廣發証券(香港)經紀有限公司
GF SECURITIES (HONG KONG) BROKERAGE LIMITED

AMD (AMD US)

Earnings Preview, Leaning Into 2027 CPU Upside

Maintained **Buy**

Target price $720

Raise earnings and up TP slightly to $720: AMD is expected to hold earnings call on Nov 3, and we expect inline results but shy in current quarter guidance. We also note that investor expectation on AMD is high. Nevertheless, driven by the trend of agentic AI, we expect the company to reiterate the bullish outlook for its datacenter business in 2027 of well over 100% YoY. We remain bullish, backed by robust server CPU TAM, AMD's strong server CPU product cycle, recent wafer supply increase and MI450/MI455X re-acceleration. By factoring in our earnings preview, higher CPU shipments/ASPs, we revise EPS estimates by -5%/+15% in 2026E/2027E and slightly raise our TP from $700 to $720, now based on 40x 2027E EPS, implying 28x 2028E EPS.

Earnings call preview: AMD is scheduled to hold earnings call on Nov 3. For 3Q26, we expect its revenue to be $13.3bn, vs. guidance of mid-point $13bn, Bloomberg consensus $13.1bn, buy-side consensus $13.3bn, and this includes one-month shipments of MI450. For 4Q26, we forecast its revenue to be $17.6bn, vs. Bloomberg consensus $16.3bn or buy-side consensus $18-18.5bn. We believe that the Helios rack shipment has started but the volume ramp will likely be in 1Q27, suggesting limited contribution by end of 2026.

Higher capacity and yields for server CPUs: Driven by server TAM expansion and AMD's strong roadmap, we forecast server CPU revenue growth of 100% YoY in 2027E and 50% YoY in 2028E. We believe AMD's 2nm wafer allocation has increased for 2027 as Intel shifts more demand back to 18A. For packaging, we continue to view ASE (3711 TT, Buy) as AMD's primary partner. Our supply chain research suggest the CoWoS yields for Venice exceed 99% on the main line and are nearing 99% on a secondary line. Backed by 2nm, higher memory per core, and threading, we expect Venice to be AMD's strongest server CPU product. We forecast shipments of >5mn units in 2027, supporting a higher blended ASP.

Await MI455X ramp-up: We believe the MI450/MI455X remains on schedule, but Helios rack shipments are expected to stay limited by end-2026 due to weight and switching constraints, with a ramp likely in 1Q27 once these issues are resolved and the custom MI455 for Anthropic is ready. We continue to forecast >20k racks in 2027, supported by multi-GW agreements. For MI500, we now expect the mainstream to adopt dual-die/12-Hi HBM, with a high-end quad-die/8-Hi version launching in late 2027. Further details will follow in our following reports.

Risks: 1) AI demand slowdown; 2) new product delay; 3) peer competition.

Profit forecast

	2024	2025	2026E	2027E	2028E
Revenue (m)	25,785	34,639	52,707	103,153	144,531
Revenue YoY (%)	13.7	34.3	52.2	95.7	40.1
Net profit (m)	5,420	6,831	13,236	30,384	44,502
Net profit YoY (%)	26.0	26.0	93.8	129.6	46.5
EPS ($)	3.3	4.2	8.0	18.1	25.7
P/E	160.5	127.2	66.6	29.4	20.7
ROE (%)	9.4	10.8	17.9	30.3	32.4

Source: Company data, GF Securities (Hong Kong) Brokerage.

