ARGUS®

ADVANCED MICRO DEVICES INC

Advanced Micro Devices is the number two player in x86-based microprocessors, behind Intel, and, with the 2008 acquisition of ATI, a top player in graphic processors. It now competes with Nvidia in the GPU processor space for AI applications. In 2021, Advanced Micro Devices acquired Xilinx, expanding its presence in embedded computing and data center. In 2025, AMD acquired ZT systems, which provides AI and general purpose infrastructure for the global hyperscale providers.

Analyst's Notes

Analysis by Jim Kelleher, CFA, and Wallis Kelleher-Ferguson, July 7, 2025

ARGUS RATING: BUY

- Advancing AI with new products, solutions
- AMD conducted its 2025 Advancing AI event in mid-June, offering a comprehensive end-to-end 'integrated AI platform and vision.'
- The company introduced its open, scalable rack-scale 'Helios' AI infrastructure built on industry standards along with new Instinct AI accelerators and new generation ROCm software.
- Amid a dynamic macro and regulatory environment, AMD believes its differentiated portfolio and consistent execution position the company for strong growth in 2025.
- We are reiterating our BUY rating and our 12-month target price of $160.

INVESTMENT THESIS

BUY-rated Advanced Micro Devices Inc. (NGS: AMD) conducted its 2025 Advancing AI event on June 12, 2025, offering a comprehensive end to end 'integrated AI platform and vision.' The company was joined at the event by leading executives from OpenAI, Meta, Oracle, Microsoft, and others who discussed how they are partnering with AMD for AI solutions.

Excitement around AMD's products for the generative AI opportunity has driven the stock in the past several years. That includes a strong surge in 2023 as it entered the AI field but also a negative performance in 2024 on AMD's perceived lag, compared with Nvidia in the GPU and AI software space. The year-to-date rally in the stock reflects investor belief that AMD has become the established number two player in the GPU space.
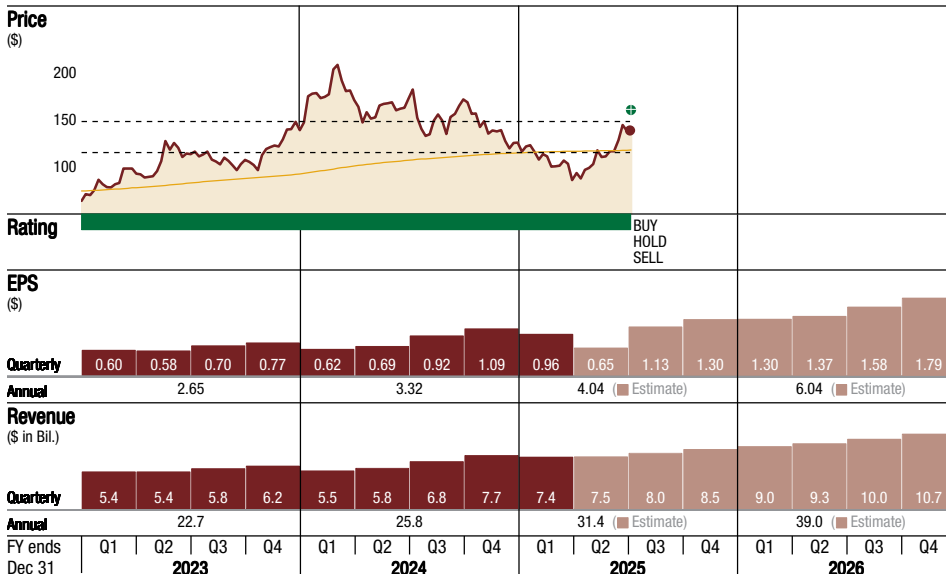
The company introduced its open, scalable rack-scale 'Helios' AI infrastructure built on industry standards. AMD previewed its new family of Instinct MI350 series accelerators. AMD's new generation of ROCm software also represents the leading alternative to Nvidia's massive CUDA solutions library.

