanced Micro Devices, Inc. , February 5). *Annual report (Form 10-K) for the fiscal year ended December 31, 2024.*, Reuters. , May 28). *AMD buys Enosemi to boost co-packaged optics offerings.* https://www.reuters.com/business/amd-buys-enosemi-boost-co-packaged-optics-offerings-2025-05-28 ; (2024, November 11). *EU invests $142 mln in Dutch photonic chip plants.* https://www.reuters.com/world/europe/eu-invests-142-mln-dutch-photonic-chip-plants-2024-11-11

Credit Health & Capital Structure

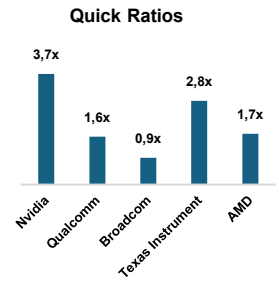
Long Term Solvency

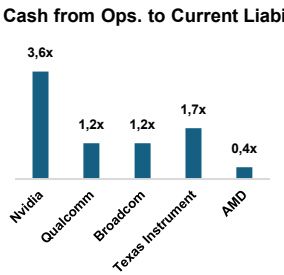






Short Term Liquidity





All metrics reflect AMD's position as of YE24; the subsequent ZT Systems acquisition is excluded from this analysis.

Balance sheet and liquidity
AMD is conservatively positioned with very low leverage and ample liquidity. Debt to equity is about 0.04x. Cash and short-term investments are roughly $5.1 bn against $1.7 bn of total debt, leaving net cash of about $3.4 bn. The maturity profile is stable with no principal due before 2030 and total remaining notes of roughly $1.75 bn in 2030 and beyond. Liquidity is reinforced by an undrawn $3.0 bn revolving credit facility and an unused $3.0 bn commercial paper program.

Interest Coverage
On an EBIT-to-interest basis, NVIDIA 128.3x leads the group by a wide margin, followed by AMD 22.7x, Qualcomm 14.7x, Texas Instruments 10.5x, and Broadcom 3.9x. The dispersion reflects differences in operating scale and balance-sheet leverage: NVIDIA's exceptional coverage is driven by outsized operating profit and minimal financing cost, AMD's strength by low absolute debt and modest interest expense, and Broadcom's lower multiple by a heavier interest burden.

Leverage on cash flow
Total debt to EBITDA is about 0.4x, well below Broadcom at 2.7x and Texas Instruments at 2.1x, and below Qualcomm at 1.3x. Nvidia is close to 0.1x, consistent with its large net cash position. On a structural view AMD's debt to equity of roughly four percent is among the lowest in the group and provides capacity for investment and strategic actions.

Near-term liquidity metrics
The quick ratio is about 1.7x, above Broadcom at 0.9x and Qualcomm at 1.6x, and below Nvidia at 3.7x and Texas Instruments at 2.8x. Cash from operations to current liabilities is about 0.4x, which trails peers that range from roughly 1.2 to 3.6x. The softer reading reflects working capital build during the year rather than a structural constraint. Free cash flow was about $2.4 bn operating cash flow of roughly $3.0 bn and capital expenditures of about $0.6 bn. Cash to debt is close to 3.0x and free cash flow to debt is about 1.4x, both supportive of near-term funding needs.

Capital deployment and shareholder returns
The 2022 Xilinx transaction was largely funded with stock and added scale with minimal incremental debt. AMD does not pay a regular dividend and has prioritized organic investment in Data Center and AI along with opportunistic buybacks under a $12 bn authorization, with about $4.7 bn remaining at year end 2024. With $3.4 bn of net cash, $1.7 bn of total debt, and no maturities before 2030, leverage and liquidity remain conservative for the sector even under moderate investment scenarios.

Risk-considerations
Key risks include exposure to semiconductor cycles, export controls and a high concentration of manufacturing in Asia. From a credit standpoint these are mitigated by significant on-balance-sheet liquidity, very low leverage, strong interest coverage and a long-dated maturity wall.

Bottom-line
AMD ranks among the strongest credit profiles in its peer group. Low leverage, high coverage, solid liquidity and the absence of near-term maturities limit refinancing risk and preserve flexibility to fund growth in Data Center, AI and embedded while retaining optionality for selective acquisitions and buybacks.

References: Values from S&P Capital IQ (S&P Global Market Intelligence); data retrieved October 20, 2025.

Profitability

Return on Invested Capital (ROIC): Trends, outlook and key drivers

Return on Invested Capital (ROIC) is a key indicator of AMD's ability to generate shareholder value above its cost of capital. Based on our calculations, AMD's ROIC stands at approximately 7% in 2024, still below our calculated weighted average cost of capital (WACC) of 10.9%. This gap implies that the company is currently not generating economic value, although the decline appears more cyclical than structural.

Historically, AMD's ROIC has been highly volatile. Following a multiyear period of subpar returns, the company's ROIC surged in 2020 (73%) and peaked in 2021 at 125%. This exceptionally high return was driven by a strong growth in NOPAT year over year from 2020 to 2021, while invested capital remained relatively low, as the acquisitions of Xilinx and Pensando had not yet been completed (completed first in 2022 as can be seen in the increased Invested Capital coming from goodwill between 2021 and 2022). At the time, AMD was operating with peak margins under its fabless model and a lean balance sheet, which strengthened returns on invested capital.

The subsequent decline in ROIC, falling to 14% in 2022 and stabilizing at 7% in both 2023 and 2024, can be explained by a combination of strategic investments and capital expansion. The acquisitions of Xilinx (their largest acquisition during recent years amounting to approximately $50 bn) and Pensando significantly increased the company's capital base, while associated integration costs weighed on profitability. At the same time, higher R&D spending and a shift toward AI-specific accelerators such as the MI300 and MI400 series introduced short-term inefficiencies, as these products are still in the early ramp-up phase.

