



Well Positioned For Growth in the Era of AI At a Compelling Valuation

An investment thesis for AMD



Presented by:

Mayur Thaker, CFA
Equity Strategist
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Investment Thesis: in my view, shares of AMD at its current price of \$100 and market capitalization of \$160 billion offer a substantially attractive reward/risk ratio.

- AMD is well positioned for growth in a very large and rapidly expanding demand for AI accelerators
- AMD's hardware has been highly competitive with industry leader Nvidia, while software capabilities have been rapidly closing the gap
- AMD's success will not come from AI training compute, where Nvidia enjoys a large lead, but in inference, where Nvidia does not have a significant advantage. Inference could be an even bigger market than training over the next 5 years with the rise of real-world AI such as autonomous driving and robotics
- Both AMD and NVDA will be big winners over the next 5 years, but I believe AMD offers the substantially better reward/risk ratio at just a \$180 billion market cap and a 20X forward P/E



Advanced Micro Devices was founded by Jerry Sanders and others in 1969, initially making logic chips for military & industrial applications.

Went public in 1972 @ \$15.50 (\$0.40, split adjusted)

Gained CPU expertise in the 1980s through a landmark partnership with Intel to produce its chips, gaining x86 architecture knowledge

1999: AMD's seminal moment as a leader in semiconductors with the launch of the Athlon CPU capable of reaching 1 GHz processing speeds, outperforming even Intel's Pentium II processor on several benchmarks.



2006: acquired ATI Technologies for \$5.4 billion, which laid the critical groundwork that would allow the company to pivot to Accelerated Processing Units (APUs), which are chips that combine a CPU and GPU on a single die. This gave birth to AMD's permanent foray into the GPU world which only Nvidia enjoyed at the time.

2008-2013: the company languished in the post-2008 Great Financial Crisis period with the 2009 spinoff of GlobalFoundries, which was designed to significantly reduce costs, shore up the balance sheet, and improve margins.



2014: Lisa Su appointed as CEO and refocused the company to focus purely on high performance computing, but specifically balancing performance with energy efficiency.

This early decision positioned AMD perfectly to advance in AI/ML applications



2017: AMD Ryzen chip launch marked the company's competitive resurgence, capturing 24% server market share by 2023

2022: Xilinx merger brought significant AI/ML expertise on board

2023 – Present: significant progress in MI300X accelerators that challenge, and even beat, Nvidia H100 performance benchmarks



Under Lisa Su's leadership, revenue multiplied from \$4 billion in 2015 to \$26 billion in 2024, with data center segment contributing half of all revenue.

The company successfully pivoted into the GPU world where others, such as Intel, have failed.



Bears maintain that while AMD has impressive hardware, they trail far behind the industry leader Nvidia in software.

Nvidia runs CUDA software, which is the gold standard for developers since it comes with complete plug-and-play AI/ML deep learning application libraries. This allows customers to hit the ground running with AI model training.

AMD runs ROCm software, which has been sorely lacking and far behind the CUDA framework.



...however...

In a bold move that validates AMD's technology, Meta made a big bet to use exclusively AMD MI300X to run their Llama frontier model, deep learning recommendation models, and large-scale AI inferencing workloads.



And after extensive testing, found the ROCm solution from AMD achieved 92% of Nvidia's CUDA-based system by teraflops per GPU power output

And the next-generation ROCm software that the future MI450x chips will utilize exceeded Nvidia's solution by 73%

Microsoft is also using AMD Instinct MI300X to power multiple GPT4-based Microsoft Copilot services.



AMD now powers:

5 of the 10 fastest systems in the world

15 of the 25 most energy efficient systems in the world

'El Capitan' at Lawrence Livermore National Labs Now World's Fastest Supercomputer, Powered by AMD Instinct MI300X





AMD's hardware capability has always matched that of Nvidia's.

But Nvidia has won 90% of data center market share because of their advanced CUDA software framework.

But that gap may be closing, by multiple accounts. Meta's own testing, and SemiAnalysis confirming in their own independent testing.

