



# APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

## Advanced Micro Devices Q2 2026 Results

Share Price  
Date

US\$ 482.05  
06 August 2026

### RESULTS SUMMARY

AMD reported Q2 results moderately above consensus expectations (and company guidance). The expectations bar for a big upside surprise in this quarter was undoubtedly a lot higher than it was 3-6 months ago given a meteoric rise in the share price, so it is perhaps unsurprising that the share price came under some pressure after the result. Nevertheless, the operating performance was strong: revenues rose 50% year on year, while non-GAAP operating profit gained 245% year on year from a quarter a year ago that was impacted by restrictions on exports of advanced chips to China (and an associated \$800m inventory write-down in that prior period; absent this distortion, operating earnings would have grown ~80% year on year. Non-GAAP EPS of \$1.66/share (+245% year on year) came in around 2.5% ahead of Wall Street consensus estimates.

### OUR LONG-TERM INVESTMENT VIEW

- AMD's evolution in the last twelve months from a distant second tier competitor in the Data Center GPU business into a credible competitor to Nvidia has been nothing short of transformational, led by the companies' announcement of various multi-GW deals with OpenAI and Meta (amongst others) for GPU compute supply.
- However, in our view the best of AMD's years lies ahead of it and this growth inflection has only just started, with the company strongly guiding toward a substantial ramp up in its Helios rack-scale GPU solutions from the end of Q3-2026 and, more materially, into Q4-2026 and beyond.
- In addition, the inflection of the AI cycle away from model training to inference requires substantially more CPU intensity in Data Centers, where AMD is very well-placed to take a leading market share given its competitive offerings here; this is an aspect of the investment case that was not well-appreciated by the market until recently.
- AMD management projections suggest the AI Data Center GPU market could grow >45% annually to reach a \$1.4 trillion market size by 2030. Given their starting point and the enormous addressable market, this could well result in their GPU business growing 5-10x by the end of the decade from this year's base and still commanding less than a 10% market share by then.
- Management expect similarly strong growth from the Server CPU market, albeit at smaller scale, growing >50% annually to a \$220bn market size by 2030. AMD's share here is likely to be far larger given it is more dominant in this market segment currently.
- The overall investment thesis is hence one of a major market share gain story within a rapidly growing, and enormous, addressable market.

### UNPACKING THE Q2 2026 RESULTS

#### High-level numbers

Revenue grew by 50% year on year to \$11.5bn, about \$200m ahead of management's mid-point of guidance.

Non-GAAP gross profit margins expanded from 43% a year ago to 56% in Q2, in line with guidance. Operating costs grew by 40% year on year to \$3.4bn, which resulted in operating earnings expanding from ~\$900m in Q2 2025 to \$3.1bn in Q2.

#### Looking ahead

Management has guided to \$13bn of sales for Q3-2026, implying around 40% growth year on year. While this is optically a slowdown from the 50% growth rate in Q2, the Q2 prior year comparable was impacted by a lack of Chinese GPU sales. In addition, management's commentary suggests their Helios rack-scale GPU offerings are only beginning to ramp up sales by the end of Q3,

## Key segment performance

### Data Center

Revenue gained 107% year on year to \$6.7bn, with this segment now the dominant contributor to group sales and profits – three years ago, the Data Center division accounted for <30% of group revenue. While the group does not explicitly break out Data Center GPU sales from their CPU sales, we estimate that GPU sales grew by >150% year on year and likely accounted for c.40% of the total divisional revenue; by FY27, we expect GPU sales to be the dominant component of divisional revenue, notwithstanding a very strong growth cadence from Server CPU chips. The overall Data Center division already accounts for close to 70% of group operating profit pre-central costs, given a higher margin mix.

### Client & Gaming

The group's Client & Gaming division grew to-line by 6%, which was a function of 23% growth in Client (led by strong PC market sales) and a 30% decline in Gaming as a consequence of a soft gaming console market (impacted to a large extent by inflation due to the rising cost of memory semiconductor chips). Looking ahead, management expects a softer PC market in the second half of the year.

### Embedded

Following a very difficult two years for AMD's Embedded division (sales declined 1/3 between FY23 and FY25), this division's prospects have begun to inflect more positively, with revenue growth accelerating from 6% in Q1 2026 to 19% and Q2 2026. Management's directional guidance for Q3 suggests investors could expect further sequential improvement here for the remainder of the year. It remains a very small contributor (8% of group sales).

suggesting we should see a step change in GPU revenues in Q4, with further sequential improvement in each quarter in 2027.

In addition, Server CPU revenue growth was guided to grow faster than 80% year on year in Q3 and for more than 70% growth in 2027 (on a much larger revenue base).

### The bottom line

Post the Q2 2026 results there have been material upgrades to FY2027 earnings estimates by Wall Street analysts, with more moderate increases in 2026 estimates. This speaks to the idea that the growth inflection is far more a 2027 story than a near term one. Notwithstanding this, given management's commentary on the earnings call, we think that consensus estimates remain too low, so we think further upgrades are likely.

We think there is a good chance that this business could grow its top-line 4-5x from this years' base, with profits potentially growing 6-10x by the end of the decade as margins scale (all the growth is occurring in higher margin segments)

AMD's share price has gained ~3x from our initial entry in 2025, but if our estimates are correct, is now trading at ~23x FY27 EV / EBIT. This could still be cheap considering the potential for ~40% annualised profit growth from next year's base through the end of the decade. While some digestion of recent gains is likely (and the stock is indeed 18% off its recent highs), we remain very optimistic about AMD's investment case from current levels over the next 2-3 years.

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Old Mutual Wealth, Mutualpark, Jan Smuts Drive, Pinelands, 7405 | Tel: +27 (0)21 524 4678 | Email: [privateclients@omwealth.co.za](mailto:privateclients@omwealth.co.za)