COVERAGE INITIATION · SEMICONDUCTORS · AI ACCELERATORS AND SERVER PROCESSORS

Advanced Micro Devices, Inc. (AMD)

At $515.21, AMD shares price in about $137 billion of annual free cash flow from fiscal 2032, nearly three times the $47 billion we model for fiscal 2031 after 27% annual revenue growth; we rate the shares Underweight.

INTRINSIC VALUE	FAIR VALUE RANGE	1–3 MONTH DIRECTION	RATING
Expensive	$190–$320	Sideways to lower	Underweight
Price 1.6 times the top of the range	Weighted $208 vs price $515.21	Very high volatility	Holders reduce; Neutral near $320

INVESTMENT VIEW

01 **At $515.21 the shares need $137 billion of annual free cash flow from fiscal 2032, about 20 times fiscal 2025's.** Our reverse DCF at a 13.0% WACC needs $457–686B of fiscal 2031 revenue at 30–20% free cash flow margins, 2.7–4.0 times our $172B base case. 88% of the price pays for growth not yet earned.

02 **Even if management delivers 2027 growth above 80%, our bull case is worth $305 and returns 9.3% a year.** Q3 revenue rose 45% to $13.4B, Data Center rose 97%, and the Q4 guide of $17B is 4% above consensus. Our bull case reaches $265B of revenue and $74B of free cash flow in fiscal 2031, below the $137B required.

03 **Working capital and customer financing are absorbing the growth, with Q3 free cash flow at only 4% of revenue.** Inventory is $11.5B (+45% in nine months), customer warrants cover 19.3% of diluted shares, and AMD committed up to $5B to Anthropic, equal to 94% of nine-month free cash flow of $4.7B.

04 **Policy news, Nvidia's 17 November results and the 2 February Q4 report will test the shares, and history favors lagging.** AMD lagged the S&P 500 over the two sessions after 9 of 13 comparable reports (median −5.3%) and by a median −12.0% over the next 21 sessions. The 5 November policy sell-off cut the shares 17.3% in one day.

WHAT WOULD CHANGE OUR VIEW

UPSIDE
Fiscal 2027 free cash flow above $20B (we model $10B), with Q1 and Q2 2027 free cash flow margins above 15% and inventory flat.

DOWNSIDE
Inventory above $14B at fiscal year-end 2026 without a Q1 2027 revenue guide above $20B, a Helios delay beyond one quarter, or data-center restrictions enacted.

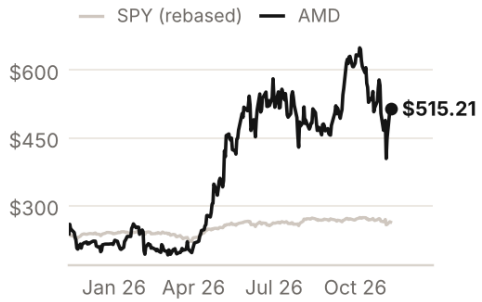
NEXT TEST
Nvidia Q3 FY2027 results on 17 November 2026 after the close; AMD Q4 2026 report about 2 February 2027.

KEY DATA

Price (10 Nov 2026 close)	$515.21
Day move / vs 6 Oct high	+1.3% / −20.7%
52-week range (intraday)	$188–$659
Diluted shares	1.66B
Market value	$845B
P/E trailing / FY2027E	110.5x / 32.8x
Q3 revenue vs estimate	$13.4B vs $13.1B
Street average target	$655 (60 analysts)
Earnings credibility	B
Next catalyst	Nvidia, 17 Nov 2026

Yahoo Finance and Robinhood (10 Nov 2026); AMD Q3 2026 release and 10-Q; TIKR (6 Oct 2026, FY2027E EPS $15.72); ABiS.

AMD vs S&P 500, one year



Yahoo Finance adjusted closes to 10 November 2026

1. Executive Summary

KEY TAKEAWAYS

At $515.21, Advanced Micro Devices (AMD) shares price in about $137 billion of annual free cash flow (operating cash flow minus capital spending) from fiscal 2032, roughly three times the $47 billion we model for fiscal 2031 after revenue compounds at 27% a year. Management's guidance for revenue growth above 80% in 2027 is supported by recognized Helios revenue and named customers, so we regard the business as exceptional and the price as unsupported. Our weighted value is $208 a share and our fair value range is $190–$320, which is why we rate the shares Underweight. Even our bull case, worth $305 a share, would return 9.3% a year from today's price against our 13.2% cost of equity.

AMD reported Q3 2026 revenue of $13.4 billion on 3 November, up 45% from a year earlier, with Data Center revenue of $8.5 billion (up 97%) and a Q4 revenue guide of about $17 billion, 4% above the $16.3 billion consensus. The shares fell 38% from their 6 October closing high to 5 November and then regained 27% by 10 November, so the price has moved far more than the reported fundamentals. This report builds on our event study of 11 November 2026, which measured how AMD reacted to 13 comparable earnings reports.

The price embeds revenue and cash flow well beyond management's own path, as the expectations gap in the table below sets out.

EXHIBIT 1 Expectations gap (reverse DCF at a 13.0% WACC against consensus and our base case)

Driver	Price implies	Consensus / management	Our base case	Base-rate position	Validation signal
Revenue, FY2031	$457–686B (54–67% a year from FY2026E $52B)	FY2027 above $94B (+80%); FY2027 EPS $15.72	$172B (27% a year)	Better than 97th percentile for a $50B base	FY2027 revenue; Q1 2027 guide
Steady-state free cash flow margin	20–30%	FY2025 19.4%; nine months 2026 13.3%	27% in FY2031	Top of AMD's five-year range (4.9–19.6%)	Q4 2026 and Q1 2027 cash flow
Return required	7.3% a year in our base case; 9.3% in our bull case	Cost of equity 13.2% (ABiS)	13.0% WACC	Not applicable	Treasury yields; equity risk premium
Dilution	Full vesting of 320M customer warrants	Q4 diluted shares about 1.67B	1.91B by FY2031 (65% of warrants vest)	Not applicable	Warrant vesting disclosures
Net gap	**Price above our bull case**				**Bearish**

Source: ABiS valuation model (WACC 13.0%, terminal growth 3.0%); AMD Q3 2026 earnings call (3 November 2026); TIKR (6 October 2026); Robinhood (10 November 2026); ABiS event study (11 November 2026).

