



## Advanced Micro Devices Inc.

### AI Accelerators and Strategic Execution Fuel Market Share Surge

AMD demonstrated accelerating momentum and robust revenue growth in FY25, posting **\$7.4 billion in Q1 revenue-a 36% year-over-year increase**. The company continues to outpace the broader semiconductor market, marking its **fourth consecutive quarter of accelerating growth** despite macroeconomic headwinds. This performance underscores its ability to capitalize on expanding demand across key sectors.

#### AI Leadership and Regulatory Tailwinds

AMD solidified its position in AI accelerators, with **Instinct GPU annualized sales exceeding \$5 billion**, driven by MI300 deployments at hyperscalers including Meta and Microsoft, who bought respectively 173,000 and 96,000 MI300 chips in 2024. A critical catalyst emerged when the **Trump administration reversed Biden-era AI chip export restrictions in May 2025**, removing a projected **\$1.5 billion revenue barrier** for AMD. This policy shift restored access to Chinese markets and contributed to a 5% stock surge post-announcement.

#### Client Segment and Strategic Investments

The **Client segment revenue surged 68% YoY to \$2.3 billion**, fueled by record Ryzen CPU average selling prices (ASPs) and a **30% YoY increase in commercial PC sales**. Strategic moves like the **acquisition of ZT Systems** (completed March 2025) enhanced AMD's rack-scale AI solutions, enabling tighter integration of EPYC CPUs and Instinct GPUs in cloud infrastructure. Concurrently, **R&D spending rose 13.3% YoY to \$1.7 billion** in Q1, reflecting sustained innovation in AI and high-performance computing.

#### Scaling AI Infrastructure Through Partnerships

AMD deepened its ecosystem with landmark collaborations:

- **A \$10 billion partnership with HUMAIN** to deploy **500 megawatts of AI compute capacity** across Saudi Arabia and the U.S. by 2030, leveraging AMD's full-stack AI portfolio.
- **35+ production platforms adopting MI300 accelerators**, including a multi-billion-dollar expansion of Oracle's MI355X GPU cloud infrastructure.
- **30+ new cloud instances** launched in Q1 with AWS, Google, and Tencent, powered by 5th-gen EPYC CPUs and FPGA-accelerated solutions.

#### Market Outlook and Execution

With regulatory clarity and strategic execution, AMD is poised to achieve CEO Lisa Su's projection of **"tens of billions"** in **annual AI-driven revenue**. The company's open-source ROCm software stack and annual GPU roadmap (MI325X in 2024, MI350 in 2025, MI400 in 2026) position it to capture 15-20% of the AI accelerator market by 2027. Combined with **Data Center revenue growth of 57% YoY** and expanding

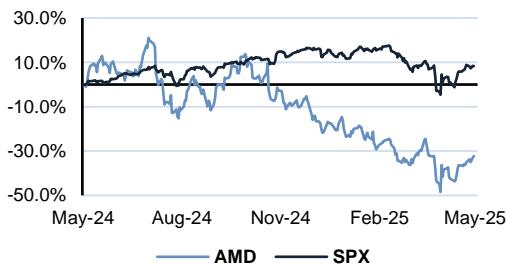
**BUY**

**Price Target: 140\$**  
**AMD (NYSE)**

Ticker	AMD
Upside/(Downside) to Target	+19%
Price (30/04/2025)	\$117.7
52 Week Range	\$187.3 - \$76.5
Market Cap (mn)	\$182,433
Dividend Yield	1.17%
Fwd P/E	25.2

#### forecasts

	FY24A	FY25E	FY26E
Revenue	25,785	31,914	39,093
Adj. EBITDA	5,436	7,451	10,709
Adj. EPS	1.2	4.2	5.8



