SEMICONDUCTOR SERIES · 4 OF 6

AMD

Lisa Su's company, now worth over $1 trillion

Data centre revenue doubled, the first rack-scale AI systems are shipping and three of the largest AI developers have signed up. The shares have roughly tripled this year and now trade above analysts' average target, so the execution has to be perfect.

Global Markets Research · Semiconductors Desk Prepared by ANDRA MARKETS

from "the other GPU" to a real challenger

Coverage summary. Advanced Micro Devices (AMD) reported second-quarter results on 4 August. Revenue rose 50 per cent to a record $11.5 billion and data centre revenue more than doubled to $6.7 billion. It guided third-quarter revenue to about $13.0 billion, well above expectations, and said data centre revenue should more than double again in 2027 as its new MI450 AI chips and Helios rack systems ramp for OpenAI, Meta and others. The shares fell 7 per cent the day after the results but have since risen to a record, passing a market value of $1 trillion on 21 September, and closed at $645.86 on 7 October, roughly three times their level at the start of the year. AMD reports third-quarter results on 3 November.

Share price, 7 Oct	Q2 revenue	Data centre growth	P/E, forward
$645.86	**$11.5bn**	**+107%**	**58.2x**
market value $1.05tn	*+50% year on year*	*$6.7bn in Q2*	*highest in the series*

Exhibit A. Key figures, second quarter of 2026 (to 27 June 2026)

Metric	Q2 2026	Note
Revenue ($bn)	11.54	+50% y/y; consensus 11.28
Data Center ($bn)	6.72	+107%; 58% of revenue
Client ($bn)	3.1	+23%
Gaming ($bn)	0.78	−31%
Embedded ($bn)	0.98	+19%
Gross margin, non-GAAP	56%	54% GAAP
Operating income, non-GAAP ($bn)	3.09	27% margin
EPS, non-GAAP ($)	1.66	consensus 1.62
Free cash flow ($bn)	1.56	14% of revenue

data centre now > half of AMD

margins well below Nvidia's 75%

Company results as reported on 4 August 2026. Growth compares with a second quarter of 2025 that included an $800 million charge on export-restricted chips. Colour convention (charts only): green marks growth, red marks decline. Handwritten notes and highlights are Andra Markets commentary.

1.0 Executive Summary

Key takeaways

The AI business is arriving. AMD has spent years as the distant second supplier of AI chips. With the MI450 generation and its Helios rack, which combines 72 GPUs with its own processors, it now has multi-gigawatt commitments from OpenAI, Meta and Anthropic. Management expects data centre AI revenue to grow "well over 100 per cent" in 2027 and earnings per share to come in significantly above the $20 target set at its 2025 analyst day.

2027: DC revenue to more than double

still winning share from Intel

Processors keep gaining share. AMD's EPYC server processors held a record 46 per cent of server processor revenue in the first quarter, according to Mercury Research, and demand for general-purpose computing in AI data centres is growing. Server revenue is expected to grow 70 per cent or more next year.

The valuation leaves no margin for error. At 58 times forward earnings, AMD is the most expensive company in this series, and the share price is above the analysts' average target. The shares fell 7 per cent after a quarter that beat on every measure, a sign of how much is already expected.