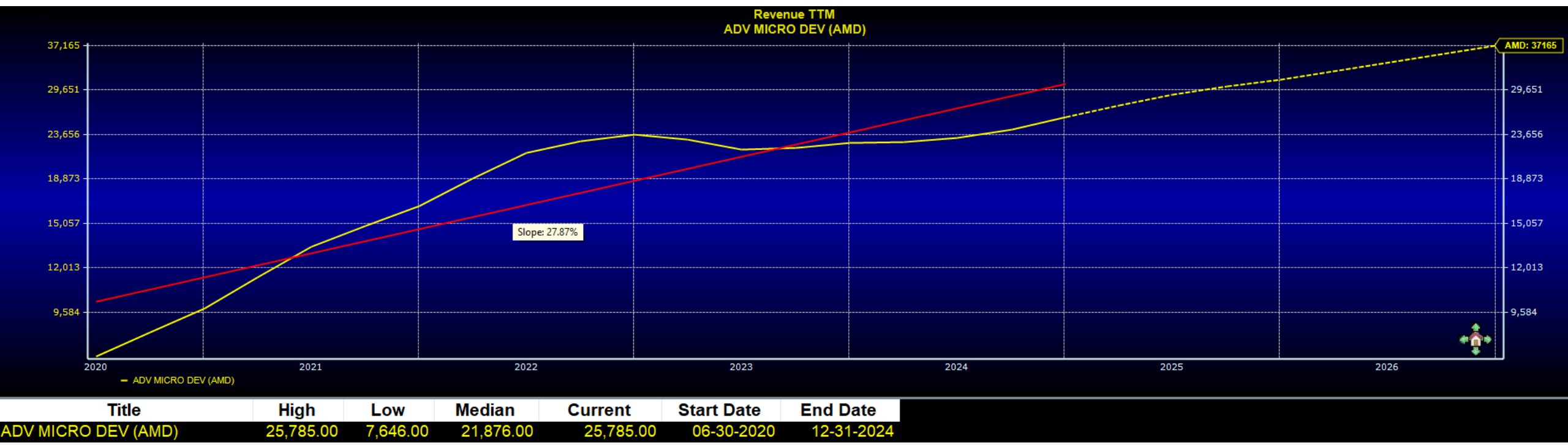
Two Major Revenue Catalysts for 2025



1. Continued rapid expansion in ROCm software libraries to narrow the gap with Nvidia's CUDA
2. AMD Instinct MI350X, which features CDNA 4 architecture. This is expected to go into volume production in 2H 2025, and will be a source of strong customer demand.

CEO Lisa Su has said CDNA 4 “will deliver the biggest generational leap in AI performance in our history, with the 35x increase in AI compute performance compared to CDNA 3”

Strong Ryzen + MI300X Execution And Competitive Positioning Has Led to 28% Revenue CAGR Over the Past 5 Years and Expected to Continue



Rapid Earnings Growth Over the Next 5 Years

Deep Multiple Compression Has Opened Up a Substantial Opportunity



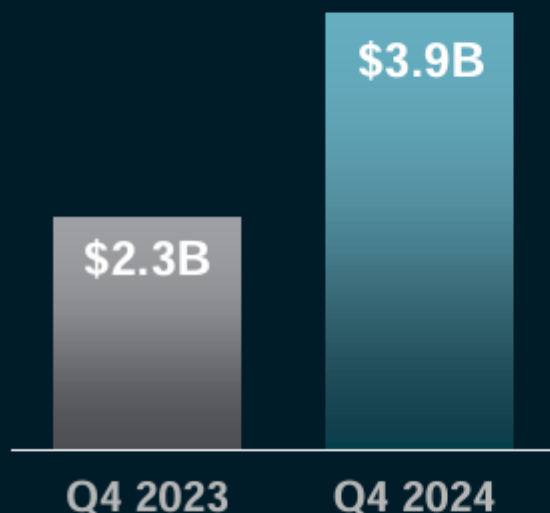
FY 2024 SUMMARY P&L | NON-GAAP¹

(\$ in millions, except per share data)	2024	2023	Y/Y
Revenue	\$25,785	\$22,680	Up 14%
Gross Profit	\$13,759	\$11,436	Up 20%
Gross Margin	53%	50%	Up 3 pts
Operating Expenses	\$7,669	\$6,616	Up 16%
Operating Expense/Revenue %	30%	29%	Up 1 ppt
Operating Income	\$6,138	\$4,854	Up 26%
Operating Margin	24%	21%	Up 3 pts
Net Income	\$5,420	\$4,302	Up 26%
Earnings Per Share	\$3.31	\$2.65	Up 25%

