

OUR EVALUATION OF AMD

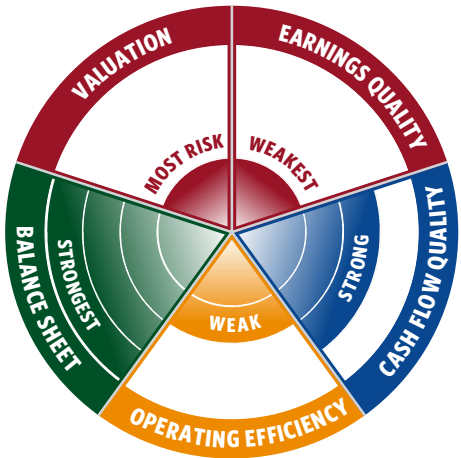
Advanced Micro Devices Inc. is showing strong Balance Sheet Quality and Cash Flow Quality, but Valuation suggests a higher amount of price risk, and Operating Efficiency and Earnings Quality are both weak. When combined, AMD deserves a SELL rating.

The primary reason the overall rating dropped during the last quarter was a decrease in the Cash Flow rating. Another important factor in the downgraded overall rating was a declining Operating Efficiency rating due to weakening returns.

HISTORICAL RATINGS

	Q2 2024	Q3 2024	Q4 2024	Q1 2025
OVERALL RATING	SELL	HOLD	HOLD	SELL
EARNINGS QUALITY	WEAKEST	WEAK	WEAKEST	WEAKEST
CASH FLOW QUALITY	WEAK	STRONG	STRONGEST	STRONG
OPERATING EFFICIENCY	WEAKEST	WEAK	STRONG	WEAK
BALANCE SHEET	STRONG	STRONG	STRONG	STRONGEST
VALUATION	MOST RISK	MOST RISK	MOST RISK	MOST RISK

FINANCIAL SONAR™ FOR AMD  
1ST QUARTER 2025

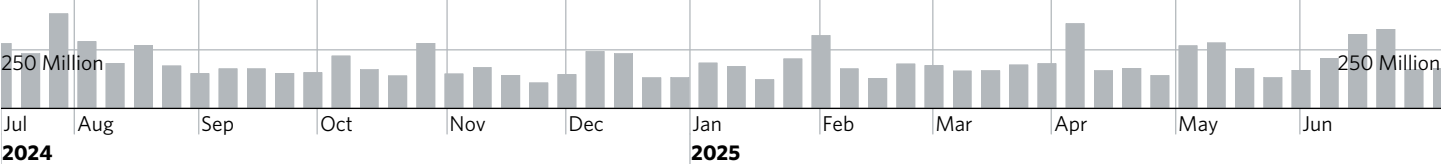


PRICE TRENDS AND VALUATION

Price (USD, AS OF 07/10/25)	138.40	MARKET CAP.	224.4 BILLION	PRICE/SALES	6.5
PRICE/EARNINGS	103.2	PRICE/EARNINGS GROWTH	1.0	PRICE/CASH FLOW	72.8
PRICE/ADJUSTED EARNINGS	78.7	PRICE/ADJUSTED EARNINGS GROWTH	0.8	PRICE/ADJUSTED CASH FLOW	70.1



Average Weekly Volume



NASDAQGS **AMD**

**ADVANCED MICRO DEVICES INC.**

REGION **NORTH AMERICA**

OVERALL RATING FOR 1ST QUARTER 2025 **SELL**

INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

## EARNINGS QUALITY: **WEAKEST**

Earnings quality has long been analyzed and used by investors as a measure of the fundamental quality of the company and its future prospects. Companies may be including certain items that increase reported earnings and often the amount of cash flow supporting the earnings may be weak. Jefferson adjusts for these kinds of items and other anomalies to produce an adjusted earnings number that more accurately reflects ongoing business fundamentals at Advanced Micro Devices Inc.. Reported earnings are compared to the Jefferson adjusted earnings as a means to gauge earnings quality. Also measured is the amount of cash flow that underpins earnings.

The earnings quality for AMD remains **WEAKEST**.

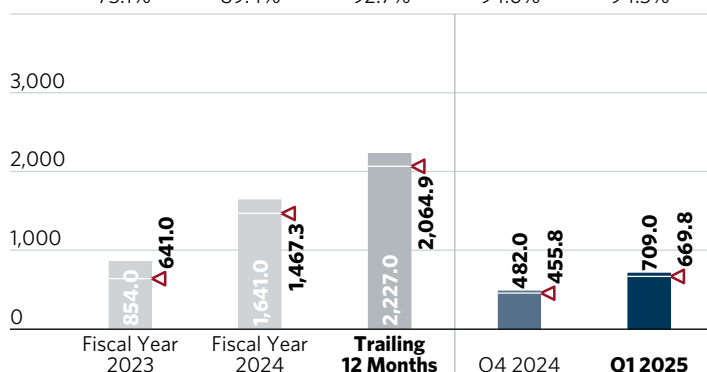
Though the reported net income increased during the last quarter to 709.0M from 482.0M, the quality of that reported net income declined. In addition, operating cash flow decreased during the last quarter to 939.0M from 1,299M, and the ratio of operating cash flow to earnings has also declined. Though both Earnings Quality measures declined, the rating for AMD is already a **WEAKEST**, the worst possible rating.