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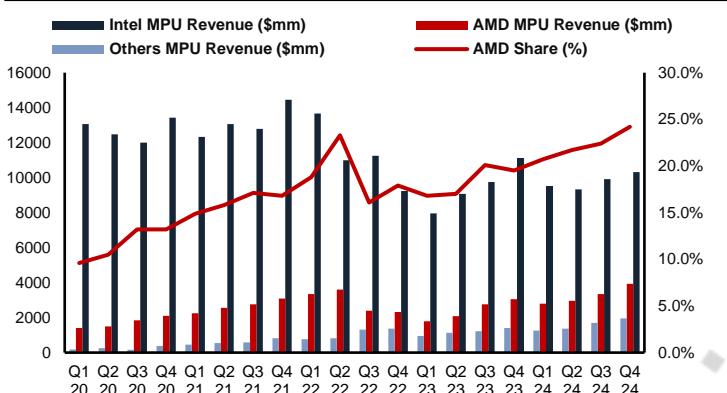
**Valuation Disconnect:** AMD screens attractively at 25.2x FY25E P/E, trading at a significant discount to its 2-year historical average of ~32x despite accelerating top-line momentum (**FY25 Q1 Rev. +36% YoY**) and margin expansion in strategic segments. Our **\$140 PT (33x FY25E P/E, EPS Adj 4.2\$)** reflects confidence in AMD's execution across **data center (+57% YoY)**, **client (+68% YoY)**, and AI accelerator markets, where regulatory tailwinds (\$1.5B from export policy shifts) and strategic partnerships (35+ MI300 platforms) provide visible growth vectors. The current valuation implies skepticism about AMD's AI roadmap that appears unwarranted given market share gains in high-ASP verticals, presenting a compelling re-rating opportunity as earnings materialize.

### AMD vs Intel: MPU Market Shift

- AMD's Remarkable Growth:** AMD has transformed its position in the MPU market, with ASPs soaring from \$108.88 in Q1 2020 to \$205.51 in Q3 2024, surpassing Intel and the overall market ASP of \$190.69. Its revenue grew from \$1,408.9M to \$3,922.78M, achieving a 29% CAGR, while market share more than doubled from 9.6% to 24.2%.
- Intel's Decline and Market Dynamics:** In contrast, Intel's ASP dropped from \$196.38 to \$185.62 over the same period, with revenue falling 30% from \$13,067.21M to \$10,321.12M.

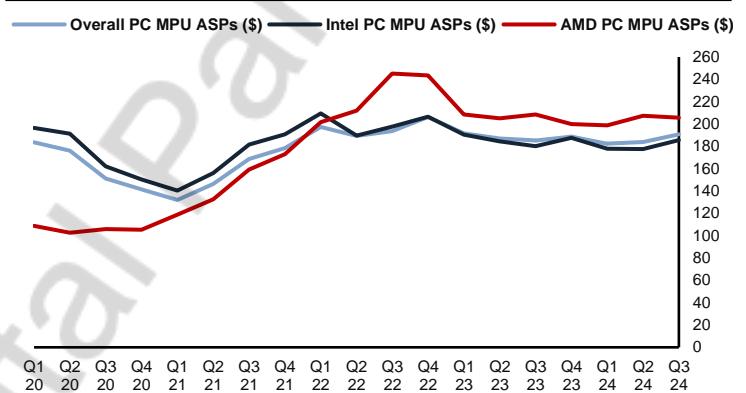
AMD position reflecting a shift to higher-value products and increased unit sales, and Intel experienced competitive pressure and loss of pricing power.

PC Micro Processor Unit Revenue



Sources : Bloomberg, Neoma Capital Partners Research

PC MPU Average Selling Price



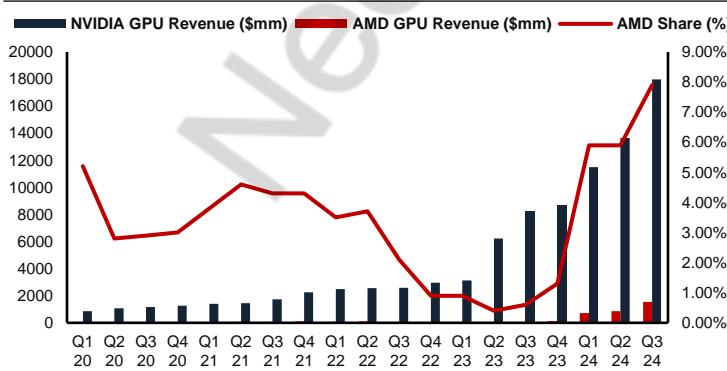
Sources : Bloomberg, Neoma Capital Partners Research

### AMD Gains in GPU Servers, NVIDIA Retains Leadership

- AMD's Rapid Expansion:** AMD's GPU server business experienced explosive growth, with ASPs rising from \$1,700 in Q3 2023 to \$4,428.57 in Q3 2024. Revenue surged from just \$51M to \$1,550M over the same period, and market share jumped from 0.6% to 7.9%.
- NVIDIA's Continued Dominance:** NVIDIA's leadership remains clear, with revenue climbing from \$8,257M to \$17,968M and the overall market ASP increasing from \$6,027 to \$8,764.88 year-over-year.

