

INITIATION OF COVERAGE

Advanced Micro Devices

30 June 2026

RATING

BUY

Price (30 Jun 2026)	US\$580.91
12-month target	US\$760
Implied return	+30.8%
Target basis	50x 2027E EPS

KEY DATA

Market cap	US\$947bn
Enterprise value	US\$938bn
Shares outstanding	1,631m
Net cash (end Q1 26)	US\$9.1bn
52-week range (close)	134.92–580.91
Price change, 2026	+171%
Avg daily volume, 3M	37.2m shares
Warrants (OpenAI, Meta)	up to 320m shares

FINANCIAL SUMMARY

Dec year-end	2025A	2026E	2027E	2028E
Revenue (US\$bn)	34.6	51.1	84.6	116.0
Growth	34%	48%	65%	37%
Gross margin	52.0%	55.5%	56.0%	57.0%
EBIT margin	22.4%	28.4%	35.3%	38.5%
EPS (US\$)	4.17	7.73	15.21	21.65
EPS growth	26%	85%	97%	42%
P/E (x)	139.3	75.1	38.2	26.8
EV/sales (x)	27.1	18.4	11.1	8.1
FCF yield	0.6%	1.0%	2.1%	3.5%

Non-GAAP. FCF yield on market cap. Consensus 2026 EPS US\$7.18 (Zacks, 22 Jun 2026). Source: AMD; Sterling & Shin estimates.

AMD VS S&P 500, 2026 (US\$)



Dongwoo Shin
Analyst, Sterling & Shin

Still underestimated

Agentic AI has made the server CPU AMD's second AI engine, and the MI450 ramp starts next quarter. We think consensus has caught up with neither. We initiate at Buy with a US\$760 target, 31% above the 30 June close.

TWO ENGINES, NOT ONE

AMD started 2026 as Nvidia's GPU challenger and ends the first half as the biggest beneficiary of a CPU upcycle too. AMD says agentic AI is moving CPU-to-GPU ratios from 1:4 or 1:8 toward 1:1, and now sees the server-CPU market growing more than 35% a year to over US\$120bn by 2030 (previously 18%). Server-CPU revenue rose more than 50% in Q1; AMD expects over 70% in Q2.

COMMITTED ANCHORS FOR THE GPU RAMP

OpenAI and Meta have each made a binding commitment for the first 1 GW of Instinct GPUs, with plans for up to 6 GW each over several years. Initial Helios volume starts in Q3, with a steep Q4, and AMD expects tens of billions of dollars of Data Center AI revenue in 2027. The price is dilution: warrants over up to 320m shares, about 20% of today's count.

WHERE WE ARE ABOVE CONSENSUS

AMD's November 2025 targets (revenue growth above 35% a year, EPS above US\$20) were set when the server-CPU market was expected to grow 18% a year; that outlook has since doubled. We are 8% above consensus on 2026 EPS and 11% above on 2027 revenue, mainly on 2.7 GW of MI450 shipments in 2027 (1.6 GW from the 2 GW already committed; the timing is our assumption) and a 46% share of a larger server-CPU market.

EARNINGS AND TARGET PRICE

Our US\$760 target is simple: today's forward P/E of about 50x (on our numbers) applied to our 2027E EPS of US\$15.21. We expect the shares to rise with earnings, not with a higher multiple. We rate the shares Buy on our probability-weighted value of US\$721 (+24%), because the bear case is large.

CATALYSTS

Advancing AI on 23 July; Q2 results in early August; first Helios production shipments in Q3; the 6th-generation EPYC "Venice" launch.

ACTION AND RECOMMENDATION

Buy: two AI growth engines, estimates that are still catching up, and a target that already assumes the multiple falls. We would use pullbacks such as the 11% drop on 5 June to add. The main risk is valuation: our DCF range of US\$394–627 sits below the target.

THE FIRST HALF

Six sessions explain most of a 171% move. Almost all of it came after 31 March.

A 171% first half, in six sessions

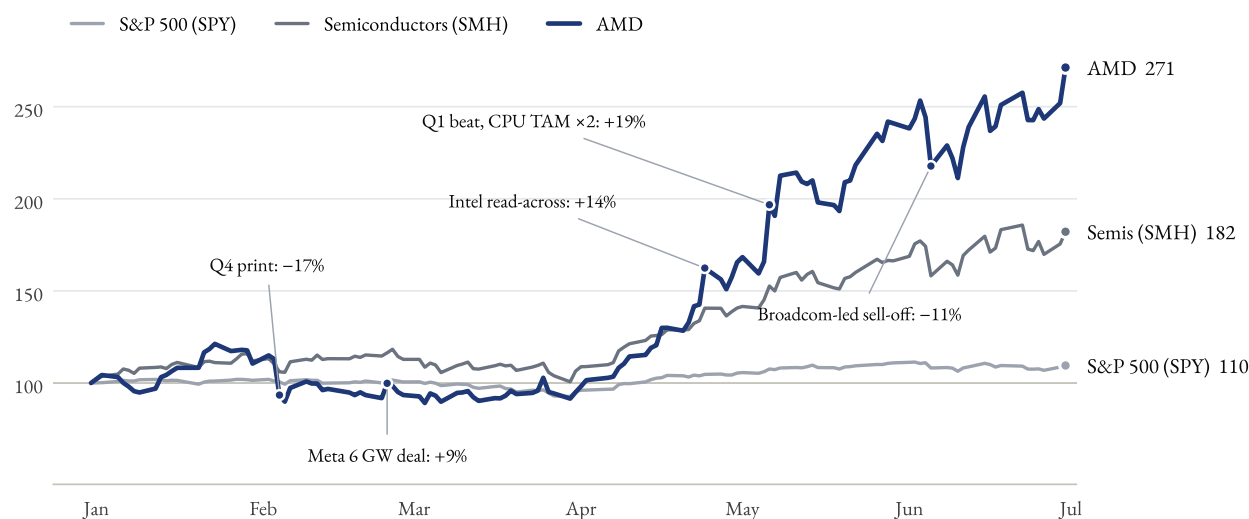
AMD began 2026 at US\$214.16 and closed the first half at a record US\$580.91. That is a 171% gain, against 82% for the VanEck Semiconductor ETF (SMH), 9.5% for the S&P 500 (SPY) and 7.3% for Nvidia. The first quarter went nowhere: the shares finished March at US\$203.43, below where they started. Then they rose 74% in April and 46% in May.

