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
Price at opening: 23.40  day high: 25.00
Volume: 81,000  day low: 22.48
As of: close on Apr 12
52 week high: 48.59  Outstanding shares: 314,747,008
52 week low: 13.56
Total Market Capitalization: 7,021,463,040
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

<table>
<thead>
<tr>
<th>Profitability Ratios</th>
<th>AMD</th>
<th>Industry</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit Margin</td>
<td>58.72%</td>
<td>64.49%</td>
<td>48.46%</td>
</tr>
<tr>
<td>Income Margin</td>
<td>27.70%</td>
<td>35.73%</td>
<td>8.85%</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>26.76%</td>
<td>27.13%</td>
<td>5.23%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>21.70%</td>
<td>25.36%</td>
<td>10.20%</td>
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<tr>
<td>Return on Assets</td>
<td>17.40%</td>
<td>17.90%</td>
<td>2.00%</td>
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<table>
<thead>
<tr>
<th>Valuation Ratios</th>
<th>AMD</th>
<th>Industry</th>
<th>Market</th>
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</thead>
<tbody>
<tr>
<td>Price/Sales Ratio</td>
<td>1.68</td>
<td>5.35</td>
<td>1.48</td>
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<tr>
<td>Price/Earnings Ratio</td>
<td>8.42</td>
<td>20.39</td>
<td>29.45</td>
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<tr>
<td>Price/Book Ratio</td>
<td>2.47</td>
<td>5.37</td>
<td>2.83</td>
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</table>

Growth Rates

<table>
<thead>
<tr>
<th>AMD</th>
<th>Industry</th>
<th>Market</th>
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</thead>
<tbody>
<tr>
<td>4.93</td>
<td>13.72</td>
<td>13.30</td>
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</table>

Advanced Micro Devices

<table>
<thead>
<tr>
<th>PE</th>
<th>EPS</th>
<th>Price</th>
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</thead>
<tbody>
<tr>
<td>8.6</td>
<td>2.89</td>
<td>24.85</td>
</tr>
</tbody>
</table>

Competitors:

- Intel: 18.62  1.51  28.12
- National Semiconductor: 14.86  1.8  28.75
- Transmeta: -2.18  1.15
Valuation

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Terminal Year</th>
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</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>$3.39</td>
<td>$3.90</td>
<td>$4.66</td>
<td>$5.47</td>
<td>$6.42</td>
<td>$6.80</td>
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<tr>
<td>- (Depreciation)M*1</td>
<td>$0.76</td>
<td>$0.89</td>
<td>$1.05</td>
<td>$1.23</td>
<td>$1.44</td>
<td>$1.95</td>
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<tr>
<td>- (Chg. Working Capital)M*1</td>
<td>$1.66</td>
<td>$1.82</td>
<td>$2.14</td>
<td>$2.51</td>
<td>$2.95</td>
<td>$3.20</td>
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<tr>
<td>Free Cashflow to Equity</td>
<td>$1.07</td>
<td>$1.26</td>
<td>$1.47</td>
<td>$1.72</td>
<td>$2.03</td>
<td>$2.45</td>
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<tr>
<td>Present Value</td>
<td>$0.89</td>
<td>$0.87</td>
<td>$0.95</td>
<td>$0.83</td>
<td>$0.81</td>
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Growth Rate in Stable Phase = 6.00%
FCFE in Stable Phase = $2.65
Cost of Equity in Stable Phase = 10.55%
Price at the end of growth phase = $80.25
1 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
“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.”

Rintsonel / Yahoo! MessageBoard