Over the next one to three months we expect the market to trade first the AI-capital-spending and policy debate, which can drive a repricing of the whole sector, then Nvidia's results on 17 November, and then AMD's Q4 guide on 2 February 2027. Our event study found that AMD's shares lagged the S&P 500 over the two sessions after 9 of 13 comparable reports (median −5.3%) and by a median of −12.0% over the following 21 sessions, so we expect Sideways to lower with very high volatility. The upside invalidation is fiscal 2027 free cash flow above $20 billion, against the $10 billion we model, and the downside invalidation is inventory above $14 billion at fiscal year-end 2026 without a Q1 2027 revenue guide above $20 billion.

Our view: our largest disagreement is that the price requires about $137 billion of annual free cash flow while our bull case reaches $74 billion. The market may be extrapolating management's 2027 guide and discounting cash flows at a return nearer 7% than 13%, and it is giving little weight to the working capital, financing and dilution that growth is consuming. We would learn we are wrong first from the Q1 and Q2 2027 reports if free cash flow margin exceeds 15% while inventory stays flat, and conclusively from fiscal 2027 free cash flow above $20 billion.

The three bull points rest on recognized revenue and signed agreements, and the three bear points rest on arithmetic and balance-sheet trends.

- Bull: Data center AI revenue is now recognized and contracted. Q3 Data Center revenue was $8.5 billion (up 97%), first Helios racks shipped for revenue, and agreements cover up to 14 GW (OpenAI 6, Meta 6, Anthropic 2).
- Bull: Server processor share keeps rising, to 46.2% of x86 server revenue in Q1 2026 (Mercury Research), with more than 240 Venice platforms committed.
- Bull: Management expects 2027 operating expenses to grow less than half as fast as revenue, which should lift profits faster than sales.
- Bear: The price needs $137 billion of annual free cash flow from fiscal 2032, against $6.7 billion in fiscal 2025.
- Bear: Working capital and customer financing absorb the growth, with a 4% Q3 free cash flow margin, inventory of $11.5 billion (up 45% in nine months), up to $5 billion for Anthropic and warrants over 19% of shares.
- Bear: Policy, financing and competition can reset AI capital spending, as the 5 November sector sell-off, Nvidia's Rubin ramp in the same quarters and SpaceX's August choice of Nvidia show.

2. Business Overview

AMD designs processors and accelerators and relies on outside manufacturers for wafers, substrates and advanced packaging, which management said it has secured for 2027 growth. Its products are EPYC server processors, Ryzen client processors, Instinct data center accelerators (including MI455X in the Helios rack-scale system), Radeon graphics, semi-custom chips for game consoles, and adaptive chips from the 2022 Xilinx acquisition. Customers include the five companies running first Helios racks (Anthropic, Meta, Microsoft, OpenAI and Oracle), server makers such as HPE, Dell, Lenovo and Super Micro, and PC and console makers. We could not obtain customer-level concentration percentages from the filings available to us, so we rely on the named agreements.

Data Center now generates 60% of revenue and nearly all of the growth, as the segment table shows.

EXHIBIT 2 Revenue by segment ($B)

Segment	FY2023	FY2024	FY2025	Nine months 2026	Nine months YoY
Data Center	6.5	12.6	16.6	21.0	+86.9%
Client and Gaming	10.9	9.6	14.6	11.2	+5.3%
Embedded	5.3	3.6	3.5	3.0	+18.2%
Total	**22.7**	**25.8**	**34.6**	**35.2**	**+44.3%**

Source: AMD 10-K (3 February 2026) and 10-Q (3 November 2026) segment data via SEC XBRL, retrieved 11 November 2026.

By customer location in fiscal 2025, the United States provided 33% of revenue, China 22% ($7.8 billion, up 24%), Taiwan 15%, Singapore 12% and other countries 18%. Because non-US revenue is two-thirds of the total, our cost of capital adds a revenue-weighted country risk premium of 0.48% (see appendix). China exposure also carries export-license risk, which AMD flagged in 2025 for its MI308 accelerator.

3. Business and Competitive Analysis

3.1 Cycle position and operating indicators

AMD sits early in a capital-spending build that its own balance sheet increasingly funds. Q3 inventory reached $11.5 billion, up 45% in nine months and equal to 169 days of cost of sales (154 days at fiscal year-end 2025), and management said demand exceeds supply and that it will keep investing in inventory and capacity for 2027. AMD's own history shows how quickly the cycle can turn: revenue fell 3.9% in fiscal 2023 after rising 43.6% in fiscal 2022, and GAAP operating margin fell from 22.2% to 1.8% over fiscal 2021–2023, partly because of Xilinx amortization. The inventory is being built against signed deployments, which raises the cost of any slippage (operating indicators are in the appendix).

3.2 Competition and moat

AMD competes with Intel in server and PC processors and with Nvidia and custom chips in accelerators. Intel is weakening: it guided Q4 revenue to $15–16 billion on 30 October and warned that its PC slowdown would last through the first half of 2027. In accelerators, AMD says Helios delivers 15% more compute and 50% more memory than Nvidia's Vera Rubin NVL72 rack, but these are company figures with no third-party benchmark yet, and Rubin ramps in the same quarters. SpaceX said in August that it would buy only from Nvidia, and an analyst on the Q3 call asked whether custom chips and competitors' financing guarantees would favor others in 2028.

Technology leadership has translated into share and revenue in servers but not yet into pricing power in accelerators, so we rate the moat Narrow.