The six sessions below carry most of the story. Two were about AMD's GPUs, three were about CPUs, and one was about the AI trade as a whole. The CPU part is what the market had not priced in January.

FIG 1 AMD, THE SEMICONDUCTOR ETF AND THE S&P 500 IN 2026

AMD has nearly tripled in 2026

Total price change, 31 Dec 2025 = 100, daily closes to 30 Jun 2026



Source: Yahoo Finance daily closes; Sterling & Shin. Event labels mark one-day moves.

KEY SESSIONS

The two biggest down days came from expectations, not from bad numbers.

2026	What happened	AMD that day
4 Feb	Q4 2025 results. Record revenue, but about US\$390m of one-off China MI308 sales flattered the quarter and the Q1 guide implied a sequential dip. Worst day since 2017.	-17.3%
24 Feb	Meta agrees to deploy up to 6 GW of Instinct GPUs, starting with a custom MI450 in 2H26, and receives a 160m-share performance warrant.	+8.8%
24 Apr	Intel's Q1 beat on server-CPU demand; D.A. Davidson upgrades AMD, citing a structural increase in CPU demand from agentic AI.	+13.9%
6 May	Q1 beat; Q2 guide of US\$11.2bn (+46% y/y); server-CPU market outlook raised to over US\$120bn by 2030.	+18.6%
5 Jun	Broadcom guides Q3 AI revenue to about US\$16bn against roughly US\$17.2bn expected; the chip group sells off.	-10.9%
30 Jun	Wells Fargo lifts its target to US\$615; Morgan Stanley forecasts more Venice than Nvidia Vera CPU shipments in 2027. Record close.	+7.7%

Source: Yahoo Finance daily closes; company releases; Finviz/Zacks (4 Feb); Seeking Alpha and Barchart (24–27 Apr); Tiger Brokers (4 Jun); TradingKey (30 Jun). Moves are close-to-close.

ENGINE ONE

AMD now sees a server-CPU market of over US\$120bn by 2030, about twice the earlier path.

Agentic AI brings the CPU back

For three years the AI trade was a GPU trade. Agentic workloads change the arithmetic. An agent plans, calls tools and APIs, retrieves data and runs code, and that is general-purpose work done on CPUs. On its Q1 call AMD said CPU-to-GPU ratios that used to be 1:4 or 1:8 are moving closer to 1:1. Intel's April quarter showed the demand is not specific to AMD. Intel's Q1 revenue of US\$13.6bn beat the midpoint of its guidance by US\$1.4bn, led by server CPUs.

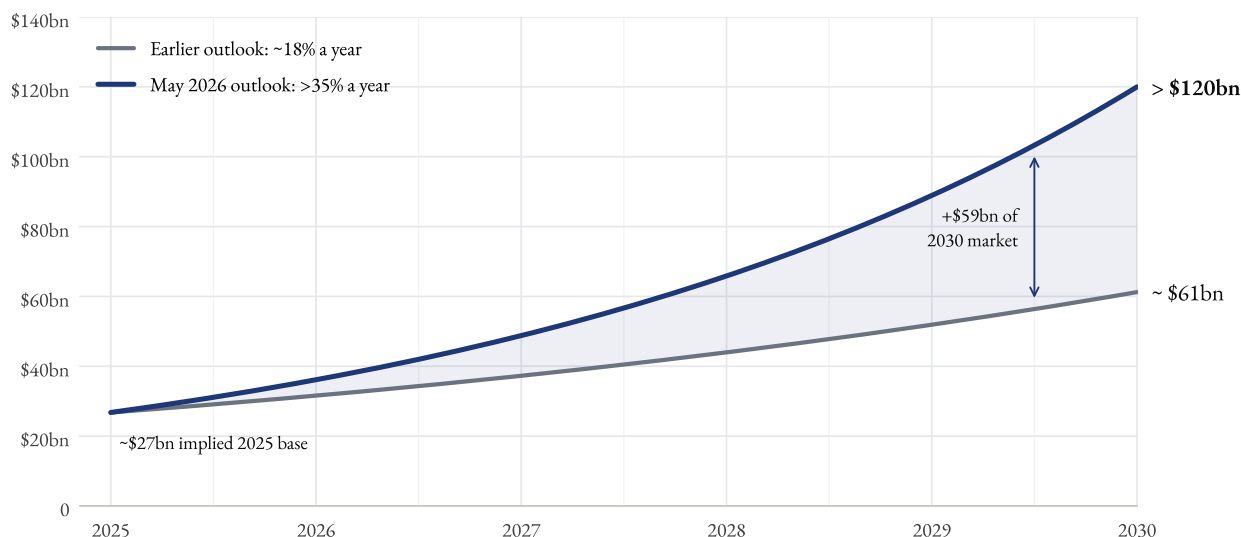
AMD responded by raising its server-CPU market outlook from about 18% a year to more than 35%, to over US\$120bn by 2030 (Fig 2). On our arithmetic that roughly doubles the 2030 market. AMD is taking the growth: Q1 server-CPU revenue rose more than 50%, with cloud and enterprise both above 50%, and AMD expects more than 70% in Q2. The 6th-generation EPYC "Venice" (TSMC 2nm, up to 256 Zen 6 cores) launches this year with Meta as lead customer. On 30 June Morgan Stanley forecast 6.75m Venice units in 2027, against 5.75m for Nvidia's Vera CPU.