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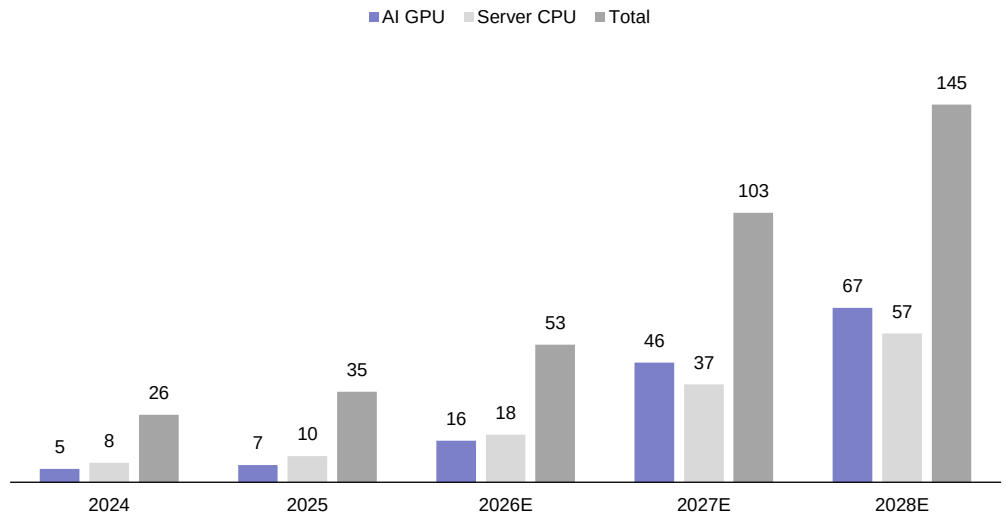
Earnings Forecast

Figure 1: AMD's AI GPU roadmap

	MI350X	MI355X	MI450	MI455X	MI500	MI550X
Launch	3Q25	3Q25	3Q26	3Q26	4Q27	4Q27
Architecture	CDNA4	CDNA4	CDNA5	CDNA5	CDNA6	CDNA6
Compute (XCD, MID)	8*N3	8*N3	4*N2, 1*N3	8*N2, 2*N3	4*N2, 2*N3	8*N2, 4*N3
I/O (AID)	2*N6	2*N6		2*N3	4*N3	4*N3
Transistor (bn)	185	185		320		
Memory (per Package)	288GB HBM3E	288GB HBM3E	144GB HBM4 8-Hi	432GB HBM4 12-Hi	384GB HBM4E 12-Hi	512GB HBM4E 8-Hi
HBM Stacks	8	8	8	12	8	16
Memory Bandwidth	8.0TB/s	8.0TB/s	12TB/s	23.3TB/s	33TB/s	65TB/s
Packaging	CoWoS-S	CoWoS-S	CoWoS-L	CoWoS-L	CoWoS-L	CoWoS-L
SerDes speed (Gb/s uni-di)	38G	38G	200G	200G	200G	200G
Scale Up (Gb/s uni-di)	64G	76.8G	1800G	1800G		
Scale Up Domain	8	8	72	72	72	16*32 (Ethernet)
TDP (W)	1000	1000		2,500	4500	8000

Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 2: AMD's server CPU and GPU revenue (USD bn)



Sources: Company data, GF Securities (Hong Kong) Brokerage

Earnings revision

By factoring in our earnings preview, higher CPU shipments/ASPs, we revise EPS estimates by -5%/+15% in 2026E/2027E.

Figure 3: Earnings revision

USD m	2025	2026E		2027E		Change (%)	
		Old	New	Old	New	2026E	2027E
Net sales	34,639	54,279	52,707	88,384	103,153	-3%	17%
Gross profit	18,165	30,448	29,451	50,867	57,204	-3%	12%
Operating profit	7,768	15,759	14,962	30,267	34,704	-5%	15%
Pre-tax Income	6,663	14,509	13,712	30,487	34,924	-5%	15%
Net profit	6,831	13,929	13,236	26,523	30,384	-5%	15%
EPS ($)	4.17	8.40	7.98	15.74	18.07	-5%	15%
Key ratios (%)							
Gross margin	52.4%	56.1%	55.9%	57.6%	55.5%		
Operating margin	22.4%	29.0%	28.4%	34.2%	33.6%		
Pre-tax margin	19.2%	26.7%	26.0%	34.5%	33.9%		
Net profit margin	19.7%	25.7%	25.1%	30.0%	29.5%		