EXHIBIT 3 Moat scorecard

Dimension	Strength	Evidence
Intangible assets (x86 and accelerator designs)	Medium	46.2% of x86 server revenue; Helios in production with five lead customers
Switching costs	Medium in CPUs, low in GPUs	Platform validation for servers; software ecosystem for accelerators judged weaker than Nvidia's (our view; no benchmark obtained)
Network effects	Low	No evidence found
Cost advantage	Low	Same outside foundry model as Nvidia; HBM costs shared with customers
Scale	Medium	FY2025 revenue $34.6B against Nvidia's larger base (not obtained)
Overall	**Narrow**	**Earnings power value is 2.2 times adjusted net assets, consistent with a narrow moat**

Source: Mercury Research; AMD Q3 2026 call; ABiS calculations (earnings power value $94B against equity less goodwill of $43B).

4. Management, Governance, and Capital Allocation

Lisa Su has been chair and CEO throughout the period and Jean Hu is chief financial officer. We found no 2026 short-seller report, litigation or regulatory investigation at AMD. A board change was disclosed on 19 August (a director retired and Tim Ryan joined), and Su sold shares in February and March under a Rule 10b5-1 plan (reported as about $26.8 million and $16.9 million). The governance question we weigh most is structural: AMD has issued warrants to two customers and committed to invest in a third, which links its revenue to the financing of its buyers.

Capital allocation has favored reinvestment and stock-funded acquisitions over buybacks, and dilution is the weakest element.

EXHIBIT 4 Capital allocation scorecard

Dimension	Record	Score	Evidence
Buybacks	$221M repurchased in nine months of 2026, none in Q3, while the shares tripled	Medium	$6B authorization (May 2025); $1.5B of stock withheld for employee taxes in Q3
Acquisitions	Xilinx (2022) plus AI purchases: Silo AI, ZT Systems, Taalas, World Labs ($8.2B, all stock)	Medium	Goodwill $25.1B at FY2025; no impairment seen in the filings retrieved
Reinvestment	R&D $8.1B in FY2025 (23.4% of revenue); Data Center revenue +97%	Good	Segment data; ROIC 11.7% on trailing GAAP basis
Dividends	None paid in the periods reviewed	Not applicable	10-K and 10-Q cash flow statements
Dilution	320M customer warrants (19.3% of diluted shares) plus about 16M shares for World Labs; stock compensation 4.7% of revenue	Poor	10-K; AMD call; ABiS calculation
Overall		**Medium**	**Dilution weighs on the score**

Source: AMD 10-K and 10-Q; AMD press releases; Mobile World Live; fourweekmba; ABiS.

5. Financial Analysis and Earnings Quality

5.1 Financial trends

Revenue has grown at a 20.5% compound rate from fiscal 2021 to fiscal 2025 while GAAP operating margin has recovered from a trough of 1.8% to 10.7%, and free cash flow has returned to 19.4% of revenue after a low of 4.9% in fiscal 2023.

EXHIBIT 5 Five-year financial trend ($B unless stated)

Metric	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	16.4	23.6	22.7	25.8	34.6
Revenue growth	n/a	+43.6%	−3.9%	+13.7%	+34.3%
Gross margin (fiscal year, GAAP)	48.2%	44.9%	46.1%	49.4%	49.5%
Operating margin (fiscal year, GAAP)	22.2%	5.4%	1.8%	7.4%	10.7%
Net income	3.2	1.3	0.9	1.6	4.3
Operating cash flow	3.5	3.6	1.7	3.0	7.7
Free cash flow	3.2	3.1	1.1	2.4	6.7
Free cash flow margin	19.6%	13.2%	4.9%	9.3%	19.4%
R&D, share of revenue	17.3%	21.2%	25.9%	25.0%	23.4%
Stock compensation, share of revenue	2.3%	4.6%	6.1%	5.5%	4.7%

Source: AMD 10-K filings (FY2023 and FY2025) via SEC XBRL, retrieved 11 November 2026; ABiS calculations. Free cash flow is operating cash flow minus purchases of property and equipment.

AMD trades at 110.5 times trailing GAAP earnings against 22.6 times for Nvidia, 25.0 times for TSMC and 40.8 times for Broadcom, even though its earnings are depressed by acquisition amortization and the warrant charge (see appendix).

5.2 Earnings quality

We grade AMD's earnings credibility B. The cash tests are clean: accruals were negative in each of the last three fiscal years (−4.6% of average assets in FY2025), operating cash flow was 1.8 times net income, and the Beneish M-Score, a screen for earnings manipulation where values above −1.78 flag risk, was −2.68. The two flags are mild but moving the wrong way: inventory days rose from 130 in FY2023 to 169 in Q3 2026, and Q3 free cash flow fell to $554 million (a 4% margin) as inventory and receivables absorbed cash. The non-GAAP figures that headline AMD's reports also exclude $1.5 billion of stock compensation and $1.2 billion of warrant charges over nine months.