We model server-CPU revenue of US\$16.0bn in 2026 (+68%), US\$22.5bn in 2027 and US\$29.5bn in 2028. AMD reports Data Center as one segment, so this split is our estimate. Each five points of share in a US\$120bn market is worth about US\$6bn of revenue a year. Two cautions: some of 2026 is likely buying ahead of tight supply, and Intel and Arm-based designs (Graviton, Axion, Vera) are chasing the same workloads.

FIG 2 SERVER-CPU MARKET OUTLOOK, BEFORE AND AFTER MAY 2026

Agentic AI doubled AMD's server-CPU market outlook

Server CPU market size, US\$bn — paths implied by AMD's stated growth rates



Source: AMD Q1 2026 earnings call (5 May 2026); Sterling & Shin illustration. Both paths start from the 2025 base implied by AMD's new outlook ($\$120\text{bn} \div 1.35^5$); AMD gave growth rates and the 2030 endpoint, not these annual values.

ENGINE TWO

2 GW committed, up to 12 GW planned, paid for partly in AMD stock.

Instinct goes rack-scale in the third quarter

The MI450 series (flagship MI455X) ships in Helios, AMD's first rack-scale system: 72 GPUs, 31TB of HBM4 (432GB a GPU) and about 2.9 exaflops of FP4 compute per rack. AMD has begun sampling MI450 to lead customers and says it is on track for production shipments in the

second half, with initial volume in Q3 and a significant ramp in Q4 and into 2027. It also said lead customers' forecasts now exceed its initial plans.

The anchors are OpenAI and Meta. Each has signed a binding commitment for the first 1 GW of Instinct GPUs (OpenAI: MI450; Meta: a custom MI450), with shipments from 2H26. Both have broader plans for up to 6 GW over several years. Those plans set when the warrants fully vest, but they are not purchase commitments. Oracle has committed to 50,000 MI450 GPUs, and sovereign projects add more: Cisco/HUMAIN, TCS in India, and a £2bn UK program announced on 8 June. AMD says it has strong and increasing confidence in tens of billions of dollars of annual Data Center AI revenue in 2027.

The market is large enough for a second source. Nvidia reported Q1 FY2027 revenue of US\$81.6bn and guided to US\$91bn, and the four largest U.S. hyperscalers plan about US\$725bn of capex in 2026. We model Data Center AI revenue of US\$17.0bn in 2026, up from an estimated US\$7.1bn in 2025, and US\$45bn in 2027, about 11% above the US\$40.6bn Wells Fargo published on 30 June. MI450 carries below-average gross margin, so we take Q3 to 55.6% and Q4 to 55.0% after the guided ~56% in Q2.

THE COST

Up to 320m shares at US\$0.01.
The final tranches need a US\$600 share price, 3% above the close.

The warrants: the price of anchor customers

	OpenAI	Meta
Announced	6 Oct 2025	24 Feb 2026
Shares	Up to 160m	Up to 160m
Exercise price	US\$0.01	US\$0.01
Binding purchase commitment	First 1 GW of MI450	First 1 GW equivalent of Instinct GPUs
Vests on	First tranche on delivery of the first 1 GW; full vesting at 6 GW purchased	First tranche on shipment of the first 1 GW; full vesting at 6 GW purchased
Share-price condition	Thresholds escalate to US\$600 for the final tranche	Thresholds escalate to US\$600 for the final tranche
Expiry	5 Oct 2030	23 Feb 2031

Source: AMD Form 8-K (Oct 2025); AMD and Meta press release (24 Feb 2026).

Fully vested, the two warrants would add about 20% to today's 1,631m shares. Both warrants' price thresholds escalate to US\$600 for the final tranche, only 3% above the 30 June close, so gigawatts delivered, not the share price, now decide how much vests. Our diluted share count rises from 1.65bn in Q1 2026 to 1.73bn in 2027 and 1.80bn in 2028. Our 2030 analysis assumes about 1.95bn.

THE OTHER 44%

Memory costs are the main risk to 2026 estimates.