Sources: Company data, GF Securities (Hong Kong) Brokerage

Figure 4: AMD's P&L forecast

(USD m)	2025	1Q26	2Q26	3Q26E	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E
Sales	**34,639**	10,253	11,536	13,327	17,591	**52,707**	22,471	24,454	25,922	30,306	**103,153**
COGS	**16,474**	4,568	5,048	5,855	7,785	**23,256**	10,136	10,847	11,429	13,538	**45,949**
Gross profit	**18,165**	5,685	6,488	7,472	9,806	**29,451**	12,335	13,607	14,494	16,768	**57,204**
opex	**10,397**	3,145	3,394	3,650	4,300	**14,489**	4,900	5,400	5,700	6,500	**22,500**
Operating profit	**7,768**	2,540	3,094	3,822	5,506	**14,962**	7,435	8,207	8,794	10,268	**34,704**
Non-operating profit	**-1,105**	-613	-747	55	55	**-1,250**	55	55	55	55	**220**
Pre-tax profit	**6,663**	1,927	2,347	3,877	5,561	**13,712**	7,490	8,262	8,849	10,323	**34,924**
Income tax	**-168**	-338	-413	504	723	**476**	974	1074	1150	1342	**4,540**
Non-GAAP Net Income	**6,831**	2,265	2,760	3,373	4,838	**13,236**	6,516	7,188	7,698	8,981	**30,384**
Non-GAAP EPS ($)	**4.17**	1.37	1.66	2.03	2.90	**7.98**	3.90	4.28	4.57	5.31	**18.07**
Diluted shares	**1,637**	1,650	1,659	1,661	1,666	**1,659**	1,671	1,678	1,685	1,692	**1,682**
Margin analysis											
Gross margin	**52.4%**	55.4%	56.2%	56.1%	55.7%	**55.9%**	54.9%	55.6%	55.9%	55.3%	**55.5%**
Operating margin	**22.4%**	24.8%	26.8%	28.7%	31.3%	**28.4%**	33.1%	33.6%	33.9%	33.9%	**33.6%**
Pre-tax margin	**19.2%**	18.8%	20.3%	29.1%	31.6%	**26.0%**	33.3%	33.8%	34.1%	34.1%	**33.9%**
Effective tax rate	**-2.5%**	-17.5%	-17.6%	13.0%	13.0%	**3.5%**	13.0%	13.0%	13.0%	13.0%	**13.0%**
Growth (% YoY)											
Sales	**34%**	38%	50%	44%	71%	**52%**	119%	112%	95%	72%	**96%**
Operating profit	**28%**	43%	245%	71%	93%	**93%**	193%	165%	130%	86%	**132%**
Net income	**26%**	45%	253%	72%	92%	**94%**	188%	160%	128%	86%	**130%**
EPS	**26%**	43%	247%	70%	90%	**91%**	184%	157%	125%	83%	**126%**
Product mix (%)											
Data Center	**52%**	56%	58%	63%	75%	**65%**	79%	79%	80%	84%	**81%**
Client	**30%**	28%	27%	23%	15%	**22%**	13%	13%	12%	9%	**12%**
Gaming	**8%**	7%	7%	5%	3%	**5%**	3%	4%	3%	2%	**3%**
Embedded	**9%**	9%	8%	9%	7%	**8%**	5%	5%	5%	4%	**5%**