EXHIBIT 6 Earnings-quality checks

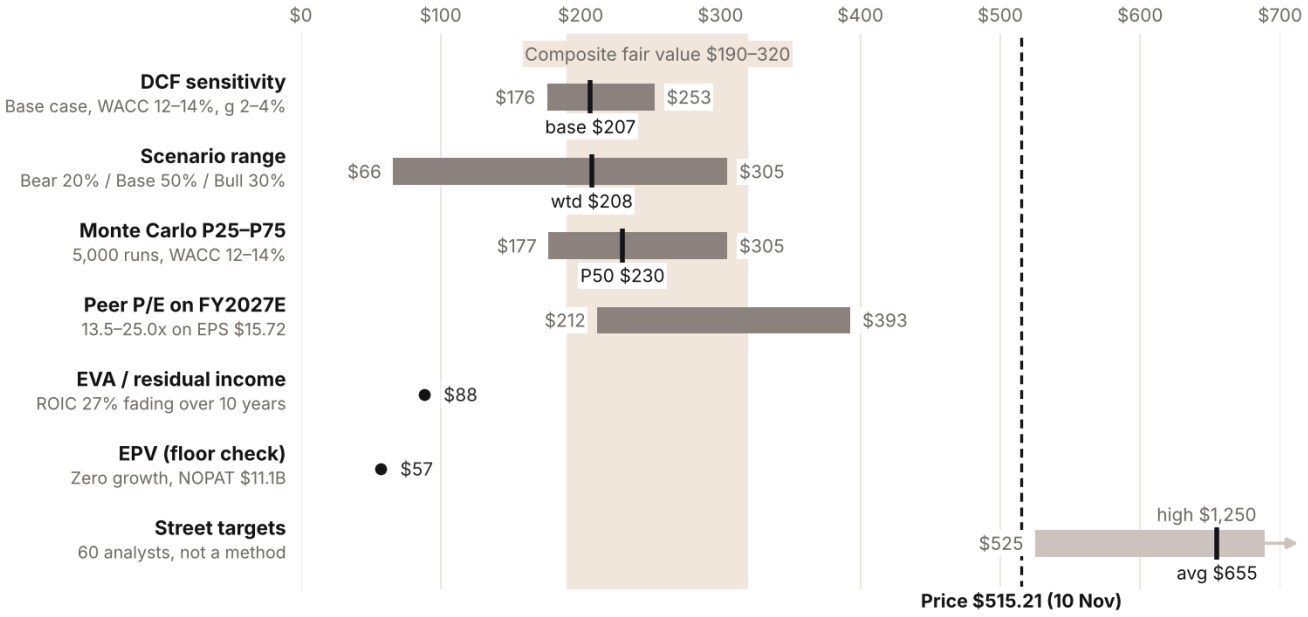
Check	Result	Verdict	Evidence
Accruals and cash conversion	−4.6% of assets; CFO 1.8x net income (FY2025)	Pass	10-K
Beneish M-Score	−2.68 (FY2025); −2.48 (FY2024)	Pass	ABiS from 10-K
Revenue recognition	Receivable days 63 in Q3 against 56 in Q4 2025	Minor flag	10-Q
Inventory	169 days against 154; +45% in nine months	Flag	10-Q
Capitalization	Capital spending 1.3x depreciation excluding intangibles (FY2025)	Pass	10-K
Governance and audit	No investigation or restatement found	Pass	Searches, 11 November 2026
Credibility grade		**B**	**Flags are mild and tied to growth**

Source: AMD 10-K and 10-Q via SEC XBRL; ABiS calculations.

Because AMD invests in and issues warrants to its customers, we measure free cash flow before and after those commitments: $4.68 billion in nine months of 2026, $3.17 billion after stock compensation, and negative $1.83 billion after the up to $5.0 billion Anthropic investment (see appendix). We could not obtain receivables days by customer, the terms of the Anthropic investment or any off-balance-sheet guarantees.

6. Valuation

EXHIBIT 7 Valuation football field ($ per share)



Source: ABiS valuation model; Robinhood (9 November 2026 for Street targets). Bars show method ranges, ticks show weighted or base values, the shaded band is the composite range, and Street targets are shown for reference only.

KEY TAKEAWAYS

Four methods place AMD's fair value at $190–$320 against a price of $515.21, and none of them reaches the price, including the bull scenario at $305. The conclusion holds across discount rates, because the probability-weighted value is $310 even at a 10% WACC. We label the shares Expensive.

6.1 What the price implies

A reverse DCF solves for the cash flows that justify today's price. At a 13.0% WACC (weighted average cost of capital, here equal to our cost of equity) and 3.0% terminal growth, the enterprise value of $847 billion requires free cash flow of $137 billion a year from fiscal 2032. A second test, the present value of growth opportunities (PVGO, the part of the price that pays for growth not yet earned), shows that 88% of the price is growth: zero-growth earnings of $8.0 a share (our fiscal 2026 non-GAAP estimate) are worth $62 at a 13.0% discount rate. Revenue of $457–686 billion at 30–20% free cash flow margins is 2.7–4.0 times our base case (see appendix).

For perspective, our base case already assumes a 27% revenue CAGR from a $52 billion base, which is better than the 97th percentile of historical outcomes (Mauboussin's base-rate research finds that only 1–3% of companies growing above 20% sustain it for ten years). We justify it with signed agreements for up to 14 GW and an analyst-cited range of $15–20 billion of revenue per gigawatt, but it remains a demanding path.

6.2 Scenario DCF

The three scenarios differ in AI capital spending, share, margins and warrant vesting. Free cash flow margins come from an explicit bridge (operating income, tax at 15%, capital spending and working capital at 20–30% of incremental revenue), which is why they start near 10% in fiscal 2027 and rise toward 27%.

EXHIBIT 8 Scenario assumptions and values

Assumption	Bear	Base	Bull
Revenue FY2027 / FY2031 ($B)	72 / 70	88 / 172	98 / 265
Free cash flow margin FY2027 / FY2031	11% / 18%	12% / 27%	10% / 28%
Customer warrants vesting by FY2031	25%	65%	100%
Diluted shares FY2031 (B)	1.79	1.91	2.03
Value per share	$66	$207	$305
Return from $515.21 (IRR)	4.3%	7.3%	9.3%
Evidence grade	Medium	Central case, not graded	Medium-strong
Probability	20%	50%	30%

Source: ABiS valuation model (WACC 13.0%, terminal growth 3.0%, five-year fade); AMD Q3 2026 call.

The bear scenario models an AI capital-spending digestion, with revenue falling from $72 billion in fiscal 2027 to $62 billion in fiscal 2029, because every previous semiconductor expansion has been followed by an inventory correction and AMD's own revenue fell in fiscal 2023. Its evidence grade is Medium: inventory of $11.5 billion at 169 days, a 4% free cash flow margin in Q3, the 5 November policy sell-off, and customer financing concerns. The bull case delivers management's 2027 guide and a $265 billion revenue base by fiscal 2031. Its evidence grade is Medium-strong: recognized Helios revenue, a Q4 guide above consensus, five named customers and demand above supply. Under the house rule a one-step gap favoring the bull case gives weights of 20% bear, 50% base and 30% bull; equal grades would give $196 and a two-step gap $213, so the weighting moves the value by no more than 6%. Across a WACC of 12–14% and terminal growth of 2–4% the base case is worth $176–$253, so no cell reaches the price (see appendix).