Looking ahead, ROIC is expected to recover gradually. As cost synergies from the acquisitions begin to materialize, AMD is likely to benefit from increased operating leverage. The transition toward higher-margin segments, particularly in Data Center and embedded, is expected to boost operating income. AMD's asset light balance sheet also supports this transition by limiting the need for large incremental capital outlays.

At present, AMD's ROIC remains below that of key peers such as Nvidia (approximately between 15-20%) and Broadcom (15-20%), reflecting differences in scale, monetization strategies and product mix. However, with ongoing improvements in capital discipline, margin expansion and deeper monetization of AI opportunities, AMD has a credible pathway to convergence. Achieving and sustaining double digit ROIC will be key to justifying its premium valuation and delivering long-term shareholder returns which we believe is reasonable looking ahead and through the current- and coming AI-related Capex investment-cycle.

NOPAT, Invested Capital and ROIC

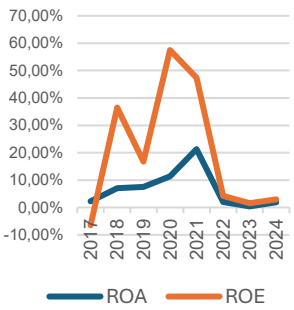
	2020	2021	2022	2023	2024
Revenue	9,763	16,434	23,601	22,680	25,785
COGS	-5,416	-8,505	-11,550	-11,278	-12,114
Gross profit	**4,347**	**7,929**	**12,051**	**11,402**	**13,671**
SGA	-995	-1,448	-2,336	-2,352	-2,783
Amort. of Goodwill and Intangibles	0	0	-3,548	-2,811	-2,394
Licencing gains/loss	0	12	102	34	48
R&D amortization	-396	-569	-1,001	-1,174	-3,450
EBIT, unadjusted	**2,956**	**5,924**	**5,268**	**5,099**	**5,092**
Operating lease interest	13	16	19	29	28
EBIT, adjusted	**2,969**	**5,940**	**5,287**	**5,128**	**5,119**
Operating cash taxes	-624	-1,247	-1,110	-1,077	-1,075
NOPAT	**2,346**	**4,692**	**4,177**	**4,051**	**4,044**
Invested Capital	3,217	4,310	56,006	55,341	55,796
Average Invested Capital	3,217	3,763	30,158	55,673	55,568
Nopat Margin	24%	29%	18%	18%	16%
Revenue/Invested Capital	3.03	4.37	0.78	0.41	0.46
ROIC	**73%**	**125%**	**14%**	**7%**	**7%**

Note: *Based on adjustments made to financial statements from FY2020 – 2024.*

References: Values from S&P Capital IQ (S&P Global Market Intelligence); data retrieved October 20, 2025.

Return on assets (ROA)
ROA uses net income over average total assets and provides a balance sheet view that is independent of capital structure. Net income of $1.64 bn on average assets of about $68.6 bn produces ROA close to 2.4% for 2024. The level reflects the same acquisition effects that expanded the asset base in 2022 and the continued amortization that weighs on reported earnings even as operating performance improved during 2024.

Last 7 years ROA & ROE



Return on equity (ROE)
ROE equals net income over average shareholders' equity and indicates the rate earned on owners' capital. With average equity near $56.7 bn and net income of $1.64 bn, ROE is roughly 2.9% for 2024. The ratio is tempered by the all-stock acquisition that materially increased equity in 2022 and by ongoing amortization of acquired intangibles, both of which dilute accounting returns during the integration period. As operating leverage improves with a higher Data Center mix and as amortization moderates over time, ROE should trend upward from this base.

Multi-year pattern
ROA improved from roughly 2.3% in 2017 to roughly 21.3% in 2021, then fell to roughly 2.0% in 2022 and roughly 0.4% in 2023 before recovering to roughly 1.9% in 2024. ROE was negative in 2017 at about minus 6.5%, rose to about 57.5% in 2020 and about 47.4% in 2021, then normalized to about 4.2% in 2022, about 1.5% in 2023, and about 2.9% in 2024. Compression after 2021 reflects the larger asset and equity base created by Xilinx and the drag from amortization of acquired intangibles. These accounting effects dilute ROA and ROE even as mix shifts toward higher margin Data Center products.

Cash profitability
Operating cash flow in 2024 was approximately $3.0 bn and capital expenditures were approximately $600 million, producing free cash flow of about $2.4 bn. Cash generation remains healthy relative to the accounting ratios and supports reinvestment and opportunistic buybacks without adding balance sheet risk.

Outlook
As Data Center product mix together with the other business segments expands, the Capex and R&D investment-heavy cycle together with amortization normalizes, we expect a gradual lift in ROIC with ROA and ROE following. The balance sheet remains a tailwind for returns and provides capacity to fund growth while maintaining discipline on capital employed with AMD's capital light approach historically and going forward.

Discounted Cash Flow Analysis

Our DCF analysis for AMD incorporates key assumptions regarding revenue growth, profitability, and capital structure. Future cash flows are discounted using the Weighted Average Cost of Capital (WACC), with beta adjusted to reflect AMD's specific risk profile. The model covers a 10-year forecast horizon E-2035E), divided into two phases: a high growth period 2025-2030) followed by a convergence to steady state (2030-2035). Free Cash Flow to the Firm (FCFF) serves as the basis for valuation. A sensitivity analysis illustrates how variations in revenue growth, WACC, and terminal growth rate impact the intrinsic value range of AMD's stock.