### NET INCOME VS. ADJUSTED NET INCOME IN MILLIONS

△ Adjusted Net Income

Adjusted Net Income as a Percentage of Net Income

75.1% 89.4% 92.7% 94.6% 94.5%

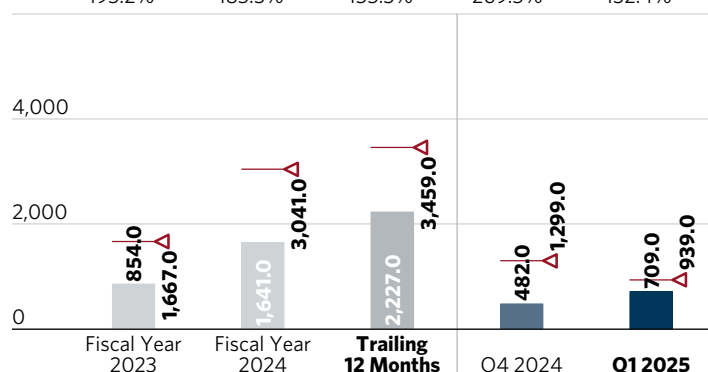


### EARNINGS VS. OPERATING CASH FLOW IN MILLIONS

△ Reported Operating Cash Flow

Operating Cash Flow as a Percentage of Earnings

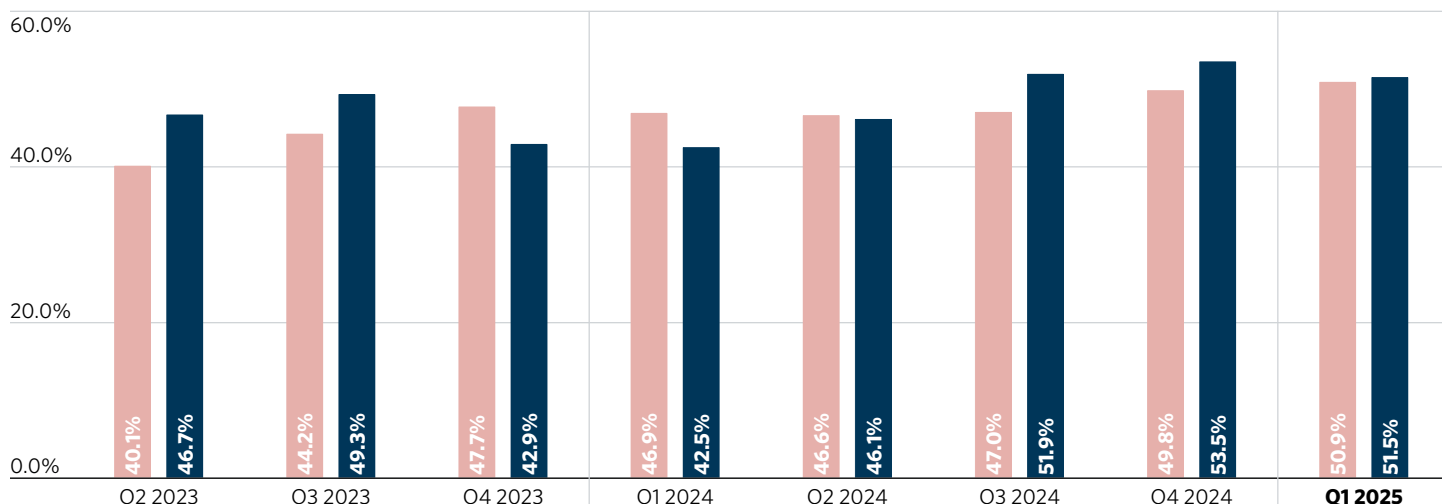
195.2% 185.3% 155.3% 269.5% 132.4%



### ACCRUALS

% OF SALES

Actual Accruals Forcasted Accruals



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## CASH FLOW QUALITY: **STRONG**

Cash flow is considered by many investors to be the ultimate measure of company performance and more reliable than reported earnings. The Jefferson measurement eliminates items that are not part of recurring cash flow or the result of actual operations for Advanced Micro Devices Inc.. These adjustments to cash flow provide a truer measure of cash flow and the resultant cash flow quality rating.

The cash flow quality rating for AMD declined from STRONGEST to STRONG as all three cash flow quality measures weakened.

The quarterly operating cash flow quality declined with a reported number of 939.0M and an adjusted number that was 74.9% of reported. In addition, the quarterly free cash flow quality weakened with a reported number of 727.0M and an adjusted number that was 67.5% of reported. Together these changes represent deterioration from the previous period when the ratio of reported to adjusted numbers was higher.