Sources: Company data, GF Securities (Hong Kong) Brokerage

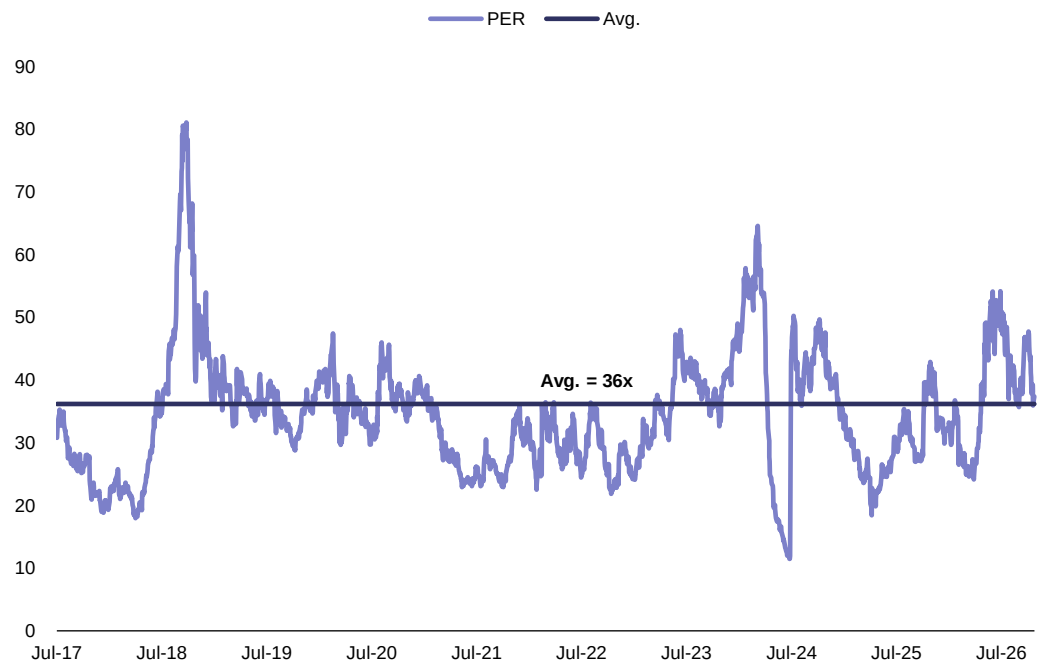
Valuation and Recommendation

Maintain Buy with TP up to $720

We rate AMD (AMD US) Buy and set our TP at $720, which is based on 40x our 2027E EPS, or 28x 2028E EPS estimate, to reflect its >50% earnings CAGR and enhanced competitive positioning into MI455 and agentic AI product cycle. However, this is lower than the 45x we assigned earlier, due to market's conservatism on the broad AI outlook. We adopt P/E methodology as we believe the market will be mainly focused on the company's earnings outlook, and we usually apply P/E method to fabless firms.

AMD's P/E traded at an average of 36x since 2017 and 38x since 4Q22, when the AI cycle started. Our target price multiple is slightly higher than the average level of its AI cycle, despite the fact that the average P/E was distorted by the overly optimistic sentiment of its MI300 cycle in 4Q23-1H24. Further upside or downside to valuation remains the margin trends and how the company executes the MI455 including the rack solution.

Figure 5: AMD's 12-month forward P/E



Sources: Company data, GF Securities (Hong Kong) Brokerage

Risks

1) AI demand slowdown; 2) new product delay; 3) peer competition.

Balance Sheet

USD mn

	2024	2025	2026E	2027E	2028E
Current assets	**19,049**	**26,947**	**34,559**	**58,519**	**84,928**
Cash and cash equivalents	5,132	10,552	10,483	11,191	19,182
Inventory	5,734	7,920	11,181	22,090	30,383
Accounts Receivable	6,192	6,315	9,609	18,806	26,349
Other current assets	1,991	2,160	3,287	6,432	9,013
Non-current assets	**50,177**	**49,979**	**64,791**	**77,291**	**89,791**
Long-term equity investment	149	-	11,000	22,000	33,000
Fixed assets	2,425	2,312	6,124	7,624	9,124
Other long-term assets	47,603	47,667	47,667	47,667	47,667
Total assets	**69,226**	**76,926**	**99,350**	**135,810**	**174,719**
Current liabilities	**7,281**	**9,455**	**16,161**	**27,989**	**35,544**
Accounts Payable	2,466	2,929	4,135	8,170	11,236
Short-term borrowings	-	874	3,426	2,989	724
Other current liabilities	4,815	5,652	8,600	16,831	23,583
Non-current liabilities	**4,377**	**4,472**	**9,056**	**7,504**	**1,956**
Long-term Debt	1,721	2,348	7,994	6,973	1,690
Other non-current liabilities	2,656	2,124	1,062	531	266
Total liabilities	**11,658**	**13,927**	**25,217**	**35,494**	**37,499**
Total Equity	**57,568**	**62,999**	**74,133**	**100,317**	**137,219**
Share Capital	61,379	63,382	62,280	61,080	59,481
Additional Paid-in Capital	-6,106	-7,079	-8,079	-11,079	-17,080
Retained earnings	2,295	6,696	19,932	50,316	94,818
Minority interests	-	-	-	-	-
Total Liabilities & Equity	**69,226**	**76,926**	**99,350**	**135,810**	**174,719**