Data Center: Powering the AI Revolution

Organic and inorganic revenue. To understand the growth trajectory of the Data Center AI Accelerator industry, we decided to construct a market model based on Deloitte and PwC's global industry outlooks (2020-2030E) of the semiconductor industry. Both firms forecast that the industry essentially will surpass $1 trillion in revenue alone by the end of the 2020-decade. Implying this, it would suggest a total CAGR of the whole industry of above 7-8% annually. However, it is important to note that the AI infrastructure (e.g., AI Accelerator and such) and computing (machine learning, LLM) is expected to grow approximately 20% annually as hyperscalers (Meta, Google, Microsoft, Amazon to name a few) do accelerate their Capex-related AI spending to accelerate deployment of AI accelerators, high-bandwidth memory capacity and cloud compute infrastructures .These industry-related projections are very well aligned with and by the long-term guidance from the leading foundries and enablers of the semiconductor-space such as ASML and TSMC. Both firms are highlighting, during their latest quarterly report (Q3, 2025), that the demand for AI-related accelerators has increased significantly during the last couple of months. TSMC's CEO C.C. Wei even highlighted that the demand that TSMC has seen from its customers and the customer's customers' is even *"higher than three months ago*" (Conference call TSMC 2025 Q2). Furthermore, TSMC's and ASML's Q3 2025 earnings confirmed this trajectory further, with management in both firms raising their Capex guidance and highlighting that order books across advanced nodes remain fully committed. Because of how the "value-chain" works in the semiconductor space where ASML builds the so-called lithography tools/machines that are used in TSMC's fabrics to construct specific AI-related chips that are designed specifically to firms such as AMD and Nvidia, which are then bought, integrated and utilized by hyperscalers such as Amazon, Google and Meta. Thus, the forecasting of the AI-cycle provided by both ASML and TSMC during their latest earnings gives us an unusual insight into the ecosystem of the trajectory of the Data Center segment and AMD's accelerator roadmap. Moreover, During TSMC's latest quarterly report the firm raised its 5-years outlook for AI-related Data Center to a CAGR of mid 40%, and AMD's Capital Market Day during the first half of 2025 saw management provide guidance that the CAGR in Data Center for AI Accelerators and infrastructure will reach up to 60% annually through 2028, implying a Data Center AI Accelerator total

References: Advanced Micro Devices, Inc. (2018, January 30) *Annual report (Form 10-K) for the fiscal year ended December 30, 2017.* ; (2019, January 29). *Annual report (Form 10-K) for the fiscal year ended December 31, 2018.* ; (2020, January 28). *Annual report (Form 10-K) for the fiscal year ended December 31, 2019.* ;(2021, January 26) *Annual report (Form 10-K) for the fiscal year ended December 31, 2020.* ; (2022, February 1). *Annual report (Form 10-K) for the fiscal year ended December 31, 2021.* ; (2023, February 27) *Annual report (Form 10-K) for the fiscal year ended December 31, 2022.* ; (2024, January 30). *Annual report (Form 10-K) for the fiscal year ended December 30, 2023.* ; a, February 5). *Annual report (Form 10-K) for the fiscal year ended*

addressable market (TAM) of $500 bn by 2028. In summary, AMD's Data Center segment and operation is at the heart of the AI-infrastructure cycle. With the hyperscalers increased guidance, the demand and outlook is both durable and broad. Accordingly, we model organic Data Center revenue growth to approximately 25-30% through 2025-2028, broadly consistent both with AMD's, TSMC's and PwC's multi-year outlooks for the AI Data Center segment.

As mentioned previously, AMD has recently announced deals both with OpenAI and Oracle. AMD's strategic collaboration with OpenAI marks one of the largest and most significant AI-related partnerships to date. AMD's CEO Lisa Su has highlighted that the deal itself could approximately generate revenue up to $100 bn across the next few years. For our model, we realize that the deal itself is significant, however based on milestones tied to share-price targets, equity warrants and dilution we assume that only 50% of the deal itself will be realizable. With the first batch of the MI450 series set to be delivered in H2 2026 we expect that to amount for approximately $5 bn in revenue (initial ramp) and approximately $10-15bn annually from 2027.

Regarding the Oracle part, we make the same assumption for our base case where we assume a 50% realization to Oracle's MI450 supercluster provided by AMD (approximately 50 000 units at $250k each, acknowledging 50% of deliveries in H2 2026 for approximately $6bn in incremental revenue all together. All in all, these two strategic partnerships highlight the increased demand of AI-related accelerators for hyperscalers and cements AMD's position in the middle of the supercycle, where these partnerships add a substantial, risk-adjusted organic contribution alongside AMD's organic growth.

Another layer to inorganic growth: M&A. Regarding M&A, AMD has previously demonstrated strong execution and an ability to create shareholder value within M&A. As discussed in our historical outlook, the most notable and recent acquisition of Xilinx was primarily made to enhance and broaden AMD's already existing Data Center and Embedded segments. Moreover, historically, M&A have shown to have a solid impact on AMD itself, boasting its growth throughout its history with some major acquisitions. However, for our modelling in our DCF we decided to not forecast or include potential M&A. Because that target profile, timing, valuation and integration outcomes in general are fundamentally uncertain. Together with the fact that recent acquisitions, besides the Xilinx one, have been minor acquisitions, we believe that trying to forecast M&A would leave material question marks to our DCF model. However, on the other hand, we do acknowledge the potential upside if AMD would make some well-executed deals which could add substantial revenue, margins and growth. However, as discussed, we leave this out of our DCF, but do acknowledge the upside potential future M&A could generate.