6.3 Cross-checks and composite range

Earnings power value (EPV, normalized earnings capitalized with no growth) is $57 a share and acts as a floor. The economic value added (EVA) method, which values the franchise as invested capital plus the present value of returns above the cost of capital as they fade over ten years, gives $82–$96 at a 27% return on capital. A peer test applies the interquartile range of peer trailing P/E multiples (13.5–25.0x) to consensus fiscal 2027 earnings of $15.72 and gives $212–$393. A Monte Carlo run with growth, margin and discount-rate distributions gives a median of $230, and 98% of the 5,000 runs are below the price.

EXHIBIT 9 Valuation summary

Method	Value per share	Versus price	Role	Key assumption
Reverse DCF and PVGO	Not applicable	Price needs $137B of free cash flow	Framework	13.0% WACC; 88% of price is growth
Scenario DCF (weighted)	$208 (bear–bull $66–$305)	−60%	Primary	Weights 20/50/30
Monte Carlo (P25–P75)	$177–$305	−66% to −41%	Primary	Growth 27% ± 8%; WACC 12–14%
Peer P/E on FY2027E	$212–$393	−59% to −24%	Primary	Consensus EPS $15.72 (6 October)
EVA	$82–$96	−84% to −81%	Check	Excess returns fade over 10 years
EPV	$57	−89%	Floor	NOPAT $11.1B, no growth
Composite range	**$190–$320**	**−63% to −38%**		**Weighted value $208**

Source: ABiS valuation model; Robinhood (10 November 2026); TIKR (6 October 2026). The composite averages the lows and highs of the three primary methods.

The composite implies an expected return of −60% to the weighted value. Our view: the valuation rests less on this quarter's revenue than on whether AMD can sustain a 25–30% free cash flow margin on more than $150 billion of revenue through a full cycle, and the price leaves that outcome no room to fall short. AMD's current earnings are not at a cyclical low, so we normalize earnings power value with a 25% operating margin rather than applying a mid-cycle multiple to peak profit. If revenue, gross margin, inventory days, Helios shipments or customer capital spending breach the thresholds in section 9, we would cut our long-term assumptions further.

7. Analyst View Summary

Sell-side opinion is the opposite of ours: 51 of 60 analysts rate the shares buy, none rate them sell, and Street targets range from $525 to $1,250 with a mean of $655.11, 27% above the price (Robinhood, 9 November). Oppenheimer upgraded the shares to "Outperform" with a $600 target on 9 November, citing the Q3 call and modeling 2027 Data Center revenue growth of 135%. The only published estimates we obtained pre-date the Q3 report: consensus fiscal 2027 earnings of $15.72 and fiscal 2028 earnings of $22.82 (6 October), so post-print revisions are probably higher and we flag that as a gap. Our fiscal 2027 revenue of $88 billion is 6% below management's guide and our earnings of about $14 are 10% below consensus (see appendix).

The expectations gap in section 1 is where we differ: the Street and we agree that revenue growth will be extraordinary and disagree on what that revenue is worth, because we use a 13.0% discount rate, include working capital and warrant dilution, and cap margins at the top of AMD's own history.

8. Recent News and Catalysts

AMD's recent news has been dominated by the sector, and the company-specific events mostly support revenue while raising financing questions. The largest sessions since July were the 1.5% gain on the Anthropic agreement (22 July), the 10.9% fall on Intel's guidance (30 October), the 17.3% fall after the midterms (5 November) and the 13.3% rebound on an Oppenheimer upgrade and a Google Cloud agreement (9 November); the full table is in the appendix.

The next scheduled tests are Nvidia's results and AMD's own Q4 report, with product and policy milestones in between.

EXHIBIT 10 Catalyst calendar

Date	Event	Direction	Logic	Status
2026-11-17	Nvidia Q3 FY2027 results	Mixed	Read-through on AI demand; AMD fell after two of the last three	Confirmed
2026-12	World Labs closing	Bear	About 16M new shares	Company target
2027-02-02	AMD Q4 2026 results and Q1 guide	Mixed	Tests the 2027 growth claim	Unconfirmed
Early 2027	Venice cloud instances	Bull	Server processor share	Company target
1H 2027	Anthropic first gigawatt	Bull	Revenue and warrant vesting	Company target
2H 2027	MI500 launch	Bull	Product cadence	Oppenheimer
Undated	State data-center moratorium proposals	Bear	Cuts capital spending	Market expectation

Source: Robinhood; AMD Q3 2026 call; Mobile World Live; CNBC; Motley Fool; ABiS.

8.1 Forecast register

Each forecast below is dated, scoreable and kept unchanged once published.

EXHIBIT 11 Forecast register

Forecast	Baseline	Range or direction	Validation date	Leading indicator and invalidation	Status
Q4 2026 revenue	Guide $17.0B ±3%	$17.0–$17.8B	2027-02-02	Helios shipments; below $16.5B invalidates	Open
Q4 2026 gross margin (quarterly, non-GAAP)	Guide about 55%	54.5–56.0%	2027-02-02	HBM costs; below 54% invalidates	Open
Q1 2027 revenue guide midpoint	Q4 guide $17.0B	$18.5–$21.5B	2027-02-02	Above $21.5B would favor the bull case	Open
Q4 2026 inventory	$11.5B at Q3	$12.0–$14.5B	2027-02-03	Above $14.5B without a higher guide is bearish	Open
Q4 2026 free cash flow margin	4% in Q3	5–12%	2027-02-02	Above 15% favors the bull case	Open
FY2027 revenue	$52.2B FY2026E	$80–$92B	2028-02-01	Above $100B invalidates our base	Open
FY2027 free cash flow	$4.7B in nine months of 2026	$8–$14B	2028-02-01	Above $20B invalidates our rating	Open
AMD vs S&P 500, 63 trading days	Price $515.21	Sideways to lower	2027-02-12	Above +5% invalidates	Open
Q4 warrant remeasurement	$1.1B charge in Q3	Gain if AMD closes below $630.63 on 24 December 2026, other inputs unchanged	2027-02-02	Charge if above	Open

Source: ABiS. Dates after 2027-02-02 follow AMD's tentative reporting calendar.