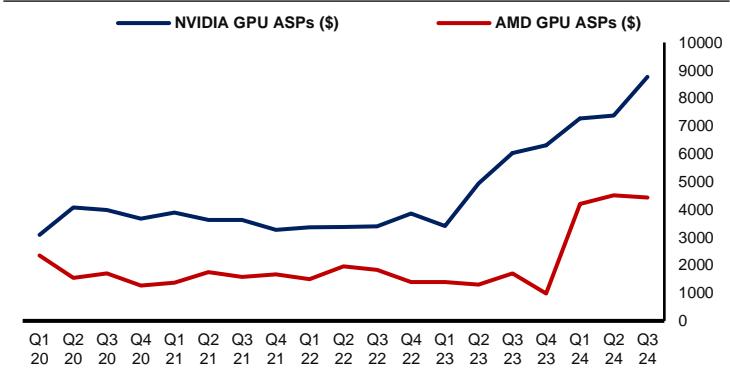
This reflects AMD's successful push into premium GPU server segments and emerging as a credible challenger but NVIDIA maintaining its dominant position.

Server Graphic Processor Unit Revenue

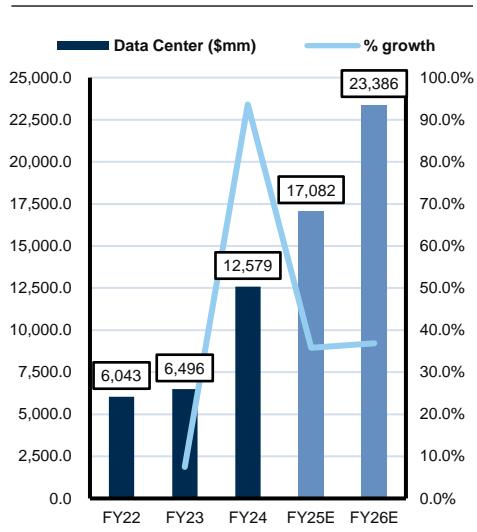


Sources : Bloomberg, Neoma Capital Partners Research

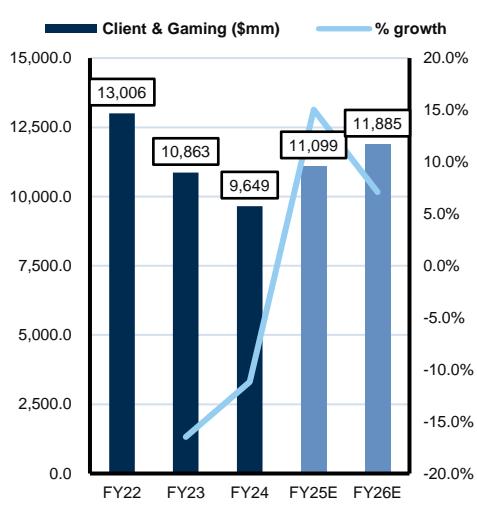
Server GPU Average Selling Price



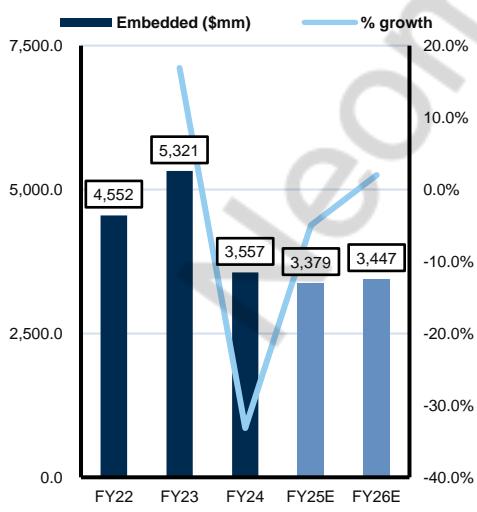
Sources : Bloomberg, Neoma Capital Partners Research