Regarding AMD's Data Center margins, Nvidia is the nearest point of reference based on the company's similar segments and business operations. Going by its history and the past 5 years (2020-2025Q2) AMD's EBIT-margins averaged at the 20%-mark in comparison to Nvidia's 50% EBIT-marginal, reflecting their premium positioning in the market. However, as AMD's product roadmap highlights showcases, they are shifting focus to higher-margin Instincts (MI350-MI500 series) (AMD, 2025c), broader platform attach (Pensando, ROCm, EPYC) and further advanced nodes (3nm/2nm from TSMC), we model that their Data Center EBIT margins could rise to low-to mid 30% by 2028 with stabilizing around 30% through 2030, supported by the strategic partnerships with Oracle and OpenAI together with hyperscalers AI-related Capex surge. Furthermore, we acknowledge the temporary compression in margins that AMD acknowledge in their Q2 report for 2025, however we view this as non-recurring because of its character. The marginal compression is tied to sizable write-downs related to their operations in China which has been restricted by US authorities. Lastly, near term we do expect AMD to outpace its peers and the broader market, expand share, and enhance pricing power: alongside a richer product mix as discussed, we believe that this yields incremental margin uplift versus prior years.

Client: Front loaded growth driven by replacement led demand

The Client segment is projected to remain AMD's second-largest revenue contributor, driven by replacement demand tied to the Windows 1 end-of-support cycle and the ramp of new AI PCs. The segment grew >+50% YoY in 2025, which we argue was primarily product mix/pricing-driven rather than volume led i.e., customers shifted toward AMD's more premium products instead of overall unit demand expanding. This aligns with management commentary in AMD's 2024 annual report. With Windows 10 support ending on October 14, 2025, and given the strong 2024 base, we expect demand purely from the Windows 10 retirement to peak across 2025-2025. In the neutral case, project a CAGR of +6.1%. In 2025, we project +45% growth, moderating to +14% in 2026. In 2027 and 2028, we expect progressively lower, smoother growth of +8% and +4%, respectively, as demand converges toward top-down semiconductor industry estimates. In 2029, we model +3% growth, reaching a steady-state +3% in 2030, which we carry through 2035. Our projections consider both upside and downside factors. First, although the Windows 10 retirement deadline has passed, Microsoft offers Extended Security Updates (ESU), which could shift replacement timing and thus AMD's growth (up or down) depending on customer uptake. Second, macroeconomic and geopolitical factors, primarily US-China trade tensions, could also swing outcomes either way.

Gaming: A leader within semi-customs

AMD's gaming revenue is heavily driven by the semi-custom space (we assume approximately that 70-80% of total gaming revenue comes from this segment). The semi-custom segment is primarily focused on delivering custom-made CPUs (processors) to clients such as Sony (PlayStation) and Microsoft (Xbox) where AMD basically is the sole provider of key-specific processors for the development of the company's consoles. This is visible during the latest console-cycle between the years of 2021-2023 after the PS5 and Xbox Series X|S launches delivered record shipments and pricing, before a decline in 2024 as the console-cycle normalize. Since then, the latest quarterly earning show a sharp rebound in the gaming segment, benefited from the release of the PS5 Pro ramp and higher semi-custom volumes (Q2 2025: +70% YoY growth). Early rumours suggest that a new console-cycle is on the horizon and with potential release dates in 2027-2028. For our base model, we anchor the next console-cycle assumption on the previous pattern: Strong launch and ramp (increased sales, high growth) → Steady-state phase→ normalization. Thus, in our base case model we model for mid-single-digit in growth during 2026-2027

References: NVIDIA Corporation. (2020). Annual report (Form 10-K) for the fiscal year ended January 26, 2020. ; (2021). Annual report (Form 10-K) for the fiscal year ended January 31, 2021. ; (2022). Annual report (Form 10-K) for the fiscal year ended January 30, 2022. ; (2023). Annual report (Form 10-K) for the fiscal year ended January 29, 2023. ; (2024). Annual report (Form 10-K) for the fiscal year ended January 28, 2024. ;). Annual report (Form 10-K) for the fiscal year ended January 26, 2025). Advanced Micro Devices, Inc. (2021, January 26) *Annual report (Form 10-K) for the fiscal year ended December 31, 2020. ;* (2022, February 1). *Annual report (Form 10-K) for the fiscal year ended December 31, 2021. ;* (2023, February 27) *Annual report (Form 10-K) for the fiscal year ended December 31, 2022. ;* (2024, January 30). *Annual report (Form 10-K) for the fiscal year ended December 30, 2023. ;* a, February 5). *Annual report (Form 10-K) for the fiscal year ended December 31*. ; e, November 11). *Financial Analyst Day*. Retrieved October 24, 2025, from https://ir.amd.com/news-events/financial-analyst-day

based on that there is no new console-cycle to benefit from, a +30-50% growth-rate through 2028 as the console-cycle begins together with a +15-25% growth rate in 2029 as utilizations enters its peak around the world, we finally assumes normalization in 2030 as the strong launch and ramp eases, and we return to low-single-digit growth. This translates into Gaming revenue uplift from approximately $3.8bn to $6.7bn (2030), implying a CAGR of 18% through the years. We model EBIT margins across the historical average of 12%, however with an uplift at peak console-cycle to approximately 17%.

