Company Overview:
Advanced Micro Devices is a global semiconductor company that develops x86 microprocessors, discrete GPUs, chipsets, and semi-custom SoC products for professional and consumer end markets.

Name	Ticker	Growth	Dividend	D + G
Advanced Micro Devices, Inc.	AMD	14.00%	0.00%	14.00%

Recent Highlights:
We remain comfortable with the company's near and midterm catalysts, as well as its position to execute on its key impending technical targets, such as the MI300 series ramp and technical traction for the launch of the MI400 series. In addition, AMD noted that they are allocating a significant number of resources toward the Helios rack, which is expected to launch in the middle of next year. Management also emphasized that they plan on having a fairly diverse set of customers in addition to OpenAI, which we know brings a level of acceptance for AMD technology to the AI ecosystem. That said, we believe it's likely that a portion of new business will be a function of the OpenAI deal. Finally, AMD reiterated its focus on open standards across both networking and software.

Over the next 3-5 years, AMD expects revenue growth of 35%+ CAGR, driven by 60%+ growth in data center (overall) and 10%+growth in its core business. Gross margin is targeted between 55%-58% during this period versus an estimated 54% in CY25, driven by scale, optimization, yield, product leadership, and mix. Operating margins are expected to expand above 35%+ from operating leverage and scale. AMD is now expecting an EPS above $20 by 2030, which we believe factors in OpenAI-related revenue.

Bull Case:

- ***The Company Has Transformed into a Star*** **-** AMD's traction continues to accelerate with all segments (client, server, graphics, and consoles) all driving growth. Market share continues to increase, especially in notebook and server, and looks even better on a revenue basis and remains, we suspect, supply rather than demand-limited. The quality of AMD's portfolio continues to improve as well, abundantly evident in the company's pricing relative to the competition; AMD's desktop CPUs are now, on average, on par with Intel's, and their notebook ASPs continue to markedly climb every quarter and are starting to get close as the portfolio mixes up over time. And AMD's server ASPs have blown past the competition as they take a clear leadership position.
- ***Positive Ecosystem Integration -*** Management noted OpenAI's deployments across multiple CSPs have helped pull AMD into additional customer environments. However, each new cloud partnership will have some overlap with the OpenAI engagement, but AMD characterized it as incremental and well less than 50%. In our view, this primarily reflects the standard practice of partnering with OpenAI, with AMD increasingly integrated in the ecosystem.

Bear Case:

- ***Fabless Business Model -*** As a fabless semiconductor company, AMD is reliant on third-party manufacturers for manufacturing, assembly, and testing processes. Mis-execution from a foundry standpoint could notably delay the launch of new-geometry node processors and result in missed product cycles, in turn impacting AMD's market share and ability to reach its financial goals.
- ***Necessity for Design Wins*** **-** To gain market share, AMD is dependent on customer adoption. Should these potential customers delay their decisions, AMD may not be able to reach its financial targets, or in the worst case, may not generate sufficient cash flows to sustain adequate R&D spending for future growth.
- ***Average Selling Price Pressures*** **-** Intel has been the market share leader for microprocessors for many years, leads foundry competitors from a geometry node standpoint, and can use its vast financial resources and diversified revenue base to apply targeted pricing pressure on certain products as a defensive move, which could impede AMD's market share gains.

Overall Thesis:
We believe AMD's transformation from even just a few years ago is remarkable, and the changes have now become undeniable; this is not the AMD of yesteryear. As product roadmaps grow ever stronger, share moves higher and higher, and margins and FCF climb, we believe the narrative here is getting increasingly difficult to ignore, and increasingly attractive with the shares trading at current valuations.

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