Memory costs hit PCs and gaming in 2H26

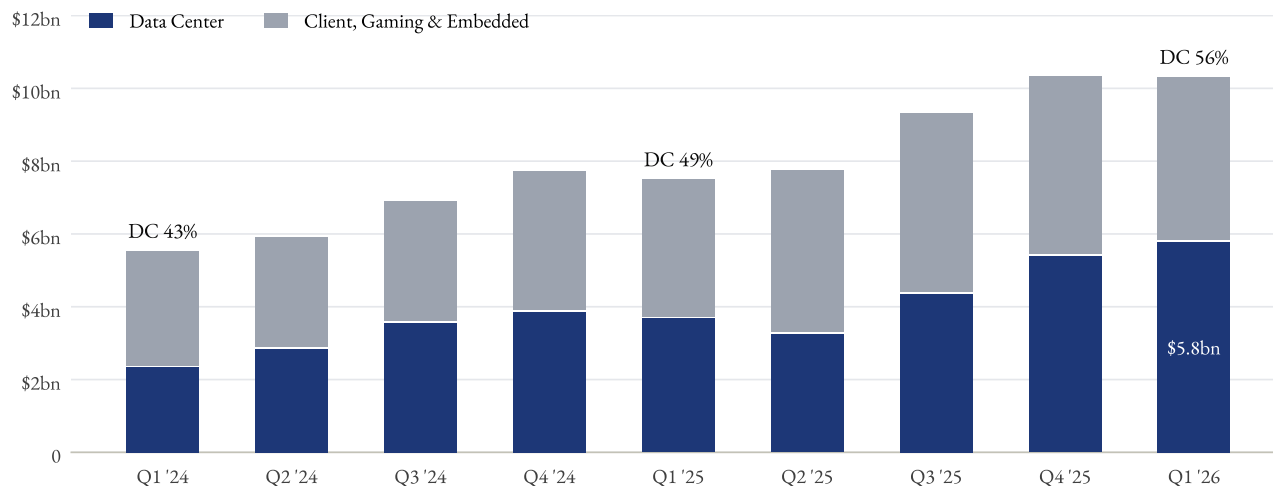
Client, Gaming and Embedded were 44% of Q1 revenue. AMD is planning for lower second-half PC shipments because of higher memory and component costs, and expects second-half Gaming revenue to fall more than 20% from the first half. Semi-custom console revenue is past its peak. We model 2026 Client revenue up 8% and Gaming down 32%, with both lower again in 2027.

Embedded is recovering. Revenue rose 6% in Q1, AMD guided to double-digit growth in Q2, and it reports billions of dollars of new design wins. At about 8% of revenue it will not move the stock, but it is AMD's highest-margin segment (Q1 operating margin 39%).

FIG 3 QUARTERLY REVENUE MIX

Data Center is now more than half of AMD

Quarterly revenue by segment, US\$bn, Q1 2024 – Q1 2026 (reported)



Source: AMD quarterly results (Q1 2024 – Q1 2026); Sterling & Shin.

Q1 2026

A clean beat, record free cash flow and a guide 46% above last year.

Q1 review and the Q2 guide

US\$m, non-GAAP	Q1 26	Q1 25	y/y	Q2 26 guide	Q2 26 S&S
Revenue	10,253	7,438	+38%	11,200 ± 300	11,450
Data Center	5,775	3,674	+57%		6,700
Client	2,885	2,294	+26%		3,000
Gaming	720	647	+11%		760
Embedded	873	823	+6%		990
Gross margin	55%	54%	+1 pt	~56%	56.0%
Operating income	2,540	1,779	+43%		3,112
EPS (US\$)	1.37	0.96	+43%		1.67
Free cash flow	2,566	727	+253%		

Source: AMD (5 May 2026); Sterling & Shin estimates. Q2 consensus: revenue US\$11.27bn, EPS US\$1.60 (Zacks, 22 Jun 2026).

Q1 revenue of US\$10.25bn was flat on Q4 and up 38% from a year earlier, against a US\$9.8bn guide. Data Center grew 57% to US\$5.78bn and is now 56% of revenue. Data Center AI dipped from Q4 as one-off China sales fell away. Free cash flow was a record US\$2.57bn. For Q2, AMD guided revenue of US\$11.2bn ±US\$0.3bn, gross margin of about 56%, opex of about US\$3.3bn, a 13% tax rate and about 1.66bn diluted shares. It expects double-digit growth in Data Center and Embedded and modest growth in Client and Gaming.

ESTIMATES

Above consensus: 5% on 2026 revenue, 8% on 2026 EPS and 11% on 2027 revenue.

Our estimates

US\$m, non-GAAP	Q1 26A	Q2 26E	Q3 26E	Q4 26E	2026E
Data Center	5,775	6,700	8,650	11,900	33,025
Client	2,885	3,000	2,900	2,750	11,535
Gaming	720	760	610	560	2,650
Embedded	873	990	1,020	1,030	3,913
Revenue	10,253	11,450	13,180	16,240	51,123
Gross margin	55.4%	56.0%	55.6%	55.0%	55.5%
Operating expenses	3,145	3,300	3,550	3,850	13,845
Operating income	2,540	3,112	3,778	5,082	14,512
Diluted shares (m)	1,650	1,660	1,670	1,695	1,669
EPS (US\$)	1.37	1.67	2.01	2.66	7.73

Source: AMD (Q1 actual); Sterling & Shin estimates. Full-year EPS is full-year net income divided by the average share count, so the four quarters (sum US\$7.71) do not add to it exactly.