Embedded: Enabling mission-critical computing
AMD's Embedded and Adaptive segment is expected to remain a solid contributor over the medium term, supported by the ongoing adaptation of FPGAs, Adaptive SoCs, and related embedded solutions across industrial, automotive, aerospace/defence, communications, and edge AI applications. These programs are typically multi-year with long product lifecycles, giving the segment greater stability than the more cyclical Client or Data Center segments. Industry forecasts suggest that the Total Addressable Market (TAM) for FPGAs and Adaptive SoCs will grow at +10-11% CAGR through 2030, and AMD is well positioned to benefit as Versal Gen-2 (AI Edge and Prime) enters production in late 2025, a transition that should lift average selling prices (ASP) and product mix as customers migrate to newer generations. Near-term growth could be mitigated in 2025 by industrial weakness, primarily weak manufacturing data (PMIs) and pricing pressure, but we expect this headwind to ease afterwards, in line with our macro view, setting up a recovery through 2026-2027 as Versal Gen-2 ramps and multi-year customer programs expand. Thus, for our base case, we model a "hump-shaped" path with growth of +6% in 2025, +10% in 2026, +9% in 2027, +9% in 2028, +8% in 2029, and +7% in 2030, as demand converges toward top-down industry estimates. Our projections implies a neutral CAGR of 9% for 2025-2030.

Aggregated revenue: Structural growth anchored in Data Center
When aggregating segment projections, AMD's total revenue is expected to be front-loaded to 2025-2027, as the strong momentum from 2024 in the semiconductor industry carries through. We expect the Data Center segment to remain the primary contributor total revenue, both in absolute terms and growth. For the near-term, we forecast a neutral CAGR of +21% for 2025-2030, after which growth is expected to gradually revert toward a steady-state level. In 2025, we project aggregated revenue growth of +25%, followed by a stronger +35% in 2026, reflecting front-loaded momentum driven by accelerating demanding Data Center, underpinned by the rapid expansion of the AI industry, as well as replacement-led demand in Client and the Versal Gen-2 ramp in Embedded.

In 2027, growth is expected to moderate around +25% as the peak effects from these catalysts fade, though Data Center continues to expand and dominate AMD's topline. From 2028-2030, annual growth is projected to moderate, with rates of approximately +15% in 2028 and 2029, before easing to +9% in 2030, and converging gradually toward a steady-state growth rate of +3% by 2035. The ongoing structural strength of the semi-conductor industry, driven by AI adoption, will continue to support AMD's long-term financial stability and reinforce its leadership position in the market. Our projections, reflecting weighted growth across AMD's segments, indicate aggressive-near term expansion, positioning AMD strategically for sustained market share gains. In the neutral case, total revenue is projected to reach $101 bn by 2035. As discussed in the Data Center section, we have not fully priced in the total expected revenue from recent OpenAI and Oracle deals in our neutral case, reflecting implementation complexities and contingent factors that could affect realization. In the conservative case, we assume a higher probability that these contingencies are not met and therefore price in a smaller portion of announced revenue, resulting in a CAGR of 14% for 2025-2030 and total revenue of $67 bn by 2035, with a steady-state growth of 3%. In the optimistic case, we assume full realization of these contracts, yielding a CAGR of 29% for 2025-2030 and total revenue of $116 bn by 2035, also converging to a long-term steady-state growth rate of +3%.

The beta of AMD was derived by calculating the average unlevered beta of its peers across each business segment and weighting each by its share of AMD's total revenue. Based on this weighted average, we obtained an unlevered beta of 1.50. Considering AMD's significantly lower Debt-to-Equity (D/E) ratio relative to peers, we argue that using AMD's current 2024 capital structure would understate its true risk profile, as we expect leverage to gradually converge toward the industry average over time. Therefore, we used the average peer D/E ratio of 34% as a more appropriate long-term assumption for AMD's operations. By re-levering each segment's unlevered beta using its respective D/E ratio, we derived an average levered beta of 1.91 for AMD.

For calculating the WACC of AMD, we considered all current and non-current debt obligations as total debt and AMD's market capitalization as equity value as of the valuation date. Furthermore, **leasing obligations are treated as financing related items** and are thus included in total debt. The cost of debt was estimated based on the yield-to-maturity of AMD's 2032 bond, which traded at 4.15% on the valuation date. Applying a marginal tax rate of 21% resulted in an after-tax cost of debt of 3.28%. The cost of equity was derived using the CAPM, yielding a rate of 11%. For consistency, the 10-year US T-bond was used as the risk-free benchmark. The Equity Risk Premium (ERP) was estimated using Damodaran's implied ERP framework, which estimates expected returns based on discounted cash distributions to investors. We incorporated median top-down S&P 500 consensus estimates of +11% earnings growth in 2025 and +7% in 2026, and assumed a longer-term growth normalization to 4%, broadly aligned with nominal GDP growth (2% real+ 2% inflation). Using these assumptions and the trailing twelve-month (TTM) cash yield to investors (dividends + buybacks), we derived an implied expected return on equities of 7.73% which, net of our risk-free rate estimate, implies an ERP of 3.5%. We consider the S&P 500 a more appropriate benchmark than the Nasdaq, as it better reflects the broader US equity market rather than being skewed toward high-growth technology stocks. While our implied ERP is somewhat lower than historical averages published by Damodaran, we view it as reasonable given elevated market valuations and a low cash distribution environment in 2024 amid higher interest rates. Consequently, we estimate a WACC of 10.90% for the high-growth

References: Advanced Micro Devices, Inc. d, August 5). *AMD reports second quarter 2025 financial results* [Press release]., Sony Interactive Entertainment. (2024, November 7). *Sony Interactive Entertainment launches PlayStation 5 Pro* [Press release]. https://sonyinteractive.com/en/press-releases/2024/sony-interactive-entertainment-launches-playstation-5-pro/. https://support.microsoft.com/en-us/windows/windows-10-support-has-ended-on-oct

