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Advanced Micro Devices (AMD.O)

Citi Global TMT Conference Takeaways - Positive

CITI'S TAKE

We hosted AMD's CFO Jean Hu and Head of IR Matt Ramsay at Citi's Global TMT Conference. Please find our takeaways below:

Buy	
Price (08 Sep 26 09:54)	US$493.38
Target price	US$575.00
Expected share price return	16.5%
Expected dividend yield	0.0%
Expected total return	16.5%
Market Cap	US$805,431M

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Business demand. AMD believes AI is the most consequential technology transformation driven by inference, model improvements, and agentic AI. AMD updated their TAM to $2 trillion by 2030. AMD data center business will more than double next year, and MI450 will launch this quarter with a ramp in Q4 and into next year. In 2H, CPU business will expand more than 80% YoY and move than 70% YoY next year.

Inference strategy. In the past twelve months, Inference has become the majority driver of AI computing. Chatbot inference has shifted towards agentic inference. The breadth of inference market will be led by GPU-led computing, and there are some XPU/ASICs that do inferencing work, and a piece led by disaggregated inferencing that is relatively small today and growing quickly. AMD has a partnership with Cerebras. AMD does have its own internal plans for low latency inference but hasn't provided details yet, they have a strong team.

Helios ramp. Helios ramp is going very well. This is a rack scale level and complex so AMD has been deliberate with the ramp process. AMD is working with partners, ODM partners, and supply chain to make sure they have all of the components and supply. Helios volume in 2027 has exceeded management's initial expectations. AMD capex increase was for increasing server CPU supply and supporting that ramp.

Helios Customers. AMD has 3 anchor customers between Meta, and two AI labs. All 3 gave a forecast bigger than their initial agreements. They are beginning to see demand emerge from new customers and AMD will work with Neo-clouds. AMD is also focusing on the MI500 and MI600 on technical engagements with the 3 leading customers which gives management confidence.

Gross margins. MI450 and data center GPU are significant growth drivers, and will drive incremental revenue and gross profit next year and beyond. Although GM % is below corporate average, AMD has a broad portfolio and margins are determined by product mix. Server CPU is gross margin accretive to corporate average which will help offset dilution of AI business. Embedded has seen significant double digit YoY increases in Q2 and Q3, and this is margin accretive. A smaller driver is the gaming business declines which has lower gross margins.

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

CPU TAM and market share. During their 2025 analyst day, AMD said the server CPU TAM was $60B by 2030. Then they saw the agentic adoption begin in January of this year. Agentic AI is about workflow execution which is done on CPUs, and this market has continued to increase. AMD updated their TAM to $220B in 2030 from $25B in 2025. AI head nodes and traditional CPU applications are growing, but agentic AI will be over 50% of TAM by 2030. AMD believes their server roadmap is in the best place it's ever been. AMD's enterprise server business grew 70% in 2Q26. AMD intends to grow to 50% of their TAM which translates to a $100B server business.

Pricing in server CPUs. AMD's ASP increase in servers is driven by core count increases. If there is a cost increase, AMD will share that with the customer. AMD wants to provide leading TCO to customers and have long term relationships with them. AMD won't just increase prices to increase gross margins.

CPO and copper. MI500 will have scale up domains that are larger than they are now, these will be greater than 72. There will be copper and NPO for scale up connectivity. There will still be scale-up fabric. Both technologies will run in parallel, it won't be a binary shift. AMD has partners in optics.

AMD advantages. AMD has token/$ advantages over large-scale inference that they will bring to market to 3 largest customers. This will expand in MI500 series and beyond that.

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Valuation

Our TP on AMD is $575. We value AMD using SOTP analysis with data center GPU/CPU biz at $267/$207 (27/25x 2028 PE), client $31 (15x), gaming $2 (6x), embedded $29 (20x), and net cash per share ~$40. 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.

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.