1. See Appendices for GAAP to Non-GAAP reconciliation

DATA CENTER SEGMENT Q4 2024

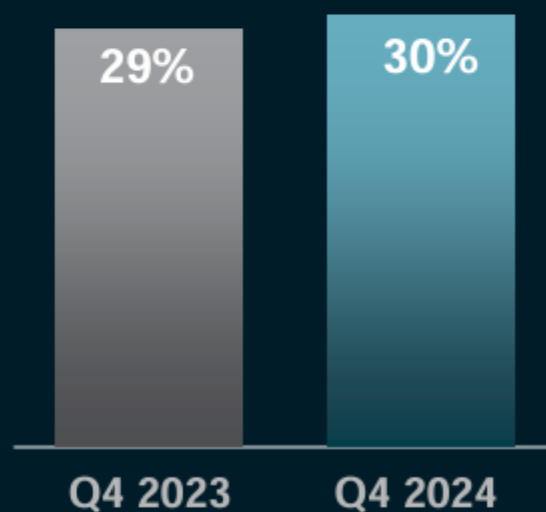
Revenue



Revenue
\$3.9 Billion
Up 69% y/y

Driven primarily by strong ramp of AMD Instinct GPU shipments and strong growth in AMD EPYC™ CPU sales

Operating Margin



Operating Income
\$1.2 Billion
vs. \$666 Million a year ago

Primarily driven by higher revenue, partially offset by higher operating expenses

AMD **AMD** **AMD**
EPYC INSTINCT PENSANDO

Strategic Highlights

- Strong growth in public cloud deployments with 1,000+ EPYC instances exiting 2024. Microsoft, Google, AWS, Tencent, and Alibaba launched 100+ AMD general-purpose and AI instances in Q4'24.
- Growing pull from enterprise customers highlighted by new deployments with Akamai, Hitachi, LG, ServiceNow, Verizon, Visa and others.
- 450+ EPYC platforms available from leading OEMs and ODMs, including 120 "Turin" platforms launched in Q4 from Cisco, Dell, HPE, Lenovo and Supermicro.
- For enterprise customers, 25+ MI300 series platforms in production with the largest OEMs and ODMs, including new Dell AI Factory offerings with MI300X.
- Released ROCm 6.3 with performance optimizations and new features that increased AMD Instinct MI300X inference performance 2.7x since launch.
- AMD powers 5 of 10 fastest and 15 of 25 most energy-efficient supercomputers in the world on latest TOP500.



Shares have been under severe pressure, dropping from \$200 to as low as \$80 very recently

This is primarily because investors irrationally bid up the stock in 2023 in anticipation of significant data center market share

But it turned out that Nvidia was the big winner with 90% share and AMD landed only 8%. A big part of that was because of a lack of software capabilities that could match Nvidia's CUDA stack.



However, I believe the current market capitalization and P/E multiple has now fully erased the premium, which sets up a very attractive reward/risk.

If AMD:

1. Continues to narrow the software capabilities gap, which SemiAnalysis has independently started to confirm after being very bearish as recently as December 2024
2. Executes well with MI350X, which is entering production in 2H 2025 and thereafter MI450X next year...

And if AI developers advance autonomous driving and humanoid robots for real-world AI applications, the size of the opportunity ahead is massive relative to today's market cap.

The global market for AI inference computing is projected to grow from \$100 billion in 2025 to \$250 billion by 2030, or a CAGR of 20%.



If AMD's ROCM software continues to narrow the gap with Nvidia's CUDA, and executes well with CDNA 4 architecture, the company could see revenue and earnings go parabolic over the next 5 years.

Even if Nvidia remains the dominant player for AI training, the AI inference market is up for grabs. AMD is positioning themselves to win where they know they have a better shot.



I believe AMD can capture 40% of the AI inference market and 15% of the AI training market.

If that occurs, AMD's revenue by 2030 would easily reach \$100 billion
 $\times 25\%$ net margins = \$25 billion annual profits $\times 30$ p/e = \$750 billion
market cap vs today's \$160B, or a price target of \$464 per share from
today's \$99.

Thank You for Attending!



Mayur M Thaker, CFA

Equity Strategist

Zacks Professional Services

Support: 866.794.6065 | info@Zackspro.com

Twitter: @freshjiva

[linkedin.com/in/mayur-m-thaker-cfa-86234235/](https://www.linkedin.com/in/mayur-m-thaker-cfa-86234235/)

866-794-6065

strategycall@zackspro.com

www.zackspro.com



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