WACC Calculation (High growth)	
Equity value	385 722 369
Debt value	2 767
Cost of Debt	4,15%
Tax rate	21,00%
After-tax cost of debt	3,28%
10y Treasury	4,23%
Equity Risk Premium	3,50%
Beta	1,91
Market return	7,73%
Cost of Equity (Re, capm)	11%
E / D +E	99,9993%
D / D+E	0,0007%
WACC	**10,90%**

WACC Calculation (Steady state)	
Equity value	385 722 369
Debt value	2 767
Cost of Debt	4,15%
Tax rate	21,00%
After-tax cost of debt	3,28%
10y Treasury	4,23%
Equity Risk Premium	3,50%
Beta	1,00
Market return	7,73%
Cost of Equity (Re, capm)	8%
E / D +E	99,9993%
D / D+E	0,0007%
WACC	**7,73%**

FCFF Calculations
Revenue
COGS
SG&A
D&A
Licencing gains/loss
R&D expense
R&D amortization
Less taxes
NOPAT
(+) D&A + R&D amortization
(-) CapEx + R&D expenses
(-) dNWC
FCFF

period (2025-2030). For the long-term steady-state period, we apply a beta of 1.0, reflecting long-term convergence towards maturity as we already embedded the industry-average capital structure in our beta derivation above. This yields a long-term WACC of 7.73% with the high-growth WACC gradually declining from 10.90% applied in 2025-2030 to 7.73% by 2035.

The discounted cash flow (DCF) model estimates the enterprise value by projecting future free cash flows and discounting them to their present value (PV) using the WACC. The total enterprise value (EV) is derived by summing the PV of all forecast-period cash flows and the terminal value, which captures the firm's long-term cash generation beyond the explicit forecast period. As illustrated in the FCFF calculation table, we estimate each component to derive the FCFF accurately.

Cost of goods sold (COGS) is projected to remain stable at around 51% of total revenue over the 2025-2035 forecast horizon. This assumption is based on the 5-year historical average of COGS as a percentage of revenue, which we consider reasonable given its consistent range of 47-55% between 2020 and 2025. Under this assumption, the **gross margin** is expected to stabilize at approximately 49% throughout the forecast period, directly reflecting our projected COGS level.

Selling, General & Administrative (SG&A) is also estimated as a 5-year historical average of SG&A as a percentage of revenue at around 10% which we find reasonable given its consistent range of 9-11%.

Depreciation and amortization (D&A) is estimated in line with AMD's amortization schedule disclosed in the notes of the 2024 annual report, corresponding to approximately 3-5% of total goodwill and intangibles over the forecast period. The rate follows the exact schedule given by the amortization schedule.

AMD, like other high-technology companies, invests significant resources in research and development (R&D) to drive long-term growth. Under US GAAP, R&D is expensed directly through the income statement rather than capitalized on the balance sheet, which from a valuation perspective can distort profitability, as these expenditures are expected to generate benefits over several years. **Capitalizing R&D** instead of expensing it provides a clearer view of underlying profitability and captures the long-term investment nature of these costs. **R&D expenses are projected** based on the 5-year historical average of R&D as a percentage of total revenue, at approximately 22%. For normalization, we assume that **20% of R&D expenses are capitalized**, reflecting an estimated 5-year benefit period consistent with AMD's product development cycle. Technically in the DCF, R&D expenses are added back to operating income and subsequently reduced by the corresponding amortization expense. This adjustment improves the accuracy of operating profitability and better represents the growth potential driven by innovation and follows the valuation framework outlined by Damodaran.

Working capital was forecasted using Days Inventory Outstanding (DIO), Days Sales Outstanding (DSO), and Days Payable Outstanding (DPO), which measures the time needed to convert each item into cash inflows or outflows. Analysing the past 5 years, we found that DIO averaged 127 days, DSO 76, and DPO 68 days. We base projection of changes in working capital on these calculations which enables us to estimate future cash requirements in terms of inventory, sales, and payments for a given level of sales.

Lease obligations, historically treated as operating expenses, are more appropriately viewed as debt, particularly for asset-intensive industries. By capitalizing lease commitments and adding their present value to both assets and liabilities (where applicable), we obtain a more accurate representation of AMD's financial structure, which in turn refines the WACC calculation. Adjusting operating earnings to include lease expenses provides a clearer measure of underlying profitability and ensures a more balanced assessment in our DCF framework, although one could consider these items as immaterial.

The assumed tax rate implemented in the DCF of 21% corresponds to current US corporate marginal tax rate. Although historically, AMD's tax rate has varied much due to heavy R&D investments, this assumption reflects normalized taxation rates after any extraordinary one-off tax events, making it a reasonable long-term estimate.

References: Advanced Micro Devices, Inc. (2021, January 26) *Annual report (Form 10-K) for the fiscal year ended December 31, 2020.* ; (2022, February 1). *Annual report (Form 10-K) for the fiscal year ended December 31, 2021.* ; (2023, February 27) *Annual report (Form 10-K) for the fiscal year ended December 31, 2022.* ; (2024, January 30). *Annual report (Form 10-K) for the fiscal year ended December 30, 2023.* ; a, February 5). *Annual report (Form 10-K) for the fiscal year ended December 31*

DCF Summary (Base)	
DCF valuation ($USD, million)	
Terminal Value	481 072
PV of TV	228 479
PV of FCFF	104 039
EV	332 518
(+) Cash	5 132
(-) Debt obligations	-2 767
Equity Value	**334 883**
Shares outstanding	1 620
Implied share price	**206,72**
Current share price (21/10/25)	234,56
Implied (+)premium/(-)discount	**13,47%**

For the terminal value, a perpetual growth rate of 2,5% was chosen which is on the conservative end since the long-term growth rate for high-technology industry is slightly higher than that of more traditional industries. Our estimation is thus in line with the broader market's expected inflation-adjusted growth. This reflects the long-term, stable steady-state growth in perpetuity.