CEO Dr. Lista Su stated that AMD is 'entering the next phase of AI,' driven by open standards, shared innovation, and leadership across a broad spectrum of hardware and software partners. These partners, which include OpenAI, Meta, Oracle, Microsoft, and

Market Data

Pricing reflects previous trading week's closing price.

EPS ($)															
Quarterly	0.60	0.58	0.70	0.77	0.62	0.69	0.92	1.09	0.96	0.65	1.13	1.30	1.30	1.37	1.58	1.79
Annual		2.65				3.32				4.04 (Estimate)				6.04 (Estimate)		
Revenue ($ in Bil.)															
Quarterly	5.4	5.4	5.8	6.2	5.5	5.8	6.8	7.7	7.4	7.5	8.0	8.5	9.0	9.3	10.0	10.7
Annual		22.7				25.8				31.4 (Estimate)				39.0 (Estimate)		
FY ends Dec 31	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		2023				**2024**				**2025**				**2026**		

Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 72% Buy, 27% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$137.91
Target Price	$160.00
52 Week Price Range	$76.48 to $187.28
Shares Outstanding	1.62 Billion
Dividend	$0.00

Sector Overview

Sector	Information Technology
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	33.10%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	3.9%
Return on Equity	11.3%
Net Margin	8.0%
Payout Ratio	--
Current Ratio	2.62
Revenue	$27.75 Billion
After-Tax Income	$2.23 Billion

Valuation

Current FY P/E	34.14
Prior FY P/E	41.54
Price/Sales	8.06
Price/Book	3.85
Book Value/Share	$35.82
Market Capitalization	$223.61 Billion

Forecasted Growth

1 Year EPS Growth Forecast	
21.69%	
5 Year EPS Growth Forecast	
15.00%	
1 Year Dividend Growth Forecast	
N/A	

Risk

Beta	1.76
Institutional Ownership	63.50%

Analyst's Notes ...Continued

others, help narrow the competitive gap with Nvidia. Major customers are inclined to support a vibrant competition among top-tier suppliers as it benefits the customer in the long run.

AMD in our view is on pace for a strong 2025, led by strength in its data center business, share gains in the client (PC) space, and recovery in gaming and embedded. The company is currently the next-largest competitor in the GPU space, after Nvidia. AMD generated about $5 billion in annual GPU sales in 2024, but Nvidia's GPU revenue is at least 20-times that of AMD. The company expects first-half 2025 AI sales to roughly match 2H24 levels amid its major product transition.

In past years, AMD has gained meaningful global market share in CPUs for data center and client at Intel's expense. It is now taking aim at Nvidia in the GPU compute space for AI. Share gains in client and in data center CPUs, market leadership in console gaming, and the much-enhanced embedded business all position AMD for long-term growth exceeding that of the peer group.

In our view, AMD's share price does not fully reflect the company's long-term revenue and margin growth potential, and its ongoing market share gains at Intel's and now Nvidia's expense further increase its attractiveness. We are reiterating our BUY rating and our 12-month target price of $160.

RECENT DEVELOPMENTS

AMD is up 17% year-to-date in 2025, while the peer group is up 12%. AMD declined 21% in 2024, while the Argus semiconductor peer group advanced 12%. AMD soared by 128% in 2023, while the peer group rose 67%; declined 55% in 2022, while peers fell 36%; advanced 57% in 2021 versus a 34% gain for the peer group; and rose 100% in 2020, while peers advanced 49%.

On 6/12/25, AMD conducted its 2025 Advancing AI event. The company introduced new Instinct MI series accelerator to compete with Nvidia Blackwell, its newest generation ROCm software to support GPU integration within AI servers, and its Helios open, rack-scale AI infrastructure solution among other things.

At Advancing AI 2025, AMD outlined its vision for the next era of artificial intelligence through a commitment to open ecosystems, full-stack solutions, and silicon innovation. The company was joined at the event by leading executives from OpenAI, Meta, Oracle, Microsoft, and others who discussed how they are partnering with AMD for AI solutions. These partners help narrow the competitive gap with Nvidia. Major customers are inclined to support a vibrant competition among top-tier suppliers as it benefits the customer in the long run.