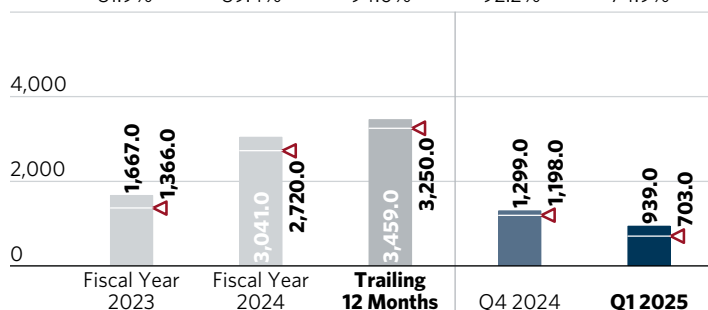
### OPERATING CASH FLOW

IN MILLIONS

△ Adjusted Operating Cash Flow

Adjusted Operating Cash Flow as a Percentage of Operating Cash Flow

81.9% 89.4% 94.0% 92.2% 74.9%



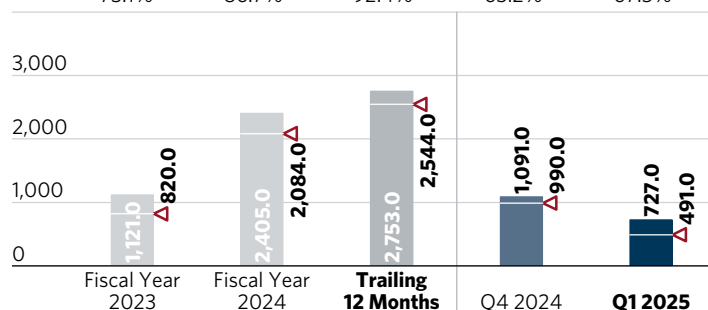
### FREE CASH FLOW

IN MILLIONS

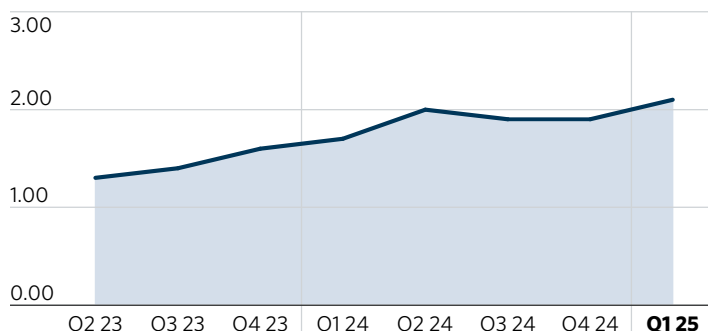
△ Adjusted Free Cash Flow

Adjusted Free Cash Flow as a Percentage of Free Cash Flow

73.1% 86.7% 92.4% 63.2% 67.5%

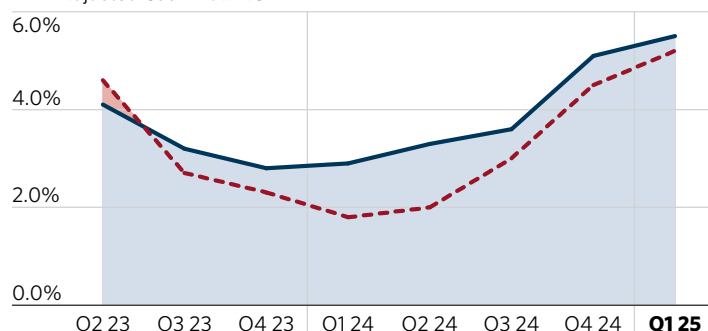


### FLOW RATIO



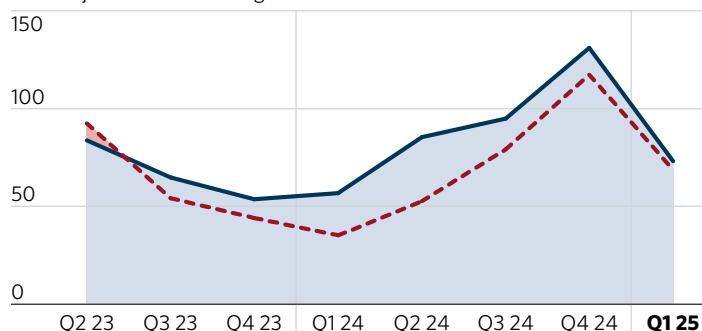
### CASH FLOW ROI

--- Adjusted Cash Flow ROI



### DEBT COVERAGE

--- Adjusted Debt Coverage



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OVERALL RATING FOR 1ST QUARTER 2025 **SELL**

INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

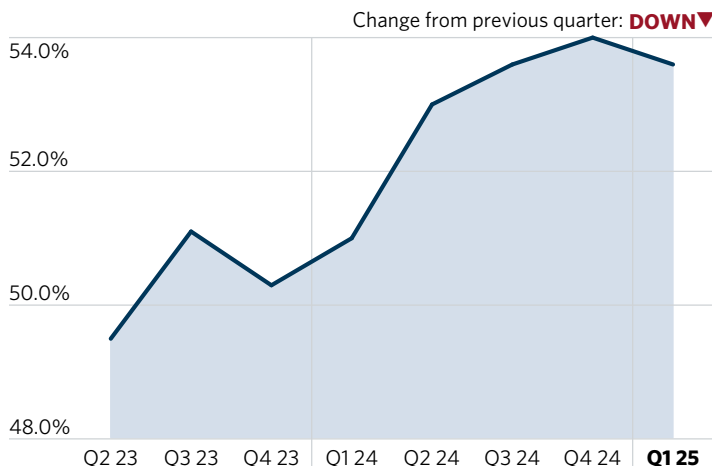
## OPERATING EFFICIENCY: **WEAK**

The ability of Advanced Micro Devices Inc. to earn a profit is in part the result of how rapidly it converts its collection of assets into revenues and the resulting earnings and cash flow margins available. Operating Efficiency is measured by a combination of factors including: return on invested capital (ROIC), gross margin, EBIT margin, asset turnover, equity turnover, and lastly Staff, General, and Administrative costs as a percentage of sales (SGA).

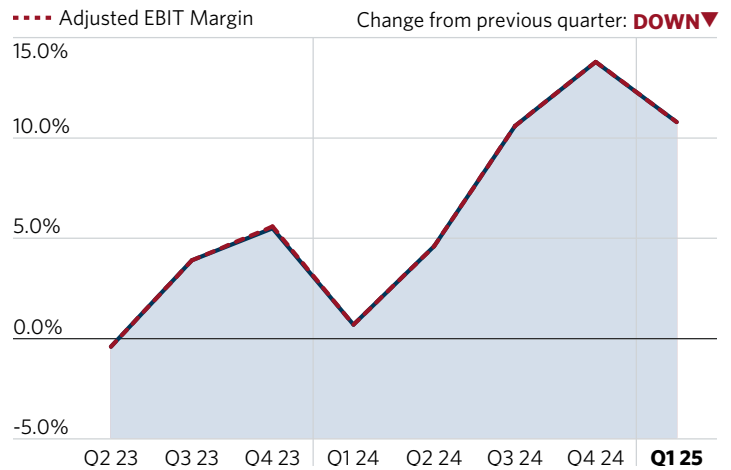
The operating efficiency rating for AMD declined from STRONG to WEAK as the return on incremental investment capital, EBIT margin, SGA costs and gross margin deteriorated since the last quarter.

