

DALALBYTES FIVE-PILLAR ANALYSIS

Advanced Micro Devices

Strong fit: 3 of 5 pillars pass. The sunrise is real, the operator is the best in the industry, but the moat is still under construction

September 28, 2026 · NASDAQ: AMD

Reference price: \$630.63 (September 25, 2026 close)

3 of 5

Pillars pass

72/100

DalalBytes score

\$750

FY2029 base target*

\$1.03T

Market cap

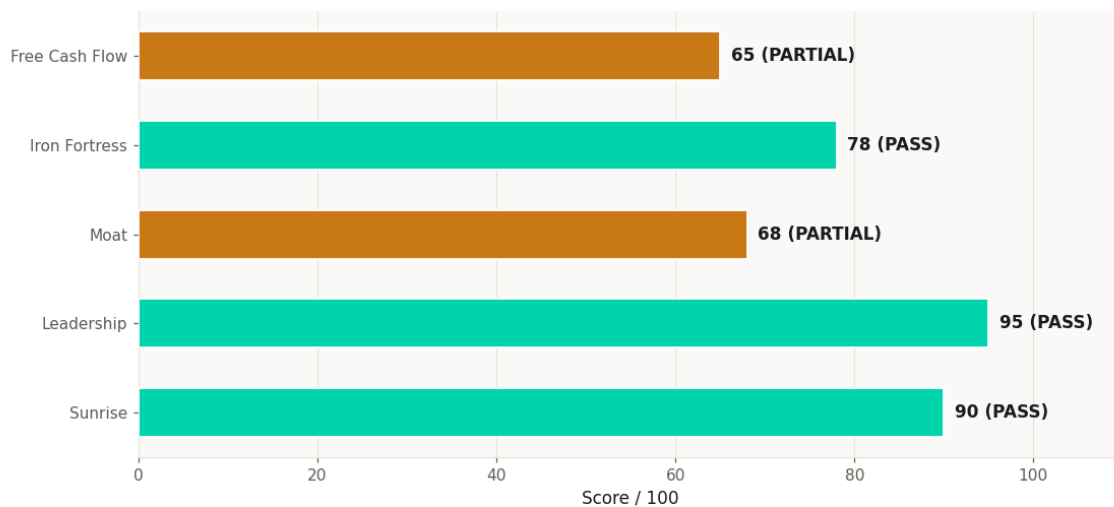
The answer first

Strong fit: 3 of 5 pillars pass.

The five-pillar analysis grades a business on five questions: is the sector a sunrise, can the leadership execute, does a moat protect returns, is the balance sheet a fortress, and does the free cash flow show up. Each pillar passes, partially passes, or fails on evidence. AMD is a strong engine fit: 3 of 5 pillars pass. The AI datacenter is the decade's strongest sunrise, and it is growing directly into AMD's strengths (data center revenue up 107% in Q2 2026, up to 14 gigawatts of Instinct commitments from Meta, OpenAI, and Anthropic). Lisa Su is the single most trusted operator in semiconductors: \$2 billion to \$1 trillion in twelve years through a sequence of kept promises. The balance sheet is a fortress with about \$9.9 billion of net cash. The two partials are the moat, where EPYC's server CPU position is genuinely defensible but the AI half of the business has a window rather than a moat against CUDA, and free cash flow, where the TTM record of about \$8.4 billion is real but the latest quarter fell 39% sequentially on a capex doubling. Composite score: 72/100. Reference price \$630.63, September 25, 2026 close. FY2029 targets (DalalBytes estimates): bear \$300, base \$750, bull \$1,050.

PASS	PASS	PARTIAL	PASS	PARTIAL
P1 SUNRISE	P2 LEADERSHIP	P3 MOAT	P4 IRON FORTRESS	P5 FREE CASH FLOW

Five-pillar grading: 3 of 5 pass, composite 72/100



DalalBytes five-pillar engine. See the five-pillar analysis for downgrade/upgrade triggers.

Pillar 1: Sunrise, PASS (90/100)

Question: is the industry growing into the company's strengths?

The AI datacenter is the strongest industry sunrise of the decade, and it is growing directly into AMD's strengths. AMD doubled its server CPU TAM forecast to \$120 billion by 2030. Bloomberg Intelligence expects the inference market to be roughly double the training market by 2032, and inference is exactly where AMD's architecture is strongest: memory capacity per GPU, open software abstractions, and price per token. Data center revenue grew 107% year over year in Q2 2026 and management guides it to roughly double again in 2027, with server CPU revenue up more than 70%. Meta, OpenAI, and Anthropic have committed up to 14 gigawatts of Instinct deployments. Sovereign AI (HUMAIN, G42, Naver) and neoclouds add demand beyond the hyperscalers. This is a textbook sunrise: a multi-year capital cycle where the customer's constraint is supply, not demand.

