

Advanced Micro Devices (NASDAQ: AMD)

AMD has a current price of \$83 and is right under the average estimated price from analysts. Its High is projected to be \$120 and low is projected to be around \$65. It is currently overvalued since it has a 161 p/e ratio, which is extremely high. It is very volatile as its highs and lows have been erratic over the past year (159% change) (high 52: \$90) (low 52: \$30).

Although it has been one of the best growth stocks this year, I think that a level of caution is required when analysing AMD. It has been largely boosted due to the Intel delays, which has led to AMD gaining more market share in the semiconductor sector. On July 23, Intel announced a six-month delay in production of its already behind-schedule 7-nanometer processors. Intel now expects to ship its first 7-nanometer processors in late 2022 or early 2023. By that time, AMD could be making 3-nanometer processors. AMD's share of notebook PC processor sales hit a record high of 19.9% in the June quarter. Its share was 14.1% in the year-earlier period.

This shift to the favour of AMD has led to drastic changes by tech companies, opting to have AMD chips instead of Intel due to their delay. Microsoft, for instance, is reportedly planning to switch from Intel to AMD for its upcoming Surface laptop, probably frustrated by the shortage.

A cause of concern, however, is that AMD is not in the same realm as Intel in terms of company quality. Its production has been overwhelmed by the new orders and this has led to AMD pushing the launch of its high-end 16-core desktop processor — the Ryzen 9 3950X — from September to November. The high-end Threadripper parts have also been delayed to November. Supply chain chatter indicates that AMD has been forced to delay the launch of these two

Recommendation: **Hold**

AMD

Price: **\$84.64**

MSCI ESG Ranking: **BBB**

Sustainalytics' ESG Risk Ratings:
Low Risk

**Semiconductors &
Semiconductor Equipment**

Analyst: Dhruv Raval

chips because of performance issues.

Even though the potential for growth is there, how much more market share is Intel going to give to AMD for free, there will come a point when Intel will bounce back, and AMD failing to reach its competitors standards will be left in the dust. Although, before this shortage, AMD has been slowly growing from \$1.61 in 2015 to almost \$85 today. I believe it is a fair company, who might have been overachieving recently due to its competitors failures but this level of growth is not sustainable.

Most analysts already think AMD has reached its average value and has limited upside, barring any extreme changes to the marketplace. Investment in AMD is extremely volatile at the moment, and thus has high risk. After it drops, we could see the risk of purchasing AMD drop significantly as at the end of the day, AMD is fundamentally sound in terms of financials and is a company that will continue to grow.

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