AMD chair and CEO Dr. Lisa Su delivered the keynote address emphasizing the shift from AI model training to large-scale inference, an accelerating trend as AI is reaching more industries and applications; with the rise of chatbots, recommendation systems, and real-time translation, inferencing is growing over 80% annually. Dr. Su discussed AMD's approach to 'agentic AI', which are always-operating, autonomous AI systems, which are widely

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	9,763	16,434	23,601	22,680	25,785
COGS	5,416	8,505	12,998	12,220	13,060
Gross Profit	4,347	7,929	10,603	10,460	12,725
SG&A	995	1,448	2,336	2,352	2,783
R&D	1,983	2,845	5,005	5,872	6,456
Operating Income	1,369	3,648	1,264	401	2,086
Interest Expense	39	26	23	-100	-90
Pretax Income	1,275	3,669	1,184	492	1,989
Income Taxes	-1,210	513	-122	-346	381
Tax Rate (%)	—	14	—	—	19
Net Income	2,490	3,162	1,320	854	1,641
Diluted Shares Outstanding	1,207	1,229	1,571	1,625	1,637
EPS	2.06	2.57	0.84	0.53	1.00
Dividend	—	—	—	—	—
GROWTH RATES (%)					
Revenue	45.0	68.3	43.6	-3.9	13.7
Operating Income	117.0	166.5	-65.4	-68.3	420.2
Net Income	630.2	27.0	-58.3	-35.3	92.2
EPS	586.7	24.8	-67.3	-36.9	88.7
Dividend	—	—	—	—	—
Sustainable Growth Rate	29.1	72.1	7.4	0.4	3.3
VALUATION ANALYSIS					
Price: High	$97.98	$164.46	$152.42	$151.05	$227.30
Price: Low	$36.75	$72.50	$54.57	$60.05	$117.90
Price/Sales: High-Low	12.1 - 4.5	12.3 - 5.4	10.1 - 3.6	10.8 - 4.3	14.4 - 7.5
P/E: High-Low	47.6 - 17.8	64.0 - 28.2	181.5 - 65.0	285.0 - 113.3	227.3 - 117.9
Price/Cash Flow: High-Low	122.2 - 45.8	61.9 - 27.3	58.7 - 21.0	132.3 - 52.6	175.0 - 90.8

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash ($ in Millions)	4,835	3,933	3,787
Working Capital ($ in Millions)	8,650	10,079	11,768
Current Ratio	2.36	2.51	2.62
LT Debt/Equity Ratio (%)	5.2	4.0	3.8
Total Debt/Equity Ratio (%)	5.2	5.4	3.8
RATIOS (%)			
Gross Profit Margin	44.9	46.1	49.4
Operating Margin	5.4	1.8	8.1
Net Margin	5.6	3.8	6.4
Return On Assets	3.3	1.3	2.4
Return On Equity	4.2	1.5	2.9
RISK ANALYSIS			
Cash Cycle (days)	79.7	121.4	158.8
Cash Flow/Cap Ex	7.9	3.1	4.8
Oper. Income/Int. Exp. (ratio)	14.5	5.6	22.6
Payout Ratio			

Analyst's Notes ...Continued

increasing computational demand and reshaping technical infrastructure.

CEO Su laid out AMD's strategy in three foundational pillars: a broad portfolio of computer engines tailored for diverse AI workloads; a developer-first approach rooted in open standards; and integrated full-stack solutions through industry partnerships. AMD's philosophy, according to the CEO, positions the company as the only major player pursuing openness across hardware, software and systems.

AMD announced the launch of the Instinct MI350 Series GPUs, which boasts 35x performance gains in inferencing workloads over prior models, while still offering up to 40% more tokens per dollar compared to competitors. The series contains both Instinct MI350X and MI355X GPUs and platforms, both designed for high-performance, scalable AI usage.