9. Investment Conclusion, Counter-Case, and Position Sizing

9.1 Conclusion

KEY TAKEAWAYS

We rate AMD Underweight because the shares at $515.21 trade 61% above the top of our $190–$320 fair value range and 69% above our bull case. The business is delivering, which is why we expect the shares to stay volatile rather than fall steadily, and our direction for the next one to three months is Sideways to lower with very high volatility. Holders should reduce, and we would turn Neutral near $320 and call the shares Cheap only below about $160.

Decision triad. Intrinsic value view: Expensive. 1–3 month market trading direction: Sideways to lower, very high volatility. Investment action: Underweight, holders reduce. The three judgments differ for clear reasons. The intrinsic value label is Expensive because the price is more than 1.15 times the top of the range. The direction is Sideways to lower rather than Lower because management's guidance, an Oppenheimer upgrade and a 27% rebound can sustain the shares for a while, while the Q4 report has historically been followed by underperformance. The rating is Underweight because the matrix for an Expensive label with very high uncertainty is Avoid, and no earnings-credibility veto applies. If this were a cash decision today, we would not buy the shares at $515.21, because even our bull case returns less than the 13.2% we require.

9.2 Counter-case and pre-mortem

Our rating fails if the market accepts a return nearer 8% than the 13% we use, or if Helios revenue exceeds our bull case with higher cash conversion than we model. The strongest counter-evidence is Medium-strong: AMD recognized its first MI455X and Helios revenue in Q3, guided Q4 above consensus, and says it has secured supply for 2027. We responded by raising the bull weight to 30% and by choosing Sideways to lower rather than Lower for the one-to-three-month direction. We did not change the label, because every scenario remains below the price.

EXHIBIT 12 Pre-mortem, three ways this call could fail within a year

Failure scenario	Mechanism	Evidence strength	Monitoring signal	Test date
Discount rate falls	Market accepts a 7–9% return for AI leaders	Medium	10-year yield below 4%; AMD staying above $450 after Nvidia	2027-02-03
Cash conversion beats our bridge	Working capital normalizes; FY2027 free cash flow above $20B	Medium-strong	Q4 and Q1 free cash flow margin above 15%	2027-05
Helios ramps faster	Revenue above $100B in FY2027 with gross margin above 58%	Medium	Q1 2027 guide above $21.5B	2027-02-02

Source: ABiS.

The prior ABiS event study (11 November 2026) is the only earlier work on AMD and contains no equity-research forecasts, so there is nothing to review.

9.3 Position thinking

The probability-weighted expected return is −60%, and 98% of Monte Carlo runs value the shares below the price. All three scenarios lie below the price, so the upside-to-downside ratio is not defined and the Kelly-style sizing the model computes is zero. Our assessment: the risk-reward supports no long position, and we advise holders to reduce. A short position is not our recommendation, because the shares' beta of 1.65 (3.2 on recent daily data), a 27% three-day rebound and policy-driven swings make the path hard to hold.

9.4 Monitoring list

- Upside invalidation: free cash flow margin above 15% in Q1 or Q2 2027, or fiscal 2027 free cash flow above $20 billion.
- Downside invalidation: inventory above $14 billion at fiscal year-end 2026 without a Q1 revenue guide above $20 billion, a Helios delay of more than one quarter, or enacted limits on data-center construction or chip exports.
- Data Center revenue below $9.5 billion in Q4 2026, or growth under 90% year on year, would weaken the bull scenario.

9.5 Confidence

EXHIBIT 13 Confidence self-assessment

Dimension	Score	Note
Data completeness	Medium	Customer concentration, post-Q3 consensus and receivables by customer not obtained
Valuation convergence	Medium	Ranges overlap at $200–$300; all lie below the price
Expectations gap clarity	High	Price requires $137B of free cash flow; falsifiable by FY2027 cash flow
Earnings credibility	B	Clean cash tests; inventory and financing flags
Overall confidence	**Medium**	**The label is robust, the timing is not**

Source: ABiS.

Appendix: supporting exhibits

Operating indicators and recent news that support chapters 3 and 8 are set out first.

EXHIBIT 14 Value-chain position and operating indicators

Indicator	Latest	Direction	Source
Value-chain position	Design company; wafers and packaging outsourced	Unchanged	Q3 2026 call
Revenue mix	Data Center 64% of Q3 revenue, 47% a year earlier	Rising	Q3 2026 call
Units and ASP	Not obtained; Helios rack estimated at $5.0–5.5M vs $3.5–4.0M for Nvidia Vera Rubin	Not obtained	Futurum via CNBC
Share	46.2% of x86 server processor revenue (Q1 2026)	Rising	Mercury Research
Gross margin (quarterly, non-GAAP)	56% in Q3; about 55% guided for Q4	Easing	AMD release
Inventory days	169 (Q3 2026)	Up from 154	ABiS from 10-Q
Capital spending	$1.85B in nine months, against $0.75B a year earlier	Up 145%	AMD 10-Q
Customer concentration	Not obtained	Not obtained	Not obtained
China revenue	22% of FY2025 revenue	Up 24% in FY2025	AMD 10-K

Source: sources as listed; ABiS calculations. Non-GAAP excludes stock compensation, acquisition amortization and warrant remeasurement.