price > average target = priced for perfection

2.0 Business Overview

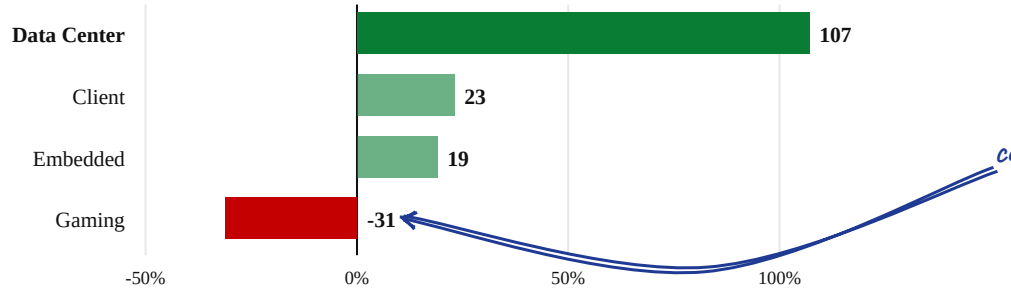
Four segments

AMD designs processors (CPUs) for servers and PCs, graphics processors and AI accelerators (GPUs), and programmable chips for industrial and other uses; like Nvidia, it outsources manufacturing to TSMC. It reports four segments: Data Center, which includes EPYC server processors and Instinct AI accelerators and now generates 58 per cent of revenue; Client, its Ryzen PC processors; Gaming, mainly chips for game consoles; and Embedded, built on the acquisition of Xilinx.

CPUs + GPUs + FPGAs

gaming shrinking: consoles ageing

Exhibit 1. Revenue growth by segment, Q2 2026 (% y/y)



consoles fading

Source: AMD Q2 2026 results. Data Center growth flattered by an $800 million charge in Q2 2025.

3.0 Second-Quarter Results

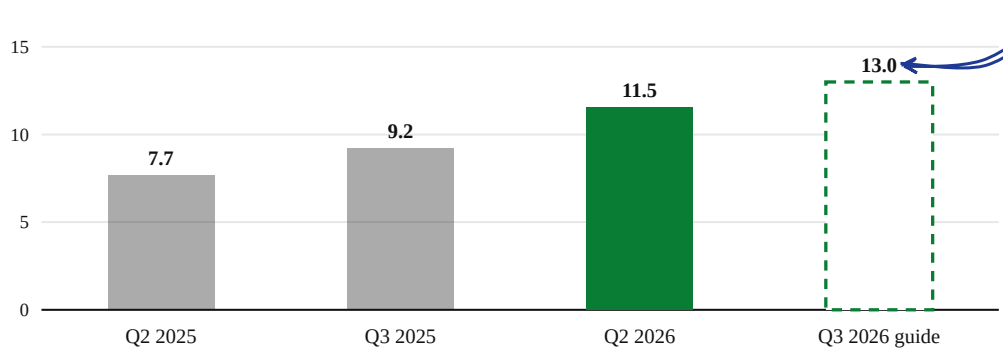
Beat and raise

guide $13bn vs $12.5bn expected

Revenue of $11.54 billion beat the consensus of $11.28 billion and non-GAAP earnings per share of $1.66 beat $1.62. The non-GAAP gross margin was 56 per cent and the operating margin 27 per cent. Third-quarter guidance of about $13.0 billion, plus or minus $300 million, was well above the $12.52 billion expected and implies growth of about 41 per cent; analysts now expect about $13.2 billion. Management warned that early production of Helios systems could weigh on gross margins while yields improve.

Exhibit 2. Quarterly revenue ($bn)

+41% y/y guided



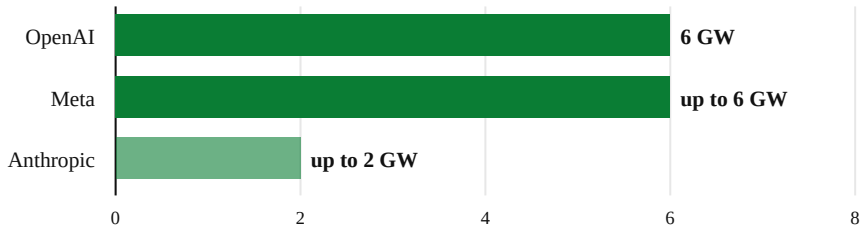
Source: AMD. Q3 2025 derived by Andra Markets from guided growth; Q3 2026 is the midpoint of guidance (dashed).

4.0 The AI Customers

Gigawatts and warrants

AMD's AI strategy rests on a few very large agreements. OpenAI agreed in October 2025 to deploy 6 gigawatts of AMD GPUs, starting with 1 gigawatt of MI450 in the second half of 2026, and Meta signed a similar agreement for up to 6 gigawatts in February 2026; both received warrants to buy up to 160 million AMD shares, which vest as deployments and share price targets are reached. Anthropic plans up to 2 gigawatts from the first half of 2027, and Microsoft and Oracle will also deploy Helios. AMD expects these deals to generate tens of billions of dollars of revenue.