The MI350 Series represents both an architectural and performance leap, supporting models with up to 520 billion parameters and offering 288GB of HBM3E memory per GPU. With up to 161 petaflops of compute and compatibility with existing data center infrastructure, the MI355X platform is designed for maximum scalability and efficiency.

Both the MI350X and MI355X utilize the industry-standard UBB8 platform, allowing for easy integration and fast software updates. AMD also previewed its upcoming MI400 Series, expected in 2026, signaling an annual cadence of innovation across its Instinct product line.

Industry response has been positive. Meta has broadly deployed AMD's MI300X models for interference capabilities and plans to adopt the MI350X moving forward. Xiao Sun from the Elon Musk's xAI praised AMD's performance and collaboration, calling the deployment experience 'effortless.' AMD stated that seven of the top ten AI companies are now using AMD Instinct hardware. To support this growing ecosystem, AMD has also invested in AI-focused acquisitions and partnerships, including ZT Systems, Nod.ai, and Silo AI, reinforcing its position as a key player in developing and delivering large-scale AI.

AMD also demonstrated its open-standards rack-scale AI Infrastructure, which builds on the ZT Systems acquisition in March 2025, and previewed the next generation of this technology, called Helios. AMD is engaged with multiple potential strategic partners as it attempts to sell ZT Systems' U.S.-based data center infrastructure manufacturing business. AMD is disposing of this business to avoid competing with its customers such as Dell, HPE, and Super Micro Computer.

AMD's end-to-end open, scalable rack-scale AI infrastructure solution includes AMD Instinct MI350 series accelerators, fifth generation AMD EPYC server processors, and AMD Pensando Pollara NIC (network interface cards). The solution is featured in hyperscaler deployments by Oracle Cloud Infrastructure (OCI) and is set for broad availability in the second half of 2025.

The upcoming Helios rack-scale AI infrastructure solution will be built on AMD MI400 series GPUs, Zen 6-based EPYC 'Venice'

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare AMD versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how AMD stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how AMD might fit into or modify a diversified portfolio.

Scatterplot: P/E vs 5-yr Growth Rate(%). Plotted: TXN, AMD, KLAC, ASML, LRCX, AMAT, MU, QCOM.

Bar charts: P/E, Price/Sales, Price/Book, PEG, 5 Year Growth, Debt/Capital — AMD vs. Market and AMD vs. Sector (More Value — More Growth).
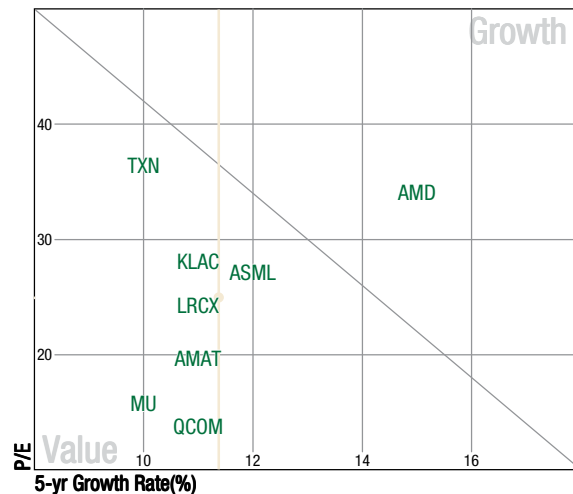
Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
ASML	ASML Holding NV	312,898	12.0	27.2	28.3	12.4	BUY
AMD	Advanced Micro Devices Inc.	223,608	15.0	34.1	8.0	49.5	BUY
TXN	Texas Instruments Inc.	196,248	10.0	36.4	30.4	19.9	BUY
QCOM	Qualcomm, Inc.	178,107	11.0	13.8	26.1	7.2	BUY
AMAT	Applied Materials Inc.	153,317	11.0	19.7	24.1	6.0	BUY
MU	Micron Technology Inc.	136,858	10.0	15.8	18.4	56.2	BUY
LRCX	Lam Research Corp.	126,390	11.0	24.3	27.2	14.5	BUY
KLAC	KLA Corp.	122,268	11.0	28.1	32.0	6.0	BUY
Peer Average		**181,212**	**11.4**	**24.9**	**24.3**	**21.5**	
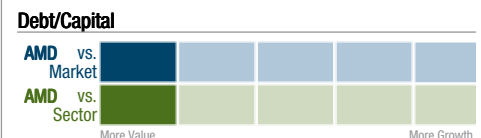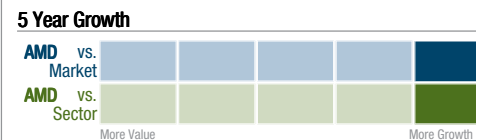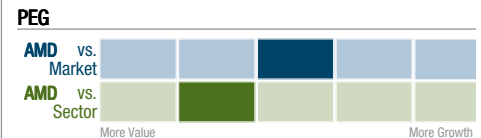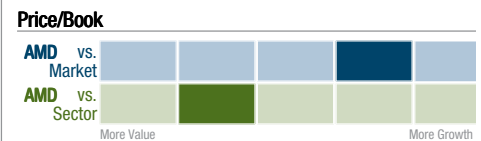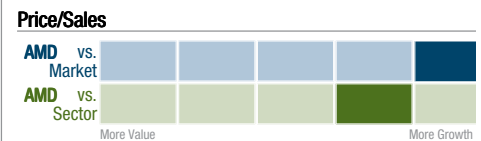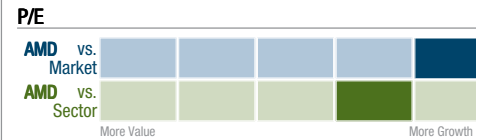
Analyst's Notes ...Continued