EXHIBIT 15 Recent news and market reaction

Date	Event	AMD move	Direction	Implication
2026-07-22	Anthropic: AMD to invest up to $5B; 2 GW of MI450	+1.5%	Bull and bear	Revenue visibility, but customer financing
2026-08-17	$4.75B of senior notes sold at 4.6–5.5%	−1.6%	Bear	Debt $7.1B from $3.2B
2026-09-26	Agreed to buy World Labs for $8.2B in stock	−3.6% (28 Sep)	Bear	About 16M new shares
2026-10-30	Intel guides Q4 revenue to $15–16B	−10.9%	Bear	Sector and PC demand
2026-11-03	Q3 results; Q4 guide $17B	+1.0% (4 Nov)	Bull	Guide 4% above consensus
2026-11-05	Midterm result; state data-center moratorium fears	−17.3%	Bear	Policy risk to capital spending
2026-11-09	Oppenheimer upgrade; Google Cloud selects EPYC	+13.3%	Bull	Sentiment recovery

Source: AMD releases; Reuters via The Star; Motley Fool (5 November 2026); CNBC (9 November 2026); ABiS calculations on Yahoo Finance closes.

AMD's multiple is the highest of the large semiconductor peers except Arm.

EXHIBIT 16 Valuation multiples against semiconductor peers (10 November 2026)

Company	Market value ($B)	Trailing P/E	Price to book
AMD	845	110.5x	12.2x
Nvidia	4,152	22.6x	18.8x
Broadcom	1,585	40.8x	15.3x
TSMC	2,057	25.0x	10.0x
Qualcomm	186	13.5x	6.0x
Micron	820	9.9x	6.0x

Source: Robinhood fundamentals, 10 November 2026. Intel (negative earnings) and Arm (213.5x) are excluded as not meaningful. Trailing P/E uses GAAP earnings; on non-GAAP earnings of $6.65 AMD trades at 77.5x.

Free cash flow turns negative once the Anthropic commitment is counted.

EXHIBIT 17 Free cash flow before and after strategic items, nine months 2026 ($B)

Item	Amount
Operating cash flow	6.52
Capital spending	−1.85
Free cash flow	**4.68**
Stock compensation	−1.51
Free cash flow after stock compensation	**3.17**
Up to $5.0B Anthropic investment (committed, milestone-based)	−5.00
Pro forma after Anthropic	**−1.83**

Source: AMD 10-Q (3 November 2026); Mobile World Live (22 July 2026); ABiS. We could not obtain receivables days by customer, the terms of the Anthropic investment, or any off-balance-sheet guarantees.

The price requires three to four times our base-case revenue.

EXHIBIT 18 Revenue required by the price (reverse DCF)

Steady-state free cash flow margin	Revenue required, FY2031 ($B)	Implied revenue CAGR from FY2026E	Multiple of our base case
20%	686	67%	4.0x
25%	549	60%	3.2x
30%	457	54%	2.7x

Source: ABiS valuation model; fiscal 2026 revenue estimate of $52.2B is nine-month actual of $35.2B plus the Q4 guide midpoint of $17.0B.

No combination of discount rate and terminal growth in the grid reaches the price.

EXHIBIT 19 Base-case value by discount rate and terminal growth ($ per share)

WACC	Terminal growth 2%	Terminal growth 3%	Terminal growth 4%
12.0%	217	233	253
13.0%	195	207	222
14.0%	176	186	198

Source: ABiS valuation model. No cell exceeds the price of $515.21, so none is bolded.

The Street and ABiS differ most on what the revenue is worth.

EXHIBIT 20 Street versus ABiS

Item	Street	ABiS	Gap
Rating mix	51 buy, 9 hold, 0 sell	Underweight	Opposite
Value per share	Mean target $655	Fair value range $190–$320	−51% to −71% against target
FY2027 revenue	Above $94B (management guide)	$88B base	−6%
FY2027 EPS (non-GAAP)	$15.72 (pre-Q3)	About $14	−10%
Q4 2026 revenue	$16.3B before the print	$17.0–$17.8B	Above Street

Source: Robinhood (9 November 2026); TIKR (6 October 2026); CNBC (9 November 2026); Stocktwits (4 November 2026); ABiS. ABiS fiscal 2027 EPS of about $14 uses a 32% operating margin, 15% tax and 1.70B shares.

Quarterly results show revenue growth accelerating while gross margin (quarterly, GAAP) has stayed near 54%.

EXHIBIT 21 Quarterly results, last eight quarters

Quarter	Revenue ($B)	Gross margin (quarterly, GAAP)	Net income ($B)	Revenue YoY
Q4 2024	7.66	50.7%	0.48	n/a
Q1 2025	7.44	50.2%	0.71	n/a
Q2 2025	7.69	39.8%	0.87	+31.7%
Q3 2025	9.25	51.7%	1.24	+35.6%
Q4 2025	10.27	54.3%	1.51	+34.1%
Q1 2026	10.25	52.8%	1.38	+37.8%
Q2 2026	11.54	53.8%	2.30	+50.1%
Q3 2026	13.38	53.9%	2.43	+44.7%

Source: Robinhood financials from SEC filings, retrieved 11 November 2026. Q2 2025 includes an $800 million inventory charge tied to MI308 export licensing. Year-on-year figures for Q4 2024 and Q1 2025 need FY2023 quarters, which we did not retrieve.

The cost of capital follows the house defaults, and the single largest sensitivity is the discount rate.

EXHIBIT 22 Cost of capital build

Input	Value	Source
Risk-free rate	4.98%	U.S. Treasury par yield curve, 10-year, 10 November 2026
Beta	1.65	Two-year weekly regression against SPY (raw 1.96), Blume-adjusted, rounded to 0.05
Equity risk premium	4.5%	House default
Country risk premium	0.48%	Damodaran (January 2026) weighted by FY2025 revenue by customer location
Cost of equity	13.20%	4.98% + 1.65 × (4.5% + 0.48%)
WACC	13.0%	Net cash is 1% of market value, so WACC equals cost of equity; rounded to 0.5 points
Terminal growth	3.0%	House default

Source: U.S. Treasury; Damodaran; ABiS calculations on Yahoo Finance weekly closes.