**Data Center Revenue**

Sources: Bloomberg, Neoma Capital Partners Research

**Client & Gaming Revenue**

Sources: Bloomberg, Neoma Capital Partners Research

**Embedded Revenue**

Sources: Bloomberg, Neoma Capital Partners Research

**Segment Revenue****Data Center**

- **From FY22 to FY24, Data Center revenue surged from \$6,043M to \$12,579M**, representing a CAGR of over 44%. This segment's acceleration is powered by robust demand for AI and cloud infrastructure.
- **Data Center is projected to reach \$17,082M in FY25E and \$23,385.6M in FY26E**, sustaining double-digit growth (FY25E: +35.8%, FY26E: +36.9%). This momentum is driven by continued AI infrastructure buildout and products including AMD EPYC CPUs and Instinct MI300 accelerators, pivotal to the ongoing AI/ML and cloud compute cycle.

**Client & Gaming**

- **Client & Gaming revenue declined from \$13,006M in FY22 to \$9,649M in FY24**, reflecting a post-pandemic normalization and gaming console refresh fatigue. However, FY24 saw stabilization, with Windows 10 end-of-life (EOL) and migration to Windows 11 driving a PC upgrade cycle, partially offsetting the gaming console lull.
- **The forecast calls for a modest rebound to \$11,099M in FY25E (+15.0%). This tailwind is expected to moderate in FY26E (\$11,885.1M, +7.1%)** as the upgrade wave tapers and gaming console refreshes remain subdued until the next cycle (expected in FY27).

**Embedded**

- **Embedded revenue grew from \$4,552M in FY22 to \$5,321M in FY23**, benefiting from strength in industrial, automotive, and networking applications (notably leveraging Xilinx's acquisition). However, the segment **contracted sharply in FY24 to \$3,557M** as inventory corrections and cyclical softness weighed on demand.
- **Looking forward, Embedded is projected to remain relatively flat, with \$3,379M in FY25E (-5.0%) and \$3,446.7M in FY26E (+2.0%)**. The segment is expected to stabilize as industrial and automotive customers resume normalized ordering patterns.

### Trade Uncertainty Exposure – AMD vs. Semiconductor Peers

- **AMD's US revenue exposure (34%) is middle-of-the-pack-less than Nvidia (47%), more than Broadcom (25%) and Marvell (17%).** Indirect tariff risk is Low-to-Medium, not as clean as Nvidia or Alera Labs, but in line with Broadcom and Marvell.
- **China revenue exposure is where AMD stands out: 24%-almost double Nvidia (13%),** higher than Broadcom (20%), but well below Marvell (43%). The real swing factor: Datacenter (AMD's growth engine) has low China end-market risk, but PC & Gaming (still a sizable business) is medium.

AMD sits in the middle on US tariff risk, but China exposure is a clear watchpoint. The data center segment, the driver of AMD's forward growth and valuation re-rating, is largely insulated from China volatility. The overhang is on the legacy PC & Gaming side, where China demand remains a lever. Relative to peers, AMD's risk profile is more balanced than Marvell (which is heavily China-skewed) but not as insulated as Nvidia, which has both lower China exposure and a "Low" risk profile across all segments.

#### Semiconductor companies' exposure to trade uncertainty

Company	US Tariff Impact				China Retaliatory Impact		
	Total US Revenue Exposure	Indirect Tariff Impact on Demand	Major Chip Supply Chain Regions	End Market Impact	Total China Revenue Exposure	End Market	End Market Exposure To China
Nvidia	47%	Low	Taiwan, Mexico, Korea	Datacenter	13%	Datacenter, Gaming	Low
AMD	34%	Low-to-Medium	Taiwan, Malaysia	Datacenter PC & Gaming	24%	Datacenter PC & Gaming	Low Medium
Broadcom	25%	Low-to-Medium	Taiwan, Singapore, Malaysia	Datacenter	20%	Semis	Low
Marvell	17%	Low-to-Medium	Taiwan, Singapore, Malaysia	Datacenter	43%	Semis	Medium
Alera Labs	~70%	Low	Taiwan, Korea, China	Datacenter	18%	Datacenter	Low

Sources: Bloomberg, Neoma Capital Partners Research

### Financial Outlook

#### Data Center Dominance Drives Gross Margin Expansion

- **AMD's revenue growth is increasingly concentrated in its high-margin Data Center segment, projected to grow 36% annually through 2026E** and reach ~60% of total revenue by 2026E (vs. 49% in 2024). This mix shift toward AI accelerators (MI300X) and EPYC processors supports gross margin expansion from 49.4% in 2024 to 54.6% by 2026E, driven by pricing power in AI infrastructure and scaling efficiencies in advanced node production (TSMC 5nm/3nm).