CPUs, and Pensando 'Vulcano' NICs. AMD also previewed its latest version of its open-source AI software stack, ROCm 7, designed to meet the growing requirements of gen AI and HPC workloads while 'dramatically improving developer experience.'

In a recent SEC filing, AMD stated on 4/15/25 that the company completed its initial assessment of a new license requirement implemented by the U.S. government for the export of certain semiconductor products to China. The export control applies to AMD's MI308 products, which are AI accelerators. The company will apply for licenses to ship to greater China but there is no assurance that licenses will be granted. Upon release of 1Q25 results, the company indicated that 2Q25 non-GAAP results will be impacted by $800 million in inventory reserves due to new export controls. These restrictions are also likely to impact upcoming quarters.

Despite restrictions on Chinese business, AMD continues to experience overall strong demand across most its product line including CPUs for compute and GPUs for AI acceleration. Embedded, which provides solutions for industrial and other applications, in 1Q25 enjoyed its best quarter in nearly two years. The gaming business remains soft given the lack of a refresh for industry-leading Xbox and PlayStation consoles from Microsoft and Sony. We believe both Embedded and Gaming will return to annual growth by year-end 2025, although tariff uncertainty could complicate those markets.

CEO Dr. Lisa Su has called 2024 a transformative year for AMD, setting the stage for strong growth particularly in AI data center in 2025. Data Center revenue of $12.6 billion for 2024 almost doubled from $6.5 billion in 2023 as EPYC processor adoption accelerated. AMD generated more than $5 billion of AMD Instinct accelerator (GPU) revenue in 2024 including $3 billion in the second half of the year.

AMD expects first-half 2025 AI revenue to be little changed from 2H24 levels, due to what the CEO called product transitions. The company anticipates higher AI sales levels in 2H25 after it issues new products at mid-year. Even with a strong second half, AMD is likely to grow AI revenue in the low-20% range for 2025, at a time when rival Nvidia is growing in high-double-digit percentages. We are now estimating 2025 Data Center revenue of about $15 billion, which would be up 21% from 2024.

