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Advanced Micro Devices (AMD.O)

2Q26 Results Quick Take – Beat and Raise

CITI'S TAKE

AMD posted strong 2Q26 results driven by data center (58% of 2Q26 sales) and an above-consensus 3Q26 guide. We are awaiting further commentary on the earnings call at 5:00pm EST.

Buy	
Price (04 Aug 26 16:00)	US$518.58
Target price	US$575.00
Expected share price return	10.9%
Expected dividend yield	0.0%
Expected total return	10.9%
Market Cap	US$845,597M

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2Q26 Results. AMD reported 2Q26 sales of $11.54B (up 13% QoQ), above FactSet consensus of $11.28B (up 10% QoQ). Gross margin increased 80 basis points QoQ to 56.2% in 2Q26, above consensus of 55.9% due to higher sales. 2Q26 EPS of $1.66 was above consensus of $1.61.

- Data Center sales of $6.72B vs. consensus of $6.58B
- Client sales of $3.06B vs. consensus of $2.99B
- Gaming sales of $799M vs. consensus of $760M
- Embedded sales of $977M vs. consensus of $971M

3Q26 Guidance. AMD guided 3Q26 sales to $13B (up 13% QoQ), above consensus of $12.56B (up 11% QoQ). 3Q26 gross margin was guided to 56%, above consensus of 55.9%.

Focus on the call will be: 1) Helios and GPU ramp; 2) server CPU demand and market share; 3) memory and wafer supply; 4) 2H26 PC outlook; and 5) gross margins impact on GPU mix.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliati

Advanced Micro Devices

Valuation

Our TP on AMD is $575. We value AMD using SOTP analysis with data center GPU/CPU biz at $281/$204 (35/30x 2028 PE), client $30 (15x), gaming $2 (8x), embedded $24 (20x), and net cash per share ~$35. Our target PE multiples are in-line with respective peer group averages.

Risks

Competition: AMD competes directly with Intel in the microprocessor market. Consequently, any fluctuations in market share between AMD and Intel could result in risk to our estimates. AMD competes directly with NVIDIA in the graphics and AI GPU market. Consequently, any fluctuations in market share between AMD and NVIDIA could result in risk to our estimates.

PC End Market: AMD derives roughly 30% of sales from the PC industry, which is highly dependent on IT spending. Therefore, any major uptick/downtick in IT spending could result in upside/downside to our estimates and rating for AMD.

Customer Risk: AMD derives roughly 15% of revenue from Sony and Microsoft. As a result, any major increases/decreases in orders from Sony or Microsoft could have a positive/negative effect on our estimates for AMD.

Valuation: While AMD is currently trading slightly above its historical range, revisions to consensus revenue estimates could result in high volatility to AMD stock.

Tender Offer: Any public or private tender offer for all or part of AMD's business could drive the stock higher and cause us to re-assess our rating.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. However, should they be less than anticipated, the stock could trade above our target price.