#### Operating Income Surges on Cost Discipline

- **Operating income margins are poised to jump from 8.6% in 2024 to 27.6% by 2026E**, reflecting stringent cost controls. While R&D is forecasted to grow modestly (+9.6% in 2025E) to fund AI innovation, SG&A expenses should drop 17% YoY in 2025E as revenue scalability reduces overhead.

#### EPS Acceleration Anchored by Margin Expansion

- **Margin improvements and share repurchase program fuel EPS growth**, with 2025E EPS of \$4.2 (+247% YoY) and 2026E EPS of \$6.0 (+46.6% YoY).

## Income statement Non-GAAP

December Y/E	FY22	FY23	FY24	FY25E	FY26E
<b>Total revenue</b>	<b>23,601.0</b>	<b>22,680.0</b>	<b>25,785.0</b>	<b>31,914.1</b>	<b>39,093.4</b>
% growth		-3.9%	13.7%	23.8%	22.5%
<b>Data Center (\$mm)</b>	<b>6,043.0</b>	<b>6,496.0</b>	<b>12,579.0</b>	<b>17,082.3</b>	<b>23,385.6</b>
% of Total revenue	25.6%	28.6%	48.8%	53.5%	59.8%
% growth		7.5%	93.6%	35.8%	36.9%
<b>Client &amp; Gaming (\$mm)</b>	<b>13,006.0</b>	<b>10,863.0</b>	<b>9,649.0</b>	<b>11,099.1</b>	<b>11,885.1</b>
% of Total revenue	55.1%	47.9%	37.4%	34.8%	30.4%
% growth		-16.5%	-11.2%	15.0%	7.1%
<b>Embedded (\$mm)</b>	<b>4,552.0</b>	<b>5,321.0</b>	<b>3,557.0</b>	<b>3,379.2</b>	<b>3,446.7</b>
% of Total revenue	19.3%	23.5%	13.8%	10.6%	8.8%
% growth		16.9%	-33.2%	-5.0%	2.0%
<b>Gross Profit</b>	<b>10,796.0</b>	<b>10,464.0</b>	<b>12,726.0</b>	<b>17,201.7</b>	<b>21,345.0</b>
% margin	45.7%	46.1%	49.4%	53.9%	54.6%
Selling General And Administration	(2,336.0)	(2,352.0)	(2,783.0)	(2,302.1)	(2,085.9)
Research & Development	(5,005.0)	(5,872.0)	(6,456.0)	(7,080.0)	(7,930.4)
<b>Operating Expense</b>	<b>(9,113.0)</b>	<b>(9,824.0)</b>	<b>(10,501.0)</b>	<b>(9,658.0)</b>	<b>(10,737.9)</b>
<b>Operating Income</b>	<b>1,683.0</b>	<b>640.0</b>	<b>2,225.0</b>	<b>7,543.7</b>	<b>10,607.1</b>
% margin	7.1%	2.8%	8.6%	23.6%	27.1%
<b>Pretax Income</b>	<b>1,665.0</b>	<b>730.0</b>	<b>2,316.0</b>	<b>7,755.7</b>	<b>10,843.3</b>
% margin	7.1%	3.2%	9.0%	24.3%	27.7%
<b>Net income</b>	<b>1,715.0</b>	<b>1,038.7</b>	<b>1,939.8</b>	<b>6,747.5</b>	<b>9,433.7</b>
% margin	7.3%	4.6%	7.5%	21.1%	24.1%

## Other Metrics

<b>EBITDA</b>	<b>5,975.0</b>	<b>4,220.0</b>	<b>5,436.0</b>	<b>7,451.0</b>	<b>10,709.3</b>
% margin	25.3%	18.6%	21.1%	23.3%	27.4%
<b>EBIT</b>	<b>1,683.0</b>	<b>640.0</b>	<b>2,225.0</b>	<b>7,543.7</b>	<b>10,607.1</b>
% margin	7.1%	2.8%	8.6%	23.6%	27.1%
<b>Basic EPS</b>	<b>1.4</b>	<b>0.7</b>	<b>1.2</b>	<b>4.2</b>	<b>5.8</b>
% growth		-52.9%	80.6%	246.8%	40.2%

Sources: Bloomberg, Neoma Capital Partners Research

## Comparable valuation

AMD currently trades at a discount to the peer group average on both EV/Fwd EBIT and P/E Fwd multiples, reflecting a balanced risk/reward profile amid strong secular tailwinds in AI and data center.