In addition, the EBIT margin deteriorated from 13.8% to 10.8%. The lower EBIT margin indicates that AMD's pre-financing costs have increased.

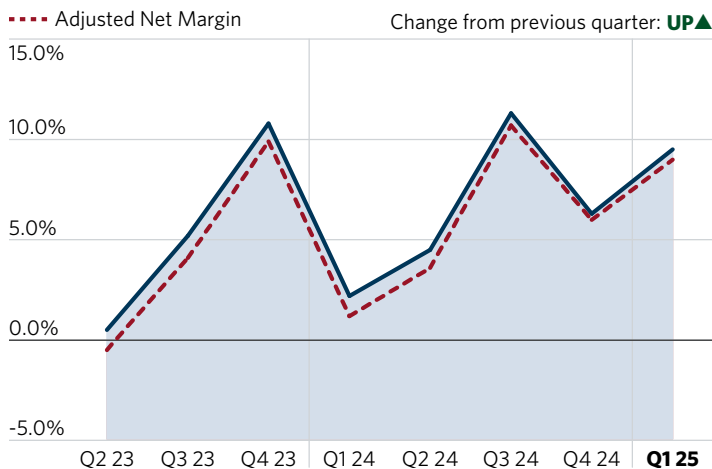
### GROSS MARGIN



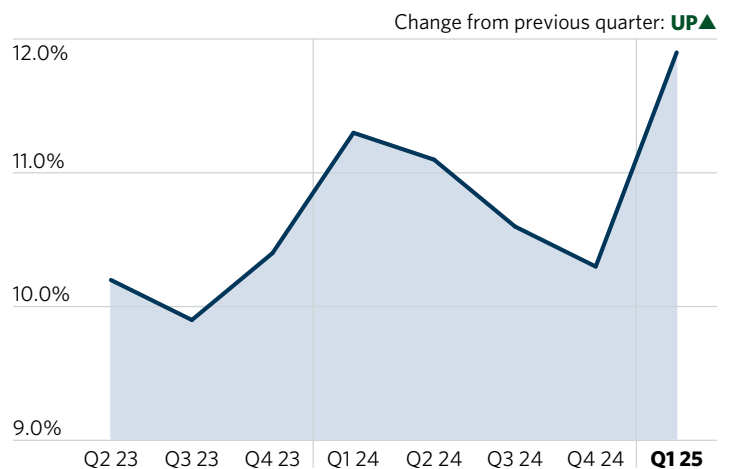
### EBIT MARGIN



### NET MARGIN



### SG&A AS A PERCENTAGE OF SALES



NASDAQGS
 **AMD**

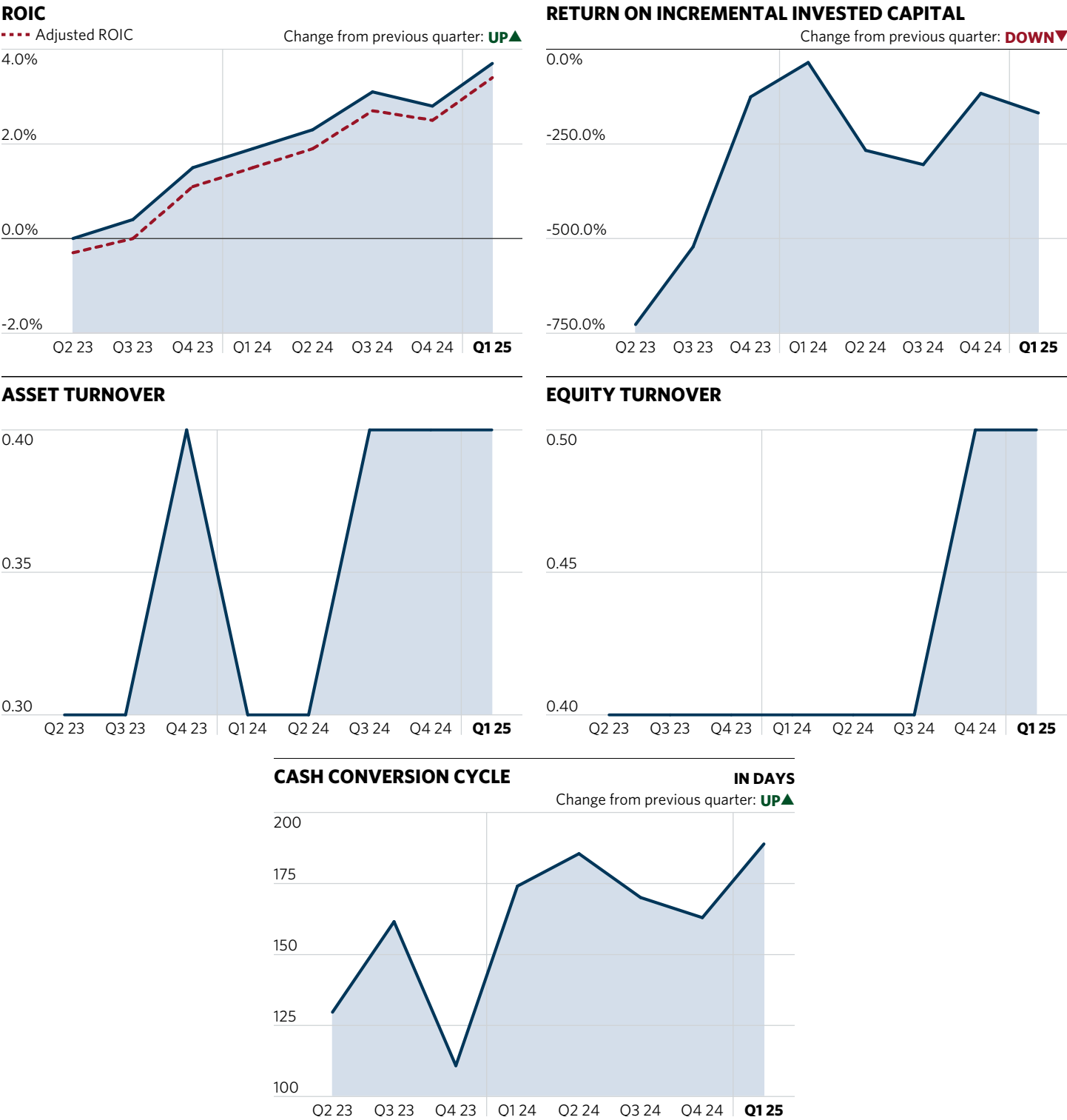
**ADVANCED MICRO DEVICES INC.**

REGION **NORTH AMERICA**

OVERALL RATING FOR 1ST QUARTER 2025 **SELL**

INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

OPERATING EFFICIENCY: **WEAK**



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INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

## BALANCE SHEET QUALITY: **STRONGEST**

The balance sheet shows the ability of Advanced Micro Devices Inc. to pay its bills and fund future growth. It also provides clues to aggressive accounting since reported earnings that do not generate cash flow generally end up somewhere on the balance sheet. The following are analyzed in determining balance sheet quality: quick ratio, current ratio, cash position, accounts receivable days sales outstanding (AR DSOs), and number of days inventory is held prior to sale to customers (Inv Days).

The balance sheet rating for AMD strengthened from STRONG to STRONGEST as the cash position, AR DSOs, current ratio, and quick ratio improved over the last quarter.

The cash position increased from 5,132M to 7,310M. With more cash on hand AMD will be better able to meet financial obligations. In addition, AR DSOs improved from 86 to 74 days, indicating that AMD has shortened the time it takes on average to receive payment from its customers, thereby increasing liquidity.