Data Center primarily includes EPYC server CPUs, GPUs, data processing units (DPUs) and FPGA and SoC families that came from the Xilinx acquisition. For 1Q25, Data Center revenue of $3.67 billion (49% of total) was up 57% year over year and down 5% sequentially from record levels in 4Q24. Data Center operating profit of $932 million advanced 72% from a year earlier while moderating sequentially. AMD Data Center margin of 25.4% for 1Q25 expanded from 23.1% in 1Q24. Data center growth continues to be driven by the strong ramp of Instinct GPU shipments and growth in EPYC CPU sales.

Client includes CPUs, accelerated processing units (APUs) that integrate microprocessors with graphics processors, and chipsets for desktop and notebook PCs. Client revenue of $2.29 billion (31% of total) for 1Q25 rose 68% annually and declined a less-than-seasonal 1% sequentially from the holiday quarter. Client posted an operating profit of $496 million for 1Q25, up 109% from 1Q24 and up sequentially from 4Q24 on a richer mix. Client operating margin of 21.6% in 1Q25 improved from 17.3% in 1Q24 and expanded sequentially from 21.4% in 4Q24.

Strength in Client was led by strong demand for latest-generation Ryzen processors including significant and ongoing ramp of third-generation Ryzen AI 3000 series processors for notebooks. For desktops, the upcoming Ryzen 9000 series processors on AM5 motherboards are expected to enhance performance and energy efficiency across productivity, gaming, and content creation. AMD is executing on its multi-year Ryzen AI roadmap to enable the new generation of AI PCs that it believes will redefine the PC experience.

The Embedded segment includes a variety of CPUs, GPUs, FPGAs, adaptive SoCs, and Adaptive Compute Acceleration Platform (ACAP) products. For 1Q25, embedded revenue of $823 million (11% of the total) declined 3% from a year earlier, representing the most moderate year-over-year decline since 2Q23, when this business last grew on an annual basis. Embedded operating profit of $28 million was down 4% compared to a year earlier; the segment margin was 39.9% in 1Q25, down from 40.4% for 1Q24.

Key categories served by Embedded include aerospace-defense, industrial, medical, and semiconductor test & measurement, and communications infrastructure. AMD has announced multiple wins within the automotive space, including ADAS and LiDAR for semi-autonomous driving. AMD Embedded revenue declined by 33% for 2024. We look for this business to grow in low double-digit percentages in 2025, although tariffs represent a wild card that could inhibit recovery in industrial and particularly in automotive.

The Gaming segment primarily includes discreet graphics processing units (GPUs) under the Radeon name along with semi-custom SoC products and development services. Gaming revenue of $647 million (9% of total) for 1Q25 was down 30% year over year, though up 15% sequentially following 23% sequential growth in the holiday quarter of 4Q24.

In Gaming, semi-custom revenue SoC sales declined as Sony and Microsoft reduced channel inventory. Given the almost six-year-old console cycle, semi-custom is likely to remain depressed until new consoles are available, and none are firmly scheduled. Radeon series GPUs for the PC market were also depressed as AMD prepared for transition to new GPUs based on RDNA 4 architecture. These new Radeon RX 9079 XT and RX 9070 graphics cards are now available. AMD gaming revenue declined by 58% for 2024. While management expects this business to grow in 2025, it will be off an extremely low base.

AMD in our view is on pace for a strong 2025, led by strength in its data center business, share gains in the client (PC) space, and recovery in gaming and embedded. During 1Q25, Data Center (DC) revenue rose 57% annually while exceeding consensus expectations. Growth was driven by ongoing ramp of AMD Instinct GPU products.

The company is currently the next-largest competitor in the GPU space, after Nvidia. AMD generated about $5 billion in annual GPU sales in 2024, with at least $3 billion coming in the second half. But Nvidia's GPU revenue is at least 20-times that of AMD. The company expects first-half 2025 AI sales to roughly match 2H24 levels, as it goes through a product transition to the new set of AI products and solutions introduced at Advancing AI 2025.