Taking all our estimations into account, our base case yields a CAGR of 21% for the high-growth period 2025-2030) before convergence to steady-state (2031-2035) with our DCF analysis resulting in **an implied share price of $206.72**, reflecting an approximate **13.47% premium** to the current market price. This suggests that the stock is slightly overvalued but with the market price closely aligning with our valuation on AMD's intrinsic value given recent high volatility in the share price.

Sensitivity Analysis

In our DCF projections, we incorporate key adjustments that capture both potential upside and downside risks and assess how these assumptions affect our estimated fair value of AMD's stock.

DCF Summary (Conservative)	
DCF valuation ($USD, million)	
Terminal Value	301,291
PV of TV	143,094
PV of FCFF	69,021
EV	212,115
(+) Cash	5,132
(-) Debt obligations	-2,767
Equity Value	214,480
Shares outstanding	1,620
Implied share price	**132.39**
Current share price (21/10/25)	234.56
Implied (+)premium/(-)discount	**77.17%**

In the conservative case, we apply a higher beta, which results in a higher WACC and reflects an elevated risk profile. We also assume a lower terminal growth rate of 2% representing slower long-term expansion. For the Data Center segment, we assume a higher probability that the announced deals with OpenAI and Oracle underperform or fail to materialize, resulting in lower revenue growth. While the base case prices in approximately 50% of the announced deal values, the conservative case includes only 25%. Within the Client segment, although the Windows 10 retirement deadline has passed, Microsoft's Extended Security Updates (ESU) could extend replacement cycles, reducing near-term demand. For the Embedded segment, we assume a deeper industrial slowdown combined with continued pricing pressure, weighing on growth. Collectively, these assumptions yield a CAGR of 14% in the high-growth period before the convergence to steady-state and **implied share price of $132.39** in the conservative scenario.

DCF Summary (Optimistic)	
DCF valuation ($USD, million)	
Terminal Value	864,609
PV of TV	410,634
PV of FCFF	165,966
EV	576,600
(+) Cash	5,132
(-) Debt obligations	-2,767
Equity Value	578,965
Shares outstanding	1,620
Implied share price	**357.39**
Current share price (21/10/25)	234.56
Implied (+)premium/(-)discount	**-34.37%**

In the optimistic case, we apply a lower beta, consistent with Damodaran's semiconductor sector beta of 1.49, which results in a lower WACC. We also assume a higher terminal growth rate of 3% to reflect stronger long-term potential. Across segments, assumptions evolve favourably for AMD. In Data Center, we include 75% of the total announced deal values from OpenAI and Oracle, reflecting higher probability of realization. In Client, we model a stronger replacement-led demand cycle and a faster adoption of AI-PCs. For embedded, we assume a more robust industrial activity, supported by solid manufacturing data and easing pricing pressure. In Gaming, we model a longer console cycle and earlier launches of next-generation consoles, alongside discrete GPU share gains from Nvidia driven by stronger Radeon attachment rates and enhanced software integration. These combined factors result in a CAGR of 29% in the high-growth period before convergence to steady-state and an **implied share price of $357.39** in the optimistic scenario.

Relative Valuation

For the relative valuation of AMD, P/E, EV/EBITDA, P/B, and P/S have been selected as the key multiples. These provide meaningful insights into AMD's valuation compared to its industry peers Nvidia, Qualcomm, Broadcom, and Texas Instruments (TI), focusing on profitability, scale, and capital efficiency.

The P/E-ratio is a widely used valuation metric of a company's stock price compared to its earnings per share. The metric is sensitive to margin quality and cyclicality, and in the semiconductor industry, product cycles and mix shifts can compress or inflate near-term earnings. Thus P/E captures how much the market is willing to pay today for each unit of current or expected profitability. AMD's TTM P/E is about 139x versus a peer average of approximately 66x. Among the selected peers, only Broadcom at 89x and NVIDIA at 52x approach this range, while Qualcomm at 16x and Texas Instruments at 33x trade at much lower levels. This outsized P/E reflects AMD's recent earnings volatility. The company's return on equity is about 5%, far below the peer average, which depresses the denominator of the P/E ratio and inflates the multiple. On a forward basis, AMD's NTM P/E is expected to normalize to roughly 48x compared with a peer average near 33x. Even at this lower level, AMD still trades above NVIDIA at 32x and TI at 30x. The elevated forward P/E indicates that the market is pricing in a significant rebound in AMD's profits. Investors expect

References: Advanced Micro Devices, Inc. (2021, January 26) *Annual report (Form 10-K) for the fiscal year ended December 31, 2020.* ; (2022, February 1). *Annual report (Form 10-K) for the fiscal year ended December 31, 2021.* ; (2023, February 27) *Annual report (Form 10-K) for the fiscal year ended December 31, 2022.* ; (2024, January 30). *Annual report (Form 10-K) for the fiscal year ended December 30, 2023.* ; a, February 5). *Annual report (Form 10-K) for the fiscal year ended December 31*

