APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Advanced Micro Devices Q4-25/FY25 results

Share Price	US$200
Date	4th February 2026

KEY TAKEAWAY

AMD reported an excellent set of results to close out 2025, with Q4 EPS around15% ahead of consensus expectations. However, this has been met with a sharp sell-off that we believe should be viewed through the lens of 1) the current market environment which is hostile toward tech and has become a “sell the news” regime; 2) management forward guidance which lacked the “wow” factor and likely still embeds a dose of conservatism. Furthermore, some of the results beat versus consensus expectations was due to the return of some sales of MI308 chips to China, which was unexpected and perhaps took the shine off the outperformance of the core “ex China” sales base, as well as a reversal of associated inventory write-downs which flattered gross margins during the quarter.

OUR LONG-TERM INVESTMENT VIEW

We believe AMD is the next best placed competitor to Nvidia in the Data Center GPU market and, unlike Nvidia, has the benefit of a very low base to grow off in this space, with its GPU sales currently 1/20th the size of Nvidia’s. Given recent contract awards by OpenAI, as well as broader industry adoption of its MI350 range by other hyperscalers (and MI450 from later this year), we expect a sharp inflection higher in AMD’s Data Center sales commencing in 2H26 and likely to build further momentum into 2027. Management has guided to 60% annual sales growth in the group’s Data Center division for the next 3-5 years, which should result in 35%+ annual growth in group revenues. Margins should rise as the group benefits from scale economies, and we estimate AMD has the potential to grow EPS by 50%+ per annum through the end of this decade should their GPU business scale as expected. With the stock valued at 30x NTM P/E, we think AMD is priced for mid 20s annualised returns from here for a number of years.

UNPACKING THE HY/FY 2025 RESULTS

- **Revenue $10.27bn +34%** year on year & +11% sequentially – they had guided to $9.6bn at the midpoint; consensus $9.65bn. 6% beat and above the top-end of their usual “+/- $300m” guidance range.
  - **Data Center**: $5.38bn +39% y/y. Included $390m of MI308 sales to China that was not in their guidance; y/y growth of 29% ex these sales and still +650m sequential growth.
  - **Client:** $3.1bn +34% y/y
  - **Gaming:** $843m +50% y/y
  - **Embedded:** $950m +3% y/y (slight return to growth after -8% in Q3)
- **Non-GAAP GP margin 57%** - significantly ahead of their guidance of 54.5%, but due principally to a $360m inventory reserve release on previously written down China chips; ex this impact, 55% GP margin – still slightly ahead of their guide and +80bps

Guidance for Q1-26:

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- Q1 revenue $9.8bn +/- $300m, including $100m of MI308 sales to China. Represents y/y growth rate of 32%; (sequential decline vs Q4 is normal seasonality, due to Client & Gaming segment; will be offset by growth in Data Center). The consensus estimate was $9.4bn prior to this print, so 4% ahead – perhaps not “enough” of a beat?
- **Non-GAAP gross margin approx. 55%** - similar to Q4-25 ex the China inventory write-backs.
- Non-GAAP opex $3.05bn (implies +39% y/y); other income $35m
- Q1 tax rate = 13%; share count 1.65bn shares.
- **Implies Q1-26 EPS of $1.25/share non-GAAP EPS; consensus prior to this print was $1.23/share – so the market wanted the guide that would result in big near-term**

y/y due to positive mix.

- **Non-GAAP EBIT $2.854bn +41% y/y** – 15% ahead of consensus estimates.

Non-GAAP EPS of $1.53/share vs $1.32/share estimate – 16% ahead of estimates.

<u>Selected comments from the earnings call:</u>

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- "**Positioned to grow our Data Center business by 60% annually over the next 3-5 years and scale our AI business to tens of billions of dollars of annual revenue** by 2027"
- *"So first of all, I think the MI450 Series development is going extremely well. So we're very happy with the progress that we have. We're right on track for a second half launch and beginning of production. And as it relates to sort of the shape of the ramp and the customer engagements, I would say the customer engagements continue to proceed very well. **We have obviously a very strong relationship with OpenAI, and we're planning that ramp starting in the second half of the year going into 2027. That is on track**. **We're also working closely with a number of other customers who are very interested in ramping MI450 quickly, just given the strength of the product, and we see that across both inference and training**. And that is the opportunity that we see in front of us. So we feel very good about sort of the data center growth overall for us in 2026 and then certainly going into 2027, we've talked about tens of billions of dollars of data center AI revenue, and we feel very good about that."*

upgrades and didn't get it. We think they land up surprising to the upside (as they did in Q4), and one should remember that the big inflection point happens from 2H26 in respect of their MI450 GPU launch, with a further ramp up into 2027, but this guide was clearly taken as "meh."

- *"… on the Data Center AI side, it's a very important year for us. It's really an inflection point. MI355 has done well, and we were pleased with the performance in Q4, and we continue to ramp that in the first half of the year. **But as we get into the second half of the year, the MI450 is really an inflection point for us. So that revenue will start in the third quarter, but it will ramp significant volume in the fourth quarter as we get into 2027**. So that gives you a little bit of sort of what the data center ramp looks like throughout the year."*
- *"Looking further ahead, we see a clear path to achieve the ambitious targets we laid out at our Financial Analyst Day last November, including **growing revenue at greater than 35% CAGR over the next 3 to 5 years, significantly expanding operating margins and generating annual EPS of <u>more than $20</u> in the strategic time frame**, driven by growth in all of our segments and the rapid scaling of our Data Center AI business."*