Amid dynamic macro and regulatory environment, AMD's differentiated portfolio and consistent execution position the

Analyst's Notes ...Continued

company for strong growth in 2025, in our view. In past years, AMD has gained meaningful global market share in CPUs for data center and client at Intel's expense. It is now taking aim at Nvidia in the GPU compute space for AI. Share gains in client and in data center CPUs, market leadership in console gaming, and the much-enhanced embedded business all position AMD for long-term growth exceeding that of the peer group.

EARNINGS & GROWTH ANALYSIS

For 1Q25, Advanced Micro Devices reported revenue of $7.44 billion, which was up 36% year over year and down a less than seasonal 3% sequentially from the holiday quarter. Revenue topped the $7.1 billion midpoint of the $6.8-$7.4 billion guidance range, and was above the consensus estimate of $7.12 billion.

The non-GAAP gross margin was 53.7% for 1Q25 versus 54.1% for 4Q24 and 52.3% a year earlier. The non-GAAP operating margin was 23.9% for 1Q25 versus 26.5% for 4Q24 and 20.5% a year earlier.

Non-GAAP EPS totaled $0.96 per diluted share, up 56% from a year earlier and down $0.13 sequentially. AMD management does not provide explicit EPS guidance. The Street had projected non-GAAP EPS of $0.93 for 1Q25.

For all of 2024, revenue of $25.9 billion increased 14% from 2023, while non-GAAP EPS of $3.32 increased 25% from 2023.

For 2Q25, AMD guided for revenue of $7.1-$7.7 billion, which at the $7.4 billion midpoint is consistent with high-20% annual growth and no change on a sequential decline. The adjusted gross margin is forecast to be 43.0%, inclusive of the approximately $800 million in charges for inventory reserve related to new export controls. Along with other elements of line-item guidance, AMD's 1Q25 guidance is consistent with EPS of $0.60-$0.70, which at midpoint would be down 5% from a year earlier.

Our full-year 2025 non-GAAP EPS estimate, in addition to assuming $800 in inventory reserves in 2Q25, assumes an additional $700 million in inventory reserves spread out across 3Q25 and 4Q25.

We are maintaining our previous EPS estimates for 2025 and 2026. Our non-GAAP EPS estimate for 2025 is $4.04 per diluted share. Our non-GAAP EPS projection for 2026 is $6.04 per diluted share. We regard our estimates as fluid and subject to revision based on tariffs, actual and potential export restrictions, AI adoption and other factors. Our five-year non-GAAP annualized EPS growth rate forecast remains 15%, among the highest in Argus Technology coverage.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on AMD is Medium-High. AMD has successfully restructured its debt, which is helping reduce interest costs. The company has swung to a net cash position from a net debt position and has stepped up shareholder returns.

AMD issued debt partly to acquire ZT Systems. Cash from debt proceeds was still on the balance sheet as of 3/31/25 when the balance sheet for 1Q25 was finalized.

AMD's cash position was $7.31 billion at the end of 1Q25. Cash was $5.13 billion at the end of 2024, $6.48 billion at the end of 2023, $5.91 billion at the end of 2022 (reflecting the addition of Xilinx gross cash), and $3.61 billion at the end of 2021.

Total debt was $4.16 billion as of the end of 1Q25. Debt was $1.72 billion as of the end of 2024, $4.16 billion as of the end of 2023, $2.47 billion as of the end of 2022 (reflecting the addition of

Xilinx gross debt), and $313 million as of the end of 2021.

Net cash was $3.40 billion at the end of 2024. Net cash was $4.0 billion at the end of 2023, $3.45 billion at the end of 2022, $3.29 billion at the end of 2021, and $1.96 billion at the end of 2020. Prior to mid-2019, AMD was in a net debt position for multiple years.

Cash flow from operations was $3.04 billion in 2024. Cash flow from operations was $1.67 billion in 2023, $3.57 billion in 2022, $3.52 billion in 2021, and $1.07 billion in 2020.

In May 2022, AMD announced an $8 billion share-repurchase authorization, in addition to the $4 billion authorization announced in 2021. Previously, share repurchases were used primarily to offset dilution from stock-based compensation.

We do not expect AMD to pay a dividend in 2025 or 2026.

