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ADVANCED MICRO DEVICES (AMD)

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What the Hell Happened?



Who is AMD?

- Semiconductor manufacturer producing digital-integrated circuits (ICs) used in
 - telecommunications equipment
 - data and network communications equipment
 - consumer electronics
 - personal computers (PCs)
 - workstations and servers



Why should you know AMD?

- The back of Rahat's phone?
- Inside of your computer?
- A catalyst for Intel's development team?
- Fast as hell chips a college kid paying \$40K at NYU can afford?



AMD: The Resurrection

- Worldwide Market Share
 - 17%
- American Market Share
 - 38%
- Japanese Market Share
 - 24%



Current Products

- AMD K7/Athlon CPUs
 - Fast
 - Cheap
- AMD Duron CPUs
 - Fast
 - Cheap
- AMD760 Motherboard Chipset
 - DDR Support
- Flash Memory Devices



Supporting Companies

- Chipsets
 - VIA
 - Ali
- Motherboards
 - Asus
 - Abit
- Desktops
 - Compaq
 - Gateway
 - IBM
 - Hewlett-Packard



Future Products I

- Thunderbird Follow-Ups
 - Palomino
 - Thoroughbred
- Duron Follow-Ups
 - Morgan
 - Appaloosa



Future Products II

- Hammer
 - Clawhammer
 - “K8”
 - Sledgehammer
 - “Itanium-Killer”
 - 32/64-bit
 - 4-8 chips

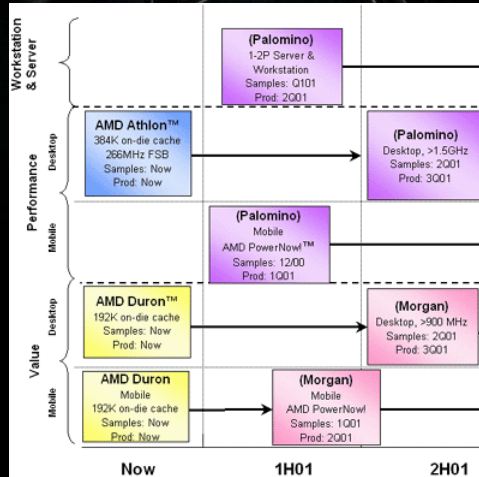


Why 64-bit?

- Massive database traversals (10GB+)
- Simulations (the thermodynamic engineering type, not The Sims)
- Encryption applications



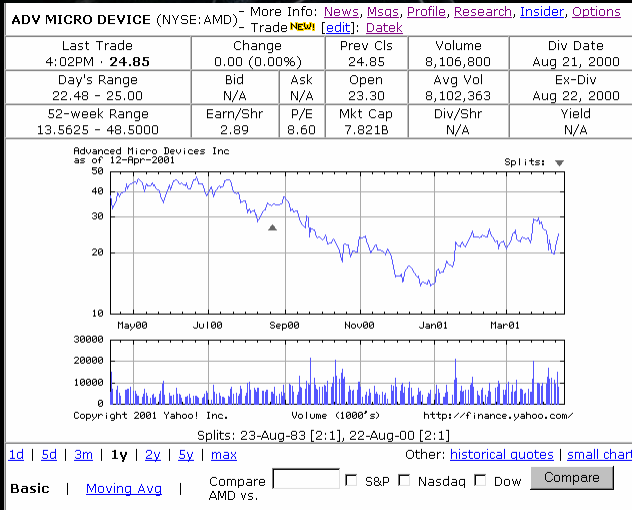
AMD Chip Roadmap



What the Hell Happened?



This is a Graph



Ticker Watch

Current Price: \$24.85	↑ 1.34
Price at opening: 23.30	day high: 25.00
Volume: 8106800	day low: 22.48
As of: close on Apr 12	
52 week high: 48.50	Outstanding shares: 314,747,008
52 week low: 13.56	
Total Market Capitalization: 7,821,463,040	



Risks

- High Debt to Equity in comparison to industry
- Intel still has the dominant market share
- AMD has lost money before, and they can potentially lose money again



AMD Financial Comparison

Profitability Ratios			Valuation Ratios				
	AMD	Industry ¹	Market ²		AMD	Industry ¹	Market ²
Gross Profit Margin	58.32%	64.49%	46.04%	Price/Sales Ratio	1.68	5.25	1.45
Pre-Tax Profit Margin	27.20%	35.57%	8.54%	Price/Earnings Ratio	8.42	20.39	29.43
Net Profit Margin	21.66%	25.13%	5.23%	Price/Book Ratio	2.47	5.27	2.83
Return on Equity	31.70%	25.30%	10.20%	Price/Cash Flow Ratio	4.93	13.72	13.39
Return on Assets	17.40%	17.50%	2.00%	Growth Rates			
Return on Invested	23.20%	22.70%	5.30%	12-Month Revenue	62.50%	26.60%	14.70%
Per Share Data (\$)	AMD	Industry¹	Market²	36-Month Revenue	24.00%	18.30%	12.30%
Revenue Per Share	14.76	5.91	19.51	Financial Ratios			
Dividends Per Share	0	0.06	0.4	Current Ratio	2.17	2.5	1.35
Cash Flow Per Share	5.04	2.26	2.11	Quick Ratio	1.5	2	0.9
Working Capital Per	4.55	2.39	1.93	Leverage Ratio	1.82	1.44	5.08
Long-Term Debt Per	3.71	0.67	8.9	Total Debt/Equity	0.41	0.13	1.26
Book Value Per Share	10.08	5.88	9.99	Interest Coverage	22.1	62.4	2.3
Total Assets Per Share	18.32	8.48	50.7				
				<i>PE</i>	<i>EPS</i>	<i>Price</i>	
				8.6	2.89	24.85	
				<i>Competitors:</i>			
				Intel	18.62	1.51	28.12
				National Semiconductor	14.86	1.8	26.75
				Transmeta		-2.18	19.15



Valuation

	1	2	3	4	5	Terminal Year
Earnings	\$3.39	\$3.98	\$4.66	\$5.47	\$6.42	\$6.80
- (CapEx-Depreciation)*(1	\$0.76	\$0.89	\$1.05	\$1.23	\$1.44	\$1.95
-Chg. Working Capital*(1-	\$1.56	\$1.83	\$2.14	\$2.51	\$2.95	\$1.20
Free Cashflow to Equity	\$1.07	\$1.26	\$1.47	\$1.73	\$2.03	\$3.65
Present Value	\$0.89	\$0.87	\$0.85	\$0.83	\$0.81	

Growth Rate in Stable Phase = 6.00%
FCFE in Stable Phase = \$3.65
Cost of Equity in Stable Phase = 10.55%
Price at the end of growth phase = **\$80.25** | Year Price **\$37.02**

Present Value of FCFE in high growth phase = **\$4.27**
Present Value of Terminal Price = **\$32.25**
Value of the stock = **\$36.52**



Recommendation

- Long Term Strong Buy
- Short Term Strong Buy
- As much as possible
- Current Price, 24.85
- 1 Year Price Target: **\$37.02**



One for the Textbooks

"Next week AMD will rudely slap most of the analysts in the face. Surprise will not even begin to describe the events next Wednesday. Sweet vindication for an outstanding, people oriented organization. When a company doesn't make any pre-warnings, what do you think is about to happen? Taking market share away from Intel will only be part of the story.

Go AMD, the next few years will be the golden age."

RIntlone / Yahoo! MessageBoard