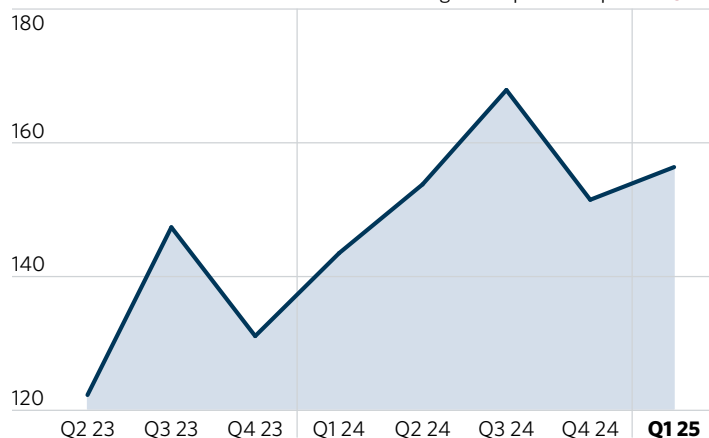
### RECEIVABLES DAYS OUT

Change from previous quarter: **DOWN▼**



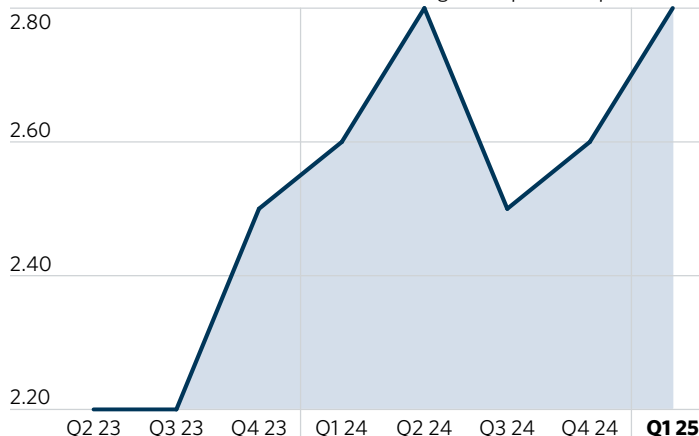
### INVENTORY DAYS OUT

Change from previous quarter: **UP▲**



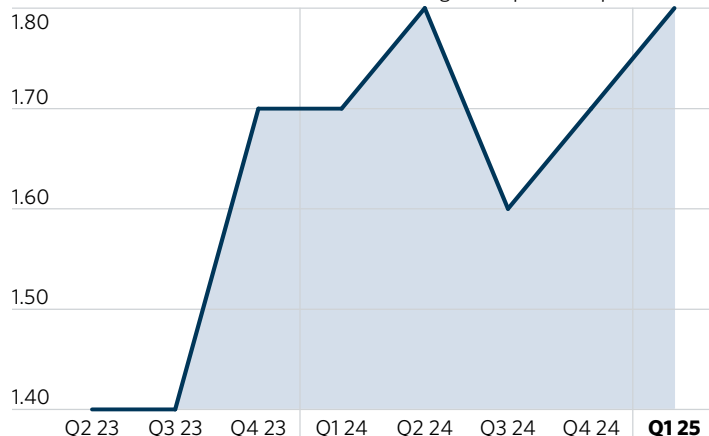
### CURRENT RATIO

Change from previous quarter: **UP▲**



### QUICK RATIO

Change from previous quarter: **UP▲**



NASDAQGS **AMD**

**ADVANCED MICRO DEVICES INC.**

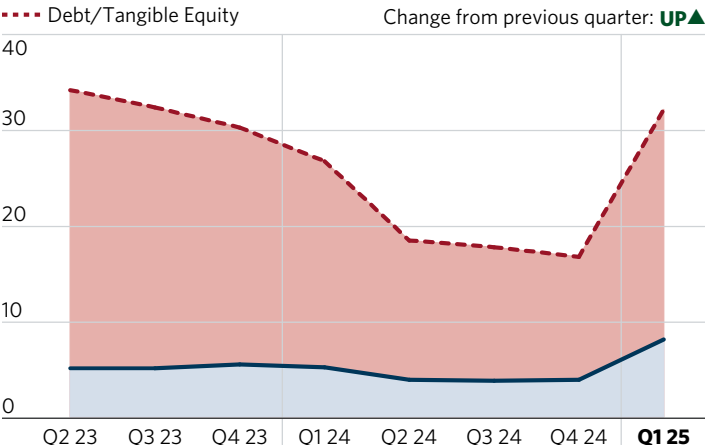
REGION **NORTH AMERICA**

OVERALL RATING FOR 1ST QUARTER 2025 **SELL**

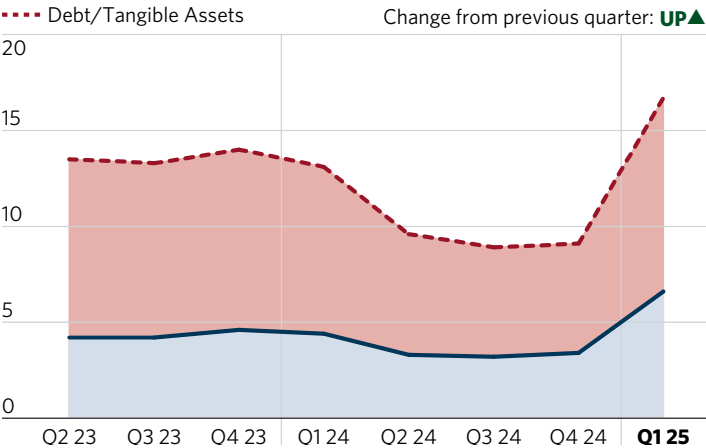
INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

**BALANCE SHEET QUALITY: STRONGEST**

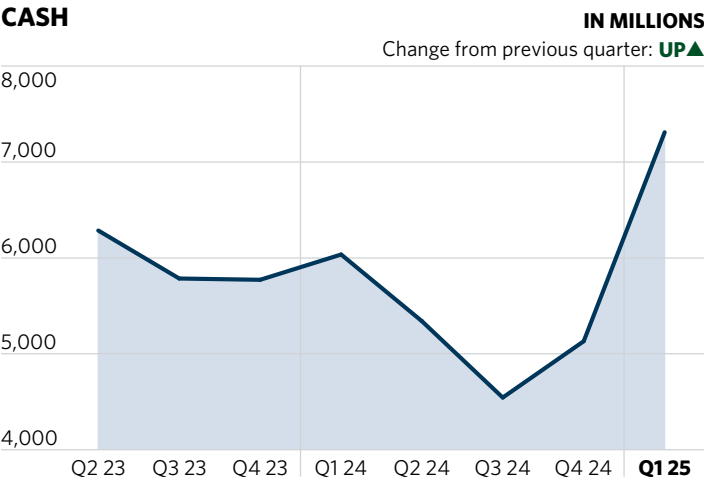
**DEBT/EQUITY**



**DEBT/ASSETS**



**CASH**



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**ADVANCED MICRO DEVICES INC.**

REGION **NORTH AMERICA**

OVERALL RATING FOR 1ST QUARTER 2025 **SELL**

INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