From gigawatts to EPS

US\$m unless stated	2026E	2027E	2028E
MI450-class GPUs shipped (GW)	0.4	2.7	4.3
<i>of which from the 2 GW committed</i>	<i>0.4</i>	<i>1.6</i>	<i>–</i>
× revenue per GW (US\$m)	14,000	14,000	14,000
= MI450 revenue	5,600	37,800	60,200
+ MI355/MI350 and other Instinct	11,425	7,200	7,800
= Data Center AI	17,025	45,000	68,000
Server-CPU market (AMD outlook path)	36,128	48,773	65,844
× AMD revenue share	44%	46%	45%
= Server CPU	16,000	22,500	29,500
+ Client, Gaming and Embedded	18,098	17,100	18,500
= Revenue	51,123	84,600	116,000
× gross margin	55.5%	56.0%	57.0%
– operating expenses	13,845	17,500	21,500
= Operating income	14,512	29,876	44,620
Net income (13–14% tax)	12,903	26,232	38,975
÷ diluted shares (m)	1,669	1,725	1,800
= EPS (US\$)	7.73	15.21	21.65

Source: Sterling & Shin estimates. “Committed” is the first 1 GW each from OpenAI and Meta; the split of that volume between 2026 and 2027 is our assumption. Revenue per GW is our assumption (see text). Server-CPU market path from Fig 2.

Data Center AI is the swing line, and two assumptions drive it. The first is volume. We assume 2.7 GW ships in 2027: 1.6 GW is the rest of the 2 GW that OpenAI and Meta have committed to buy, and the other 1.1 GW assumes further tranches and new customers (Oracle, sovereign projects) that are not yet committed. A commitment fixes the volume, not the delivery date, so the 2027 timing is our own assumption. Each 0.5 GW that slips into 2028 takes about US\$7bn off 2027 revenue and US\$1.97 off EPS.

The second is price: US\$14bn of AMD revenue per GW. Press reports valued Meta's 6 GW plan at more than US\$100bn, or about US\$17bn per GW (AP, 24 Feb 2026), and AMD expected more than US\$100bn of revenue over four years from OpenAI and other customers (Reuters, 6 Oct 2025). We take about 20% off, because a multi-year contract value spans later chip generations and does not tell us what MI450 itself will bill per GW. Each US\$1bn per GW moves 2027E EPS by about US\$0.76; the valuation section shows what both assumptions do to the target.

Where we differ from the Street

	S&S	Street	Gap	Street source
2027E revenue (US\$bn)	84.6	76.2	+8.4	Consensus (TIKR, 12 Jun)
2027E Data Center AI (US\$bn)	45.0	40.6	+4.4	Wells Fargo (30 Jun)
2027E server CPU (US\$bn)	22.5	20.5	+2.0	Wells Fargo (30 Jun)
2026E EPS (US\$)	7.73	7.18	+0.55	Consensus (Zacks, 22 Jun)

Source: Sterling & Shin; TIKR via tkr.com (12 Jun 2026); Zacks via Yahoo Finance (22 Jun 2026); Wells Fargo via TradingKey (30 Jun 2026). Consensus is not published by segment, so we use the most detailed public broker model we found as the segment reference.

Our 2026E revenue of US\$51.1bn compares with consensus of US\$48.8bn (Zacks) and US\$49.4bn (TIKR). Two assumptions explain most of the 2027 gap: the MI450 shipments above, and a 46% AMD share of a server-CPU market growing at AMD's new rate (Wells Fargo's CPU figure implies about 42%). Estimates have been moving our way, but slowly: consensus 2026 EPS rose only 7% between 15 April (US\$6.73) and 22 June (US\$7.18), although in between AMD guided Q2 revenue up 46% and doubled its server-CPU market outlook.

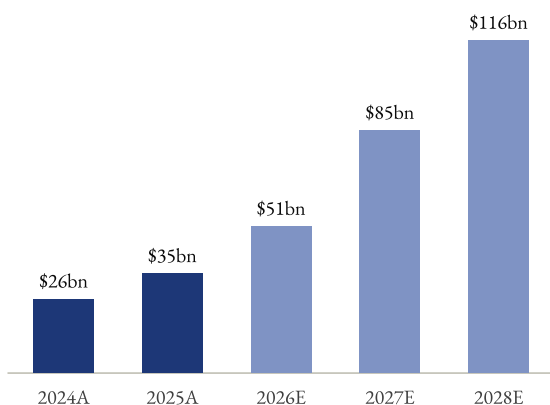
FIG 4 REVENUE AND EPS, 2024A–2028E

Our base case: revenue more than triples in three years

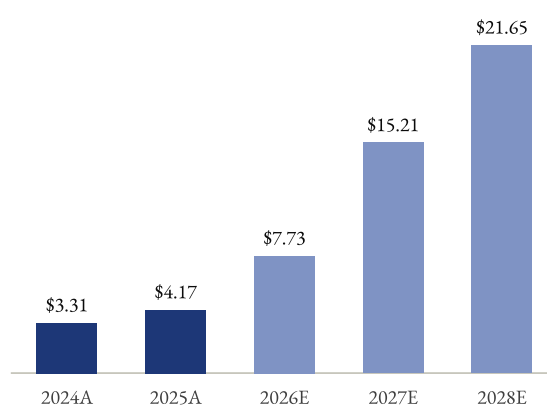
AMD revenue and non-GAAP EPS, fiscal years ending December

■ Reported ■ Sterling & Shin estimate

Revenue, US\$bn



EPS (non-GAAP), US\$



Source: AMD (2024–2025 reported); Sterling & Shin estimates as of 30 Jun 2026.