Exhibit 3. Announced AI computing commitments to AMD (gigawatts)



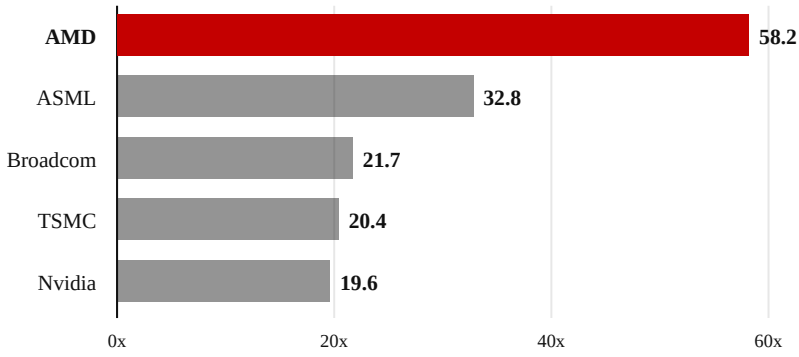
Source: AMD announcements (October 2025, February 2026) and Q2 2026 results. Deployment begins in the second half of 2026 (OpenAI, Meta) and first half of 2027 (Anthropic).

5.0 Valuation

Priced for perfection

At $645.86 AMD is worth about $1.05 trillion, or 165 times trailing earnings and 58 times forward earnings. The average target of the 55 analysts covered by StockAnalysis, $636.21, is below the current price, although several brokers have raised theirs recently, including Citi to $800 and Bank of America to $720. The bull case is that AMD reaches its long-term goals, including earnings per share above $20, within a few years, which would bring the multiple down quickly; the bear case is that any delay in the MI450 ramp would leave the shares exposed.

Exhibit 4. Forward price to earnings ratio, companies in this series (x)



Source: StockAnalysis, 7 October 2026 close. Red marks the outlier.

6.0 Risk Considerations

Where the case could break

The first risk is execution: Helios is AMD's first rack-scale system, and delays or low yields would hit both revenue and margins at the moment expectations are highest. Second, the AI pipeline depends on a few customers, some of which rely on external funding, and the warrants granted to OpenAI and Meta could dilute shareholders. Third, Nvidia remains far larger and is launching its Rubin generation at the same time. Finally, export rules exclude China from guidance, and higher memory costs pressure margins.

7.0 Outlook and Monitoring Points

What to watch

watch: Helios ramp, GM, 2027

AMD reports third-quarter results on 3 November after the US market closes. Investors will watch whether revenue reaches $13 billion, the first revenue from MI450 and Helios, the gross margin as the ramp begins, and any update on 2027. With the shares above the average target, a merely good report may not be enough.

3 Nov: Q3 results

verdict: the best story in AI chips, at the most demanding price

Methodology and Source Notes

Method. This note reviews AMD's second quarter of 2026, reported on 4 August 2026, guidance, customer agreements and market data at the close of 7 October 2026. Q3 2025 revenue in Exhibit 2, the year-to-date move, the total gigawatts and potential dilution are Andra Markets calculations. Anthropic, a customer named by AMD, is the developer of the AI model used to assist in preparing this note. Handwritten notes and highlights are informal commentary by the desk. This note is analysis, not investment advice.

Principal sources. AMD, Q2 2026 results (Form 8-K, 4 August 2026), Q3 results date (6 October 2026), OpenAI and Meta agreements (October 2025 and February 2026) and analyst day targets (November 2025); Runtimewire and GuruFocus, on results and the call (August 2026); Tom's Hardware, on Mercury Research share data (May 2026); BusinessDay and Reuters, on the $1 trillion milestone (21 September 2026); StockAnalysis, for market data.

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