Income Statement

USD mn

	2024	2025	2026E	2027E	2028E
Revenue	**25,785**	**34,639**	**52,707**	**103,153**	**144,531**
Cost of sales	12,026	16,474	23,256	45,949	63,199
Gross profit	**13,759**	**18,165**	**29,451**	**57,204**	**81,332**
Operating Expense	7,621	10,397	14,489	22,500	30,400
Operating profit	**6,138**	**7,768**	**14,962**	**34,704**	**50,932**
Interest Income	-	-	-	-	-
Interest Expense	92	36	-114	-80	-80
Net other Non-op. Income/(Loss)	-1,436	-1,069	-1,364	140	140
Pre-tax profit	**4,610**	**6,663**	**13,712**	**34,924**	**51,152**
Income tax	-810	-168	476	4,540	6,650
Profit for the year	**5,420**	**6,831**	**13,236**	**30,384**	**44,502**
Minority interest	-	-	-	-	-
Net profit to ord. equity	**5,420**	**6,831**	**13,236**	**30,384**	**44,502**
EPS ($)	**3.3**	**4.2**	**8.0**	**18.1**	**25.7**

Cash Flow Statement

USD mn

	2024	2025	2026E	2027E	2028E
Operating cash flow	**3,041**	**7,709**	**12,830**	**22,637**	**39,623**
Profit for the year	5,420	6,831	13,236	30,384	44,502
Depreciation & amortization	3,064	3,004	3,121	3,240	3,718
Change in working capital	-685	-3,882	-3,527	-10,986	-8,598
Others	-4,758	1,756	-	-	-
Investing cash flow	**-1,101**	**-5,533**	**-17,933**	**-15,740**	**-16,218**
Capex	-3,267	-2,891	-6,933	-4,740	-5,218
Change in investment	-50	149	-11,000	-11,000	-11,000
Others	2,216	-2,791	-	-	-
Free cash flow	**1,940**	**2,176**	**-5,103**	**6,897**	**23,404**
Financing cash flow	**-2,062**	**-431**	**5,034**	**-6,189**	**-15,413**
Change in Capital	-3,744	-1,400	-2,102	-4,200	-7,600
Net Change in Debt	-1,282	1,501	8,198	-1,458	-7,548
Others	2,964	-532	-1,062	-531	-266
Exchange influence	**-**	**-**	-	-	-
Net increase in cash	**-122**	**1,745**	**-69**	**708**	**7,992**

Key Financial Ratios

	2024	2025	2026E	2027E	2028E
Growth (%)					
Revenue growth	13.7	34.3	52.2	95.7	40.1
Operating profit growth	26.5	26.6	92.6	131.9	46.8
Net profit growth	26.0	26.0	93.8	129.6	46.5
Profitability (%)					
Gross profit margin	53.4	52.4	55.9	55.5	56.3
Operating Profit Margin	23.8	22.4	28.4	33.6	35.2
Net profit margin	21.0	19.7	25.1	29.5	30.8
Key Ratio (%)					
ROA	7.9	9.3	15.0	25.8	28.7
ROE	9.4	10.8	17.9	30.3	32.4
Stability					
Gross debt/equity	3.0	5.1	15.4	9.9	1.8
Interest Coverage	51.1	186.1	-	-	-
Current Ratio	2.6	2.9	2.1	2.1	2.4
Quick Ratio	1.8	2.0	1.4	1.3	1.5
Net debt/equity	Net cash	Net cash	1.3	Net cash	Net cash

Rating definitions Benchmark: Hang Seng Index (Hong Kong)

Company ratings	**Buy**	Stock expected to outperform benchmark by more than 10%
	Hold	Expected stock relative performance ranges between -10% and 10%
	Underperform	Stock expected to underperform benchmark by more than 10%

Sector ratings	**Positive**	Sector expected to outperform benchmark by more than 10%
	Neutral	Expected sector relative performance ranges between -10% and 10%
	Cautious	Sector expected to underperform benchmark by more than 10%

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