## VALUATION: **MOST RISK**

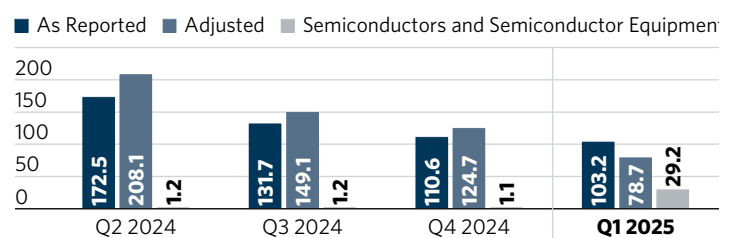
An unfavorable valuation (a MEDIUM RISK or MOST RISK rating) implies higher potential downward price risk that is evidenced by a company price multiple that is higher than the corresponding sector average. The valuation rating is based on both absolute and relative levels at Advanced Micro Devices Inc. compared to its peers within its sector based on price to earnings (PE), price to earnings growth (PEG), price to sales (PS), and price to cash flow (PCF).

The valuation rating for AMD remains a MOST RISK as the price to cash flow, price to earnings, and PEG ratios became more attractive over the last quarter while the price to sales ratio became less attractive.

Even though AMD's PCF ratio relative to the sector average PCF improved from 6.22X to 4.47X during the last quarter, the decline in the PS ratio relative to the sector average PS offset this by deteriorating from 2.45X to 2.50X.