SUMMARY P&L

Operating margin passes AMD's 35% target in 2027 in our base case.

US\$m, non-GAAP, Dec year-end	2024A	2025A	2026E	2027E	2028E
Data Center	12,579	16,635	33,025	67,500	97,500
<i>Server CPU (S&S est.)</i>	–	9,500	16,000	22,500	29,500
<i>Data Center AI (S&S est.)</i>	–	7,135	17,025	45,000	68,000
Client	7,054	10,640	11,535	10,800	11,500
Gaming	2,595	3,910	2,650	2,100	2,400
Embedded	3,557	3,454	3,913	4,200	4,600
Revenue	25,785	34,639	51,123	84,600	116,000
<i>growth</i>	14%	34%	48%	65%	37%
Gross margin	53.0%	52.0%	55.5%	56.0%	57.0%
Operating income	6,138	7,768	14,512	29,876	44,620
<i>margin</i>	23.8%	22.4%	28.4%	35.3%	38.5%
Net income	5,420	6,831	12,903	26,232	38,975
Diluted shares (m)	1,637	1,638	1,669	1,725	1,800
EPS (US\$)	3.31	4.17	7.73	15.21	21.65
Free cash flow	2,405	5,519	9,530	19,910	32,765
P/E at US\$580.91 (x)	175.5	139.3	75.1	38.2	26.8

Source: AMD (2024–2025 reported); Sterling & Shin estimates. Server CPU and Data Center AI splits are our estimates. 2024 growth is against 2023 revenue of US\$22.68bn.

VALUATION

US\$760 = 50x our 2027E EPS of US\$15.21: today's multiple on next year's earnings.

Valuation: today's multiple on next year's earnings

We keep the method simple: target price = 2027E EPS × P/E. On our numbers AMD trades at about 51x its next-12-month EPS (half of 2026E plus half of 2027E, or US\$11.47). We apply 50x, roughly today's multiple, to our 2027E EPS of US\$15.21. That gives US\$760, 31% above the 30 June close. In other words, we expect the shares to rise with earnings, not with a higher multiple.

The target is conservative in one respect. By mid-2027 investors will also be looking at 2028, so on next-12-month EPS at that point (US\$18.43) our target is 41x, below today's 51x. If the multiple simply stayed at 51x, the same earnings would support about US\$935. The target is also 35x our 2028E EPS, close to AMD's 30–40x forward range before the April rally (LSEG, Zacks).

Why Buy, not Strong Buy

Our base-case target is +30.8%, but we set the rating on the probability-weighted value, because the bear case (–56%) is too large to ignore. That value is US\$721, +24% above the 30 June close, which is a Buy under our definitions. The base case also clears the 30% Strong Buy line only narrowly: at 50x, 2027E EPS below US\$15.10 (0.7% under ours) would take it below, and five of the nine combinations in the table below fall short of it.

We are still clearly positive. The target already assumes the forward multiple falls from 51x to 41x, and the Street is still catching up: consensus 2026 EPS rose only 7% from April to June, a period in which AMD guided Q2 revenue up 46% and doubled its CPU market outlook. We would move to Strong Buy if Q2 results and Advancing AI confirm the MI450 timing and lift the probability-weighted value above +30%.

Target price sensitivity to the GPU assumptions

2027 MI450 shipments	US\$11bn per GW	US\$14bn per GW	US\$17bn per GW
2.2 GW (0.5 GW slips to 2028)	569 (–2%)	662 (+14%)	755 (+30%)
2.7 GW (our base case)	647 (+11%)	760 (+31%)	874 (+50%)
3.2 GW (0.5 GW more)	724 (+25%)	859 (+48%)	993 (+71%)

Source: Sterling & Shin. Value per share = 50x 2027E EPS, with gross margin, operating expenses and the rest of the business at our base case. Return vs the 30 June close in brackets; bold means more than 30%, our Strong Buy line. US\$755 is just under the line (+29.92%).

A DCF is the main check, and it is lower. With cash flow measured after working capital, capex, stock compensation and interest (tables below), our base case is worth US\$484 at a 10% WACC and 3.5% terminal growth, or US\$394–627 across the grid. Our target is 57% above that midpoint, and it is reached only at a WACC of about 7.8%–8.2% with 3.5–4% terminal growth (7.5%–8.2% across the 3–4% range in the table). The gap is the premium the market already pays for growth beyond our forecast. We expect earnings momentum to keep that premium over the next 12 months, but it is the biggest weakness in our call.

CASH FLOW AND DCF

On a DCF our base case is worth US\$394–627; it matches our target only at a WACC of about 7.5%–8.2%.

Free cash flow bridge

US\$m	2025A	2026E	2027E	2028E
Non-GAAP net income	6,831	12,903	26,232	38,975
+ Depreciation	–	900	1,200	1,500
– Capital expenditure	–	(1,800)	(2,500)	(3,000)
– Working-capital build	–	(2,473)	(5,022)	(4,710)
= Free cash flow	5,519	9,530	19,910	32,765
<i>as % of net income</i>	<i>81%</i>	<i>74%</i>	<i>76%</i>	<i>84%</i>
– Stock compensation, after 13% tax	–	(1,827)	(2,262)	(2,697)
= FCF after stock compensation	–	7,703	17,648	30,068
– Net interest and other income, after tax	–	(277)	(389)	(602)
= Unlevered FCF (DCF input)	–	7,426	17,259	29,466

Source: AMD (2025 actual); Sterling & Shin estimates. Working capital assumes 15 cents of receivables plus inventory, net of payables, for each dollar of revenue growth. Stock compensation is deducted after a 13% tax rate (87% of the pre-tax amount); net interest and other income after each year's tax rate (13–14%). We remove interest income because the DCF adds net cash separately. Q1 2026 actual: depreciation US\$206m, capex US\$389m, stock compensation US\$487m, free cash flow US\$2,566m.