MANAGEMENT & RISKS

Lisa Su became CEO in October 2014 and was elevated to chairman of the board in 2023. Also in 2023, longtime finance industry professional Jean Hu became CFO, replacing Devinder Kumar who retired. Jean Hu previously served in the CFO role (and at times as interim CEO) at QLogic, Conexant, and Marvell, along with other postings.

In April 2023, AMD named Jack Hyun as SVP and general manager of Computing & Graphics. Victor Peng, former Xilinx CEO and current AMD vice president, retired in August 2024. Executive transitions have largely been non-events at AMD and underscore the company's long-term planning and strategy.

The company's IP monetization strategy, as well as success in EE&SC, have contributed to growth. The pandemic turned around what had been structural decline in PCs, and AMD appears positioned for continued market share gains at the expense of Intel, which is wrestling with production issues.

The acquisition of Xilinx for $35 billion carries multiple risks, including potential issues with cultural integration, a misreading of end-market outlooks, and potential end-market cannibalization. We believe these risks are worth the TAM opportunities afforded by XLNX. The all-stock nature of the deal also eliminates the potential for a cumbersome debt burden. The deal diluted the share base, but AMD acquired growing and higher-margin assets that have not been dilutive. Additionally, Xilinx's application acceleration tools further AMD's progress in AI and the cloud data center.

A main risk for AMD, as for other semiconductor companies, is the possibility of a general economic downturn and a corresponding dip in technology hardware sales due to inflation and rising interest rates. We believe that AMD has the financial strength, market leadership, and growth characteristics to weather this storm and emerge a stronger player. We also believe the percentage of hours worked away from the office will continue to increase. That should drive long-term demand for personal PCs served by AMD CPUs, for data center CPUs to manage fast-growing data traffic, and for GPUs for gaming applications.

AMD has been betting heavily on nontraditional businesses, including embedded, micro-server, and semi-custom (gaming console). Simultaneously, AMD is supporting both stand-alone CPU and GPU lines, as well as its APU line that combines compute and graphics processing on a single die.

COMPANY DESCRIPTION

Advanced Micro Devices is the number two player in x86-based

Analyst's Notes ...Continued

microprocessors, behind Intel, and, with the 2008 acquisition of ATI, a top player in graphic processors. It now competes with Nvidia in the GPU processor space for AI applications. In 2021, Advanced Micro Devices acquired Xilinx, expanding its presence in embedded computing and data center. In 2025, AMD acquired ZT systems, which provides AI and general purpose infrastructure for the global hyperscale providers.

VALUATION

AMD shares are trading at 34.2-times our 2025 non-GAAP EPS estimate and at 22.8-times our 2026 projection. AMD trades at a two-year forward P/E of 28.5, below the multiple of 41.5 for the 2020-2024 period. The two-year-forward relative P/E of 1.31 is also below the historical average of 1.97 for 2020-2024. A historical comparable valuation for AMD indicates value in the $220s, in a stable to rising trend and above current prices.

Peer-group analysis suggests that AMD deserves to trade at a slight premium to peers on absolute and relative P/E; peer-indicated value in the $140s has recovered along with semiconductor peers during the second quarter of 2025. Our discounted free cash flow model renders a fair value in the $320s. Blending these approaches, we arrive at a value above $255, below peaks in the $290s though well above current prices.

For the long term, we are encouraged by the progress of EPYC in cloud and enterprise data center, the success of Ryzen CPUs for desktop and notebook PCs, and the outlook for AMD's Radeon GPUs in PC gaming. MI350 accelerators and ROCm software represent growth opportunities as the age of generative AI continues to unfold. And Pensando and ZT allow AMD to offer a complete suite of products and services for the age of AI.

In our view, current prices do not fully reflect AMD's revenue and margin growth potential, or ongoing market share gains at Intel's expense - and now at NVidia's expense. We are reiterating our BUY rating and 12-month target price of $160.

On July 7 at midday, BUY-rated AMD traded at $134.18, down $3.73.

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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