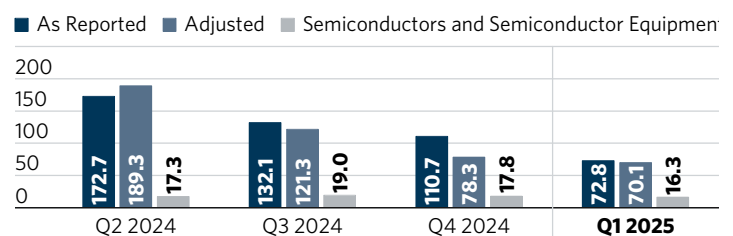
### PRICE/EARNINGS

LAST 2 YEARS	RANGE		AVERAGE
	LOW	HIGH	
Reported Price/Earnings	<b>-7059.40</b>	<b>838.50</b>	<b>-647.15</b>
Adjusted Price/Earnings	<b>-968.50</b>	<b>11639.50</b>	<b>1489.68</b>
Sector Price/Earnings	<b>27.10</b>	<b>30.40</b>	<b>28.99</b>



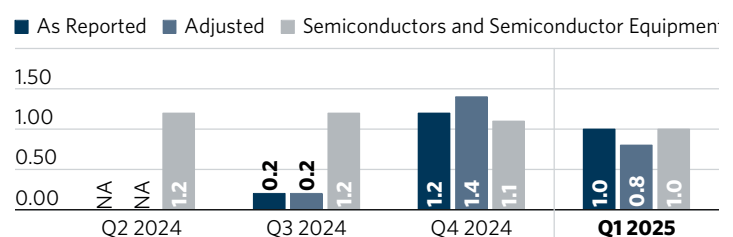
### PRICE/CASH FLOW

LAST 2 YEARS	RANGE		AVERAGE
	LOW	HIGH	
Reported Price/Cash Flow	<b>-7059.60</b>	<b>838.90</b>	<b>-650.74</b>
Adjusted Price/Cash Flow	<b>70.10</b>	<b>859.50</b>	<b>300.19</b>
Sector Price/Cash Flow	<b>13.90</b>	<b>19.00</b>	<b>16.35</b>



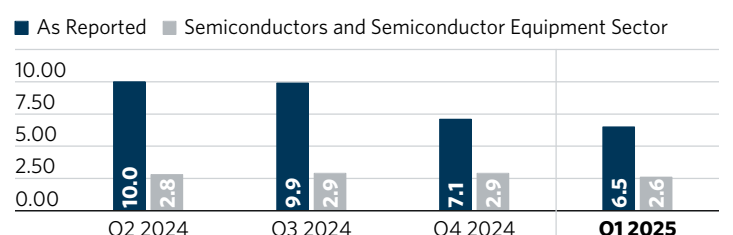
### PRICE/EARNINGS GROWTH

LAST 2 YEARS	RANGE		AVERAGE
	LOW	HIGH	
Reported Price/Earnings Growth	<b>0.20</b>	<b>1.20</b>	<b>0.88</b>
Adjusted Price/Earnings Growth	<b>0.20</b>	<b>1.40</b>	<b>0.95</b>
Sector Price/Earnings Growth	<b>0.90</b>	<b>1.20</b>	<b>1.09</b>



### PRICE/SALES

LAST 2 YEARS	RANGE		AVERAGE
	LOW	HIGH	
Reported Price/Sales	<b>6.50</b>	<b>11.90</b>	<b>8.95</b>
Sector Price/Sales	<b>2.40</b>	<b>2.90</b>	<b>2.73</b>





NASDAQGS
 

AMD

ADVANCED MICRO DEVICES INC.

REGION NORTH AMERICA

INDUSTRY SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT

OVERALL RATING FOR 1ST QUARTER 2025

SELL

PEER VALUATION COMPARISON

TICKER	COMPANY	MARKET CAP.	PRICE ON 07/10/25	PRICE/ EARNINGS	PRICE/ SALES	PRICE/ CASH FLOW	PRICE/ EARNINGS GROWTH	VALUATION RATING
ASML	ASML Holding N.V.	264.5 B	690.40	32.5	8.7	25.9	1.4	MOST RISK
AMD	Advanced Micro Devices Inc.	224.4 B	138.40	103.2	6.5	72.8	1.0	MOST RISK
TXN	Texas Instruments Incorporated	196.6 B	216.40	34.6	10.5	30.2	NA	MOST RISK
QCOM	QUALCOMM Incorporated	175.1 B	159.40	16.5	4.1	14.8	0.5	LOW RISK
AMAT	Applied Materials Inc.	156.8 B	195.40	19.8	4.5	19.1	NA	LOW RISK
A000660	SK hynix Inc.	205,032.3 B	297,000.00	6.7	2.0	5.3	NA	MEDIUM RISK
MU	Micron Technology Inc.	136.8 B	122.20	23.3	3.5	22.6	NA	LOW RISK
SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT SECTOR		30.9 B	—	29.2	2.6	16.3	1.0	—

PEER OPERATING COMPARISON

TICKER	COMPANY	MARKET CAP.	GROSS MARGIN (%)	EBIT MARGIN (%)	NET MARGIN (%)	ROIC (%)	CASH CONVERSION CYCLE (DAYS)	OPERATING EFFICIENCY RATING
ASML	ASML Holding N.V.	264.5 B	54.0	35.4	30.4	40.8	NA	MEDIUM RISK
AMD	Advanced Micro Devices Inc.	224.4 B	53.6	10.8	9.5	3.7	188.0	MEDIUM RISK
TXN	Texas Instruments Incorporated	196.6 B	56.8	32.5	29.0	15.7	236.0	LOW RISK
QCOM	QUALCOMM Incorporated	175.1 B	55.0	28.4	25.6	26.9	97.0	LOW RISK
AMAT	Applied Materials Inc.	156.8 B	49.1	30.5	30.1	26.5	175.0	LOW RISK
A000660	SK hynix Inc.	205,032.3 B	57.3	42.2	46.0	27.0	205.0	MEDIUM RISK
MU	Micron Technology Inc.	136.8 B	37.7	23.3	20.3	9.9	148.0	LOW RISK

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OVERALL RATING FOR 1ST QUARTER 2025 **SELL**

INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT**

## DEFINITIONS

**Adjusted Net Income:** Adjusted Net Income is a company's reported net income less adjustments for one-time and non-operating items yielding a more realistic picture of a company's ongoing earnings.