DCF build (10% WACC, 3.5% terminal growth)

US\$bn	Revenue	Growth	Unlevered FCF	Years	Discount factor	Present value
2026E (Q3–Q4 only)	51.1	48%	3.9	0.25	0.976	3.9
2027E	84.6	65%	17.3	1.00	0.909	15.7
2028E	116.0	37%	29.5	2.00	0.826	24.4
2029E	148.5	28%	40.2	3.00	0.751	30.2
2030E	184.1	24%	52.3	4.00	0.683	35.7
2031E	217.3	18%	63.1	5.00	0.621	39.2
2032E	247.7	14%	73.0	6.00	0.564	41.2
2033E	274.9	11%	82.0	7.00	0.513	42.1
2034E	296.9	8%	89.7	8.00	0.467	41.8
2035E	314.7	6%	95.9	9.00	0.424	40.7
Sum of discounted cash flows, 2026–35						314.8
Terminal value at end-2035, discounted			1,527.3	9.50	0.404	617.6
+ Net cash, 30 June 2026 (est.)						10.9
= Equity value (US\$bn)						943.3
÷ Diluted shares, warrants vested (bn)						1.95
= Value per share (US\$)						484

Source: Sterling & Shin. Valuation date 30 June 2026. Net cash at 30 June is end-Q1 net cash of US\$9.1bn plus our estimate of Q2 free cash flow (US\$1.8bn), so 2026 includes only Q3–Q4 cash flow. We split the Q2–Q4 cash flow by each quarter's net income (Q2 is 26%). Cash flows are discounted at mid-period: 0.25 years for Q3–Q4 2026, then 1.0, 2.0 and so on. 2026–28 from the bridge above. 2029–35: revenue growth fading from 28% to 6%; after-tax operating margin of 33% in 2029 and 34% after (excluding interest); depreciation 2% and capex 2.5% of revenue; stock compensation 2.5% of revenue before tax, or 2.175% after a 13% tax rate; working capital 15% of revenue growth. Terminal value = 2035 FCF × 1.035 ÷ (10% – 3.5%); it is about 65% of equity value.

DCF sensitivity (US\$ per share)

US\$ per share	g = 3.0%	g = 3.5%	g = 4.0%
WACC 9.0%	548	584	627
WACC 10.0%	460	484	512
WACC 11.0%	394	411	430

Source: Sterling & Shin. Same cash flows as the build above.

FIG 5 VALUATION RANGE

Our US\$760 target is 31% above the 30 June close*AMD value per share under different methods, US\$*

Source: Sterling & Shin estimates and calculations as of 30 Jun 2026; Yahoo Finance. DCF = discounted cash flow.

THE LONG VIEW

Our base case reaches US\$33 of 2030 EPS, a third above AMD's own plan.

The long view: AMD's own plan looks conservative

2030 path	Revenue (US\$bn)	EPS (US\$)	Value at 25x	Return a year	Value at 30x	Return a year
AMD's November 2025 targets (35% revenue growth a year, 35% operating margin)	155	24.4	610	+1.1%	732	+5.3%
Sterling & Shin base case	184	32.9	823	+8.0%	988	+12.5%
Bull case (larger CPU market plus GPU share gains)	240	44.9	1,122	+15.8%	1,347	+20.5%

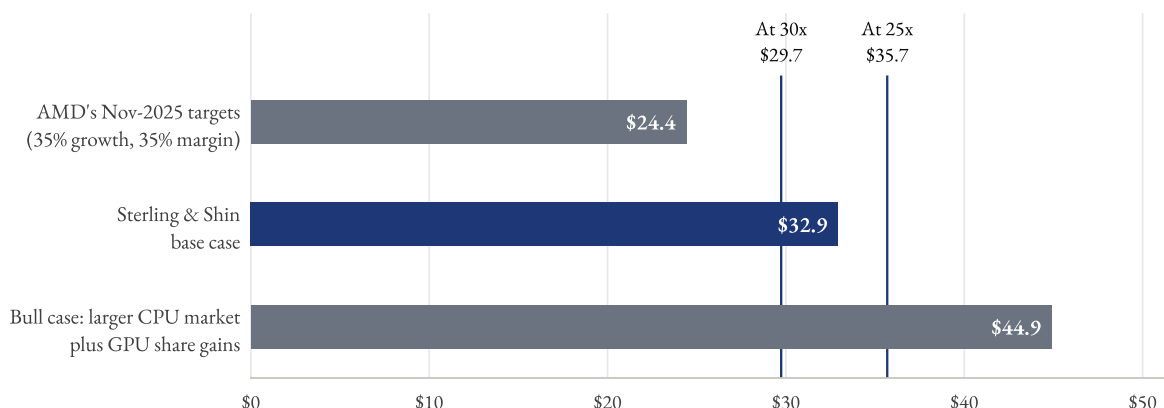
Source: AMD Financial Analyst Day (11 Nov 2025); Sterling & Shin. Assumes 14% tax, about US\$1bn of net interest income, about 1.95bn diluted shares (warrants fully vested), and an end-2030 exit, 4.5 years from 30 June 2026.