EXHIBIT 23 Weighted value by discount rate and scenario weights ($ per share)

WACC	Bear	Base	Bull	Weighted 20/50/30
9.5%	100	333	500	337
10.0%	93	307	460	310
11.0%	82	265	395	268
12.0%	73	233	345	235
13.0%	66	207	305	208

Source: ABiS valuation model. At equal 25/50/25 weights and 13.0% the value is $196; at 20/45/35 it is $213. Even a 9.5% WACC leaves the weighted value 35% below the price.

EXHIBIT 24 Inventory and supply cycle

Layer	Current level	Direction	Source
Company inventory	$11.5B; 169 days of cost of sales	Up from 154 days	AMD 10-Q
Customer and channel inventory	Not obtained	Not obtained	Not obtained
Industry inventory cycle and PC units	Management plans for double-digit PC unit decline in 2027	Down	AMD Q3 2026 call
Wafer, substrate and packaging supply	Secured for 2027; DDR5 still to be secured	Tight	AMD Q3 2026 call
Memory pricing	HBM costs shared with customers	Rising	AMD Q3 2026 call

Source: as listed. Yield and capacity utilization are not disclosed by AMD.

EXHIBIT 25 Product roadmap and validation nodes

Product	Timing	Status	Customers	Risk
MI455X and Helios	Revenue from Q3 2026; deployments rise in Q4	Volume shipments began	OpenAI, Anthropic, Meta, Microsoft, Oracle	HBM4 cost; Rubin competition
Venice (next EPYC)	Revenue shipments from Q3 2026; cloud early 2027	Ramping	More than 240 platforms committed	Intel response
MI500	2H 2027	Announced	Not obtained	Execution
Gigawatt programs	OpenAI from Q4 2026; Anthropic 1H 2027	Contracted	OpenAI, Meta, Anthropic	Timing of vesting and deployment

Source: AMD Q3 2026 call; Mobile World Live; CNBC (9 November 2026); Data Center Knowledge.

EXHIBIT 26 Cross-cycle valuation assumptions

Assumption	Bear	Base	Bull	Basis
End-market demand	Capital spending digests after FY2027	14 GW contracts deliver by about 2030	TAM of $2T by 2030	AMD estimate; Q3 call
Share and ASP	Rubin and custom chips cap pricing	Helios at premium rack price	Premium and share gains	Futurum via CNBC
Cross-cycle gross margin (non-GAAP)	50%	55%	57%	Q4 guide 55%
Cross-cycle operating margin (non-GAAP)	18–28%	32–37%	33–38%	Q3 29%
Probability	20%	50%	30%	Evidence grades

Source: ABiS; AMD Q3 2026 call.

Key valuation assumptions are in the scenario exhibit above and the cost of capital build here. The research-output checker returned no P0 or P1 issues on the financial inputs and one informational note, the M-Score of −2.68, which is below the −1.78 threshold.

Method and data notes

Method and data notes: price is the 10 November 2026 close of $515.21 (Yahoo Finance), the last official close before work started on 11 November. Shares are 1.661 billion diluted weighted-average shares from the Q3 2026 10-Q, held flat in the first year and diluted afterward by stock compensation, customer warrants and the World Labs acquisition. Net cash of $8.7 billion is cash and short-term investments of $15.8 billion less debt of $7.1 billion at 26 September 2026. The explicit forecast covers fiscal 2027–2031 and excludes the Q4 2026 stub. The cost of capital uses a 4.98% risk-free rate (10-year Treasury par yield, 10 November 2026), a beta of 1.65 (two-year weekly regression, raw 1.96, adjusted with the 0.67 × raw + 0.33 formula), the 4.5% equity risk premium plus a 0.48% revenue-weighted country premium from Damodaran's January 2026 table, and a 13.0% WACC after rounding 13.2% to the nearest half point. Terminal growth is 3.0%. All discounted cash flow, earnings power, economic value added and Monte Carlo values come from our valuation script, with assumptions saved for re-running. The script's calibration rule places the price in its "significantly overvalued" band (above 1.5 times the top of the range), which we publish as Expensive. Tax in the free cash flow bridge is 15%, an ABiS assumption, and working capital intensity of 20–30% of incremental revenue is also ours. We could not obtain customer concentration, post-Q3 consensus, Morningstar's rating or any Q3 non-GAAP operating expense history. This is historical and model-based analysis and is not investment advice.

House rules H-2026-11-10.2; skill equity-research v5; inputs: price $515.21 (10 November 2026 close, Yahoo Finance), risk-free 4.98%, beta 1.65, equity risk premium 4.5%, WACC 13.0%, terminal growth 3.0%.

Disclaimer: not investment advice. ABiS Capital Research is not a licensed adviser, and nothing here is a recommendation to buy or sell any security.

Sources

Industry appendix: semiconductors. Sources and timestamps: AMD Q3 2026 results release (3 November 2026, via MFN) and call transcript (Motley Fool, 4 November 2026); AMD 10-K (filed 3 February 2026) and 10-Q (filed 3 November 2026) and earlier 10-K (31 January 2024) via SEC XBRL, retrieved 11 November 2026; Robinhood quotes, fundamentals, analyst ratings and earnings calendar (9–10 November 2026); Yahoo Finance adjusted closes and earnings calendar (retrieved 11 November 2026); U.S. Treasury par yield curve (10 November 2026); Damodaran country risk premiums (January 2026); TIKR on consensus earnings (6 October 2026); CNBC on Oppenheimer's upgrade (9 November 2026); Stocktwits on the Q4 consensus (4 November 2026); Motley Fool on the 5 November sell-off; Mobile World Live and The Next Web on Anthropic (July 2026); Reuters via The Star on the $4.75 billion bond sale (14 August 2026); crnasia and Verdict on World Labs (September 2026); Mercury Research via Tom's Hardware and technews.tw on processor share; Futurum via CNBC and Data Center Knowledge on Helios pricing and timing; MarketBeat on Lisa Su's share sales (February–March 2026); Honolulu Star-Advertiser on Intel (30 October 2026); ORTEX on short interest (2 November 2026).

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