**Accruals – Forecasted and Actual:** The comparison of forecasted and actual accruals identifies a discretionary build not attributable to a company's sales growth, and could be a sign of poor earnings quality. For our purposes, the forecasted accrual component is an aggregate measurement of total accruals (short-term balance sheet accounts) that distinguishes between "normalized" and "extraordinary" accruals. The normalized accruals are based on historical relationships between sales and accruals and are dynamically adjusted over time to account for changes in the ratio between these two variables. Normally, short term accruals will grow as sales grow – i.e., the "normalized" measure. Discretionary accruals are the portion of accruals that are in excess of the base factor and therefore exceed the normal and are "extraordinary".

**Adjusted Operating Cash Flow:** Adjusted Operating Cash Flow is reported operating cash flow less adjustments for one-time and non-operating items yielding a more realistic picture of a company's ongoing cash flow from operations.

**Adjusted Free Cash Flow:** Adjusted Free Cash Flow is reported operating cash flow less adjustments for one-time, non-operating items and capital expenditures. This provides a more realistic picture of a company's ongoing cash generation from operations after capital investments.

**Flow Ratio:** The Flow Ratio is a measurement of management's effectiveness in managing its working capital to maximize the company's cash flows. The measure is a ratio of a company's non-cash current assets to its non-interest bearing short-term liabilities.– These non-cash assets include items such as accounts receivable (which are essentially interest-free loans to customers) and inventory (which is subject to obsolescence or spoilage). The non-interest bearing liabilities are essentially interest-free loans to the company. A lower ratio implies tighter cash management for a company as it has less cash tied up in non-cash current assets and is able to utilize interest free loans from suppliers.

**Cash Flow Return on Investment:** Cash Flow ROI is a measure of a company's ability to generate operating cash flow from its invested capital. Many analysts consider this measure preferable to an earnings return measure such as ROE since cash flow is considered a more reliable measure.

**Adjusted Cash Flow Return on Investment:** Adjusted Cash Flow ROI is a measure of the ability to generate operating cash flow from its investment in capital calculated using a company's adjusted cash flow.

**Debt Coverage:** Debt Coverage is a measure of a company's ability to cover its debt obligations with cash flow it generated

from continuing operations.

**Adjusted Debt Coverage:** Adjusted Debt Coverage is a measure of a company's ability to cover its debt obligations with cash flow it generated from continuing operations, calculated using a company's adjusted cash flow.

**Adjusted Return on Invested Capital:** Adjusted ROIC assesses a company's efficiency at allocating the capital to profitable investments using a company's adjusted net income (see above) yielding a measure of how well a company is using its capital to generate returns.

**Adjusted EBIT Margin:** Adjusted EBIT Margin is a measure of a company's earnings before interest and income taxes less adjustments for one-time and non-operating items divided by a company's sales.

**Adjusted Net Margin:** Adjusted Net Margin is a measure of a company's net income less adjustments for one-time and non-operating items divided by a company's sales.

**Return on Incremental Invested Capital:** ROIIC measures the relationship between incremental investment and incremental net operating profit after tax. This provides a measure of the returns a company is earning on recent investments rather than all investments as measured by ROIC.

**Cash Conversion Cycle:** The Cash Conversion Cycle measures the number of days working capital is tied up from the date of purchase of raw materials until the collection of cash from the sale of the product.

**Debt to Tangible Equity:** Debt to Tangible Equity is a ratio of a company's debt to equity less adjustments for goodwill and other intangible assets yielding tangible equity.

**Debt to Tangible Assets:** Debt to Tangible Assets is a ratio of a company's debt to total assets less adjustments for goodwill and other intangible assets.

**Price/Adjusted Earnings:** Adjusted Price/Earnings is a relative valuation measure comparing a company's share price to its adjusted net income.

**Price/Adjusted Cash Flow:** Adjusted Price/Cash Flow is a relative valuation measure comparing a company's share price to its adjusted cash flow.

**Price/Adjusted Earnings Growth:** Adjusted Price/Earnings Growth is a relative valuation measure comparing a company's share price to its growth in adjusted earnings.

NASDAQGS **AMD****ADVANCED MICRO DEVICES INC.**REGION **NORTH AMERICA**OVERALL RATING FOR 1ST QUARTER 2025 **SELL**INDUSTRY **SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT****ABOUT THE FINANCIAL SONAR™ REPORT & METHODOLOGY**

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Jefferson Research & Management has developed the Financial Sonar™ Rating System which is based upon five analytical criteria: Earnings Quality, Cash Flow, Operating Efficiency, Balance Sheet, and Valuation. The first four criteria are rated in one of four categories (best to worst): Strongest, Strong, Weak, Weakest. Valuation is also rated in one of four categories (best to worst): Least Risk, Low Risk, Medium Risk, Most Risk.

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