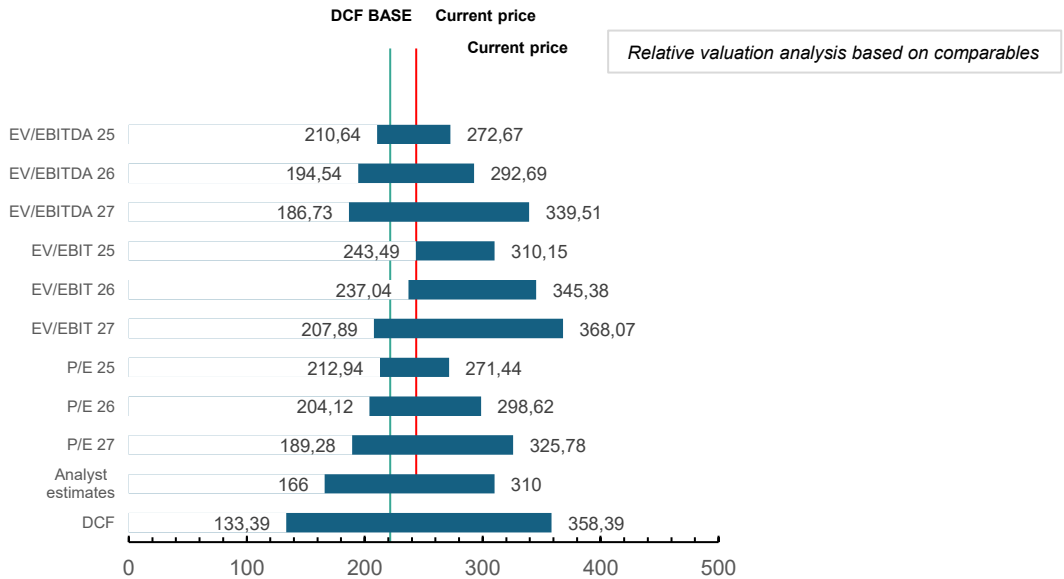
AMD's growth and margins to improve at a faster pace than peers, which justifies a premium multiple despite its currently low ROE and ROIC.

EV/EBITDA is a useful metric because it is capital-structure neutral and focuses on operating cash-flow generation before accounting, tax, and financing effects. This is particularly relevant in semiconductors where companies differ in leverage, depreciation intensity, and manufacturing footprints, and where EBITDA tends to better reflect underlying unit economics through a cycle. AMD's enterprise value to EBITDA also signals a rich valuation. AMD's TTM EV/EBITDA is about 67x, which is well above the peer average near 40x. AMD's 67x is the highest in the group and suggests investors are willing to pay a steep price for current cash flow. Part of this is due to lower trailing EBITDA as AMD invests and absorbs product-mix shifts, but it also reflects optimism about future profitability from Data Center and AI-related products. Forward estimates show AMD's NTM EV/EBITDA at about 43x versus a peer average near 30x. This still exceeds all peers, with NVIDIA at 35x, Broadcom at 41x, Qualcomm at 11x and TI at 21x. The consistently higher EV/EBITDA, both trailing and forward looking, underscores expectations for above-average cash flow growth.

Price/Sales (P/S) extracts key information from short-term margin volatility and highlights how the market values each dollar of revenue, which is informative in periods of product transitions or investment cycles. In semiconductors, different subsegments carry very different margin structures, so P/S helps compare growth footprints, and is a reminder to test whether revenue mix can translate into durable profitability. AMD's price to sales is also elevated. AMD's TTM P/S is about 13x, second only to Nvidia and Broadcom in the group. The peer average is approximately 16x. On a forward basis, AMD's P/S is about 11x against a peer average near 12x, still second only to Nvidia and Broadcom. These sales multiples indicate that each dollar of AMD's revenue is valued at a premium. Taken with the elevated P/E and EV/EBITDA, the result points to the market viewing AMD as a fast-growing company. Investors appear to expect continued sales expansion and margin uplift, which supports a premium valuation relative to several peers.

Price/Book (P/B) benchmarks market value against the equity capital invested in the business and can be a rough indicator of expected returns on incremental capital. In semiconductors, P/B must be interpreted carefully because book value often understates intangible assets such as IP, software, and ecosystems. In contrast to the metrics above, AMD's P/B-ratio is comparatively modest. AMD's P/B is about 7x on both a trailing and forward view, which is well below the peer average near 18x. Nvidia trades around 44x, Broadcom approximately 23x, TI near 10x and Qualcomm about 7x. AMD is therefore at the low end of the peer range alongside Qualcomm. This pattern suggests that the market is not valuing AMD's book equity as highly as that of some peers and that AMD's valuation is driven more by earnings potential than by current balance-sheet assets. The relatively low P/B can be read as either a conservative stance toward book value or as evidence that investors are focused on forward growth dynamics rather than static equity capital.

Overall, AMD trades at higher earnings and cash flow multiples than most of its selected competitors. The premium P/E and EV/EBITDA imply that the market is pricing in strong growth and profit recovery even though current profitability is modest. At the same time, the relatively low P/B indicates that expectations are tied more to future earnings than to today's book assets. In summary, AMD is valued as a high-growth player within semiconductors. Investors are paying for its revenue and earnings potential relative to Nvidia, Qualcomm, Broadcom, and Texas Instruments, reflecting optimistic expectations for its forward performance. In conclusion, based on our base case DCF model AMD trades at a discount compared to the implied valuation from the relative valuation analysis. This confirms that the market is more optimistic in its projections and thus, aligns more with the implied share price from our optimistic DCF case.



References: Advanced Micro Devices, Inc. (2021, January 26) *Annual report (Form 10-K) for the fiscal year ended December 31, 2020.* ; (2022, February 1). *Annual report (Form 10-K) for the fiscal year ended December 31, 2021.* ; (2023, February 27) *Annual report (Form 10-K) for the fiscal year ended December 31, 2022.* ; (2024, January 30). *Annual report (Form 10-K) for the fiscal year ended December 30, 2023.* ; a, February 5). *Annual report (Form 10-K) for the fiscal year ended December 31*