- **EV/Fwd EBIT:** AMD is valued at 22.6x, which is 13.3% below the peer average of 22.47x, suggesting the market is not fully pricing in AMD's operating leverage and growth potential relative to its semiconductor peers.
- **P/E Fwd:** With a forward P/E of 25.2x, AMD trades at a 15.4% discount to the group average of 26.16x, indicating a more attractive entry point versus high-multiple names, despite robust earnings momentum from AI and cloud infrastructure demand.

AMD's relative valuation offers upside potential as execution in data center and AI accelerators drives earnings growth, positioning the stock favorably versus peers as the market rotation toward generative AI and cloud infrastructure continues.

### Comparable companies' financial metrics

Company	EV/Fwd EBIT	P/E Fwd
<b>Average</b>	<b>26.0</b>	<b>29.8</b>
	-13.3%	-15.4%
<b>Advanced Micro Devices Inc</b>	<b>22.6</b>	<b>25.2</b>
Rambus Inc	16.8	22.1
NVIDIA Corp	23.6	28.1
QUALCOMM Inc	11.2	12.7
Marvell Technology Inc	19.4	21.4
Analog Devices Inc	24.7	27.9
Lattice Semiconductor Corp	43.4	45.9
Microchip Technology Inc	31.4	39.8
Texas Instruments Inc	28.1	31.6
Broadcom Inc	26.1	31.9
Intel Corp	39.01	41.2

Sources: Bloomberg, Neoma Capital Partners Research

## Investment thesis

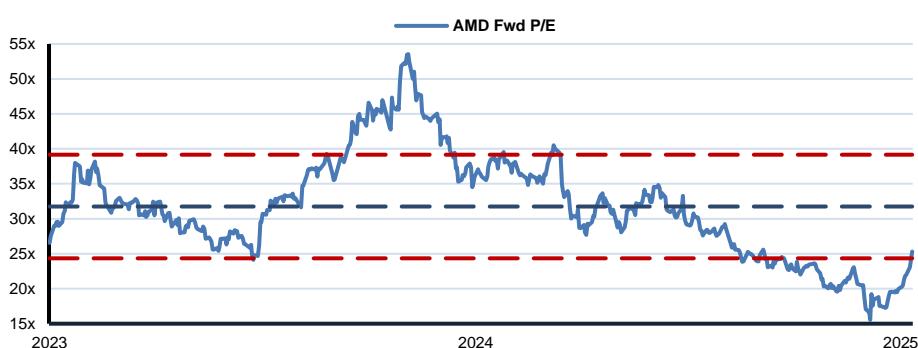
### Valuation

**Price Target: \$140**

Valuation Multiple: ~33x P/E FY25E (EPS adj: \$4.2)

AMD is currently trading at **25.2x forward P/E**, a significant discount to its **2-year historical average of ~32x**, despite accelerating top-line growth and margin expansion in strategic segments. This compression presents a compelling **re-rating opportunity** as AMD continues to gain market share and expand into higher-ASP verticals.

### AMD Historical Fwd P/E



Sources: Bloomberg, Neoma Capital Partners Research

### Key Catalysts

- **GPU Server Expansion:** Rapid adoption of AMD's MI300 series in data centers, with ASPs and market share both rising sharply, signals momentum in high-margin, high-growth segments.
- **MPU Market Share Gains:** AMD has overtaken Intel in ASP and is approaching parity in units, driven by premium product mix and execution.
- **AI and HPC Tailwinds:** Increasing demand for alternative AI accelerators presents a structural growth opportunity, especially as hyperscalers diversify supplier risk.
- **Product Cycle Upside:** Upcoming Zen architectures and expanded semi-custom pipeline could drive upside surprises in revenue and gross margin.

### Downside Risks

- **Macro & Demand Uncertainty:** A slowdown in hyperscaler or consumer spending could impact data center and PC segments.
- **Execution Risk:** AMD's growth strategy requires flawless execution on manufacturing, design, and go-to-market across multiple verticals.