AMD's November 2025 targets (35% revenue growth a year, 35% operating margin) imply about US\$24 of 2030 EPS once the warrants vest. Those targets predate the doubling of the server-CPU market. Our base case, with 2030 revenue of about US\$184bn and a 40% operating margin, gives about US\$32.9, a third higher. At a 30x exit multiple that is worth about US\$988 at the end of 2030, a 12.5% annual return from US\$580.91. At a lower 25x multiple, a 10% annual return needs about US\$35.7 of EPS, which our bull case clears. We expect AMD to raise its long-term targets to reflect the larger CPU market.

FIG 6 2030 EPS PATHS AGAINST THE 10% HURDLE

Our base case beats AMD's own 2030 plan by a third

2030 non-GAAP EPS under each path vs. the EPS needed for a 10% annual return from \$580.91



Source: AMD Financial Analyst Day (11 Nov 2025); Sterling & Shin estimates. Assumes 14% tax, ~1.95bn diluted shares (OpenAI and Meta warrants fully vested) and a 25x or 30x exit multiple at end-2030. Not a forecast of the share price.

SCENARIOS

Skewed to the upside: -56% to +73%, probability-weighted +24%. Each case applies a P/E to its 2027E EPS.

Bear, base and bull

	Bear	Base	Bull
What happens	MI450 slips about two quarters; AI capex digests in 2027; the CPU upcycle normalises	MI450 ramps on schedule; CPU growth stays above 30%; memory costs weigh on PCs and gaming	The bigger CPU market arrives early; a third anchor GPU customer; gross margin reaches 58%
Probability	20%	55%	25%
2027E revenue (US\$bn)	60.6	84.6	97.4
2027E EPS (US\$)	8.53	15.21	18.27
Target P/E on 2027E EPS (x)	30	50	55
Value per share (US\$)	256	760	1,005
vs. US\$580.91	-56%	+31%	+73%

Source: Sterling & Shin estimates. Probability-weighted value US\$721 (+24.1%). Our Buy rating is set on this weighted value.

RISKS

Valuation and Helios execution are the two risks that matter most.

Risks to our Buy rating

- **Valuation.** At 75x our 2026E EPS the shares leave little room for disappointment. Our DCF range (US\$394–627) sits below our target, and a de-rating toward it would erase most of the upside even if our estimates hold.
- **Execution on Helios.** This is AMD's first rack-scale system. Delays in HBM4, networking, liquid cooling or software would push revenue out of 2026 and hit the multiple.
- **Concentration and counterparties.** OpenAI and Meta anchor the ramp. OpenAI's commitments depend on its access to capital.
- **AI capex digestion.** The 5 June sell-off, driven by Broadcom's guidance, showed how quickly sentiment can turn at these valuations.

- **Competition.** Nvidia’s Rubin GPU and Vera CPU, custom accelerators (TPU, Trainium, MTIA), Arm server CPUs and a recovering Intel.
- **Memory and supply.** DRAM and HBM costs hurt PCs and gaming and could squeeze margins. TSMC 2nm and advanced-packaging capacity are tight.
- **Dilution and policy.** Warrants of up to about 20% of shares; export controls; Taiwan concentration.

CATALYSTS

The next six weeks test both engines.

What we are watching

When	Event	Why it matters
23 Jul	Advancing AI 2026, San Francisco	Helios production status, MI500 roadmap, new customers
Late Jul	Hyperscaler Q2 results	2026–27 capex plans, the main input to AI demand
Early Aug	AMD Q2 results and Q3 guide	Server-CPU growth (guided >70%); first MI450 revenue in the Q3 guide
Q3	First Helios production shipments	First step toward the 1 GW milestones that vest the first warrant tranches
2H26	Venice launch; memory prices; PC data	CPU share, margins, and the size of the PC and gaming decline

Source: AMD (28 Apr 2026 event announcement; Q1 2026 call); Sterling & Shin.

DISCLOSURES

Important disclosures

About this report. Sterling & Shin is an independent, personal research publication. This report is for information and education only. It is not investment advice, and it is not an offer or a solicitation to buy or sell any security. It does not consider any reader’s objectives, financial situation or needs.

Point in time. The report is written as of the 30 June 2026 market close and uses only information that was public on or before that date. Prices are closing prices from Yahoo Finance. Estimates and opinions are the author’s and may change without notice. The information comes from sources believed to be reliable, but its accuracy and completeness are not guaranteed.

Non-GAAP measures. Unless stated, gross margin, operating income, net income and EPS are non-GAAP as defined by AMD. AMD reports Data Center as one segment. The split between server CPU and Data Center AI revenue is a Sterling & Shin estimate.

Rating definitions (expected total return over 12 months, measured to our probability-weighted scenario value). Strong Buy: more than +30%. Buy: +10% to +30%. Hold: –10% to +10%. Sell: below –10%. The 12-month price target is our base case.

Conflicts and images. The author may hold positions in the securities discussed. Sterling & Shin receives no compensation from any company mentioned. The cover image is a computer-generated illustration made by Sterling & Shin; charts are by Sterling & Shin from the sources stated on each.

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