Downgrade trigger: a pause or cancellation wave in AI capex, or the 12-plus gigawatts of commitments converting at a fraction of announced scale.

Pillar 2: Leadership, PASS (95/100)

Question: has this team built through a cycle, and does it do what it says?

Lisa Su took over in October 2014 with the company worth about \$2 billion and near bankruptcy. Twelve years later it is worth \$1 trillion. The record is a sequence of kept promises: the Zen architecture bet (2017), the datacenter pivot, the Xilinx acquisition integration, the Instinct roadmap cadence, and the ZT Systems integration that produced Helios on schedule. She is the single most trusted operator in semiconductors among investors, and the board's March 2026 performance award (up to about \$450 million if the stock reaches \$600 by March 2031, requiring her to remain in a full-time leadership role) signals there is no succession plan because there is no succession need yet. The bench is real: Forrest Norrod runs the data center engine, Jean Hu the finances, Mark Papermaster the technology roadmap. The under-promise and over-deliver pattern is the reason the engine weights this pillar so heavily, and AMD is the exemplar.

Downgrade trigger: a Su departure or a major roadmap miss (a slipped MI generation, a broken customer commitment) that breaks the kept-promises record.

Pillar 3: Moat, PARTIAL (68/100)

Question: what stops a competitor from taking the business?

The moat is two businesses wide and one is much deeper than the other. EPYC: a genuine moat. 46.2% of x86 server CPU revenue dollars on about a third of unit shipments, a 2nm process lead Intel cannot match through 2027, 16 memory channels and PCIe Gen6 that make Venice the host-CPU anchor of AI racks, and 30-week lead times with price increases. Intel's answer is a price war it cannot afford and a process roadmap that arrives late. This half of the moat is deep.

Instinct: a contested position, not a moat. NVIDIA's CUDA has 6 million developers and 18 years of kernel optimization; NVIDIA holds roughly 68% of AI datacenter share and an order of magnitude more internal software CI capacity. AMD's counter is real but circumstantial: a memory-capacity edge (432 GB HBM4 per MI455X), open-Ethernet rack networking against proprietary NVLink, and the inference abstraction layer (vLLM, SGLang, Triton) hiding the software difference from end users. Customer warrants and co-designed silicon (Meta's custom MI450) create switching costs, but they were purchased with dilution and capital, not earned through lock-in. Training at hyperscale remains CUDA's fortress.

Partial because the direction is right and the EPYC half is genuinely defensible, but the AI half of the business, which is what the valuation prices, has no moat yet. It has a window.

Upgrade trigger: ROCm reaching true bringup-velocity parity (independent software teams choosing AMD first, not second) or inference share gains that show up in disclosed accelerator revenue. Downgrade trigger: a major customer defecting back to NVIDIA exclusivity, or CUDA library lock-in stalling the inference-abstraction trend.

Pillar 4: Iron Fortress, PASS (78/100)

Question: can the balance sheet survive the cycle turning?

Yes, with a watch item. At June 27, 2026: about \$13.1 billion of liquidity against \$3.25 billion of debt, a net cash position of about \$9.9 billion. After the quarter AMD issued \$4.75 billion of senior notes at 4.6% to 5.5% coupons, taking pro forma gross debt to about \$8 billion, still comfortably net cash. No dividend, but the company has roughly \$10 billion of buyback authorization (a fresh \$6 billion added May 2025). The fortress survives a downturn: debt is termed out, cash covers years of the current capex run rate, and the CPU business alone generates durable earnings.

The watch item: the company made zero open-market repurchases in Q2 2026 while the

stock tripled, and it is funding the AI build with debt while committing up to \$5 billion of equity capital to Anthropic and guaranteeing customer loans. The fortress is funding an empire-building phase. That is the right call if the empire arrives; it is leverage on the thesis either way.

Downgrade trigger: net debt turning positive, or the Anthropic-style capital commitments expanding into a pattern of subsidizing demand.

Pillar 5: Free Cash Flow, PARTIAL (65/100)

Question: does the business convert growth into cash?

Mostly, and increasingly, but the trend just wobbled. TTM free cash flow is about \$8.4 billion, up 108% year over year. Q1 2026 set a record at \$2.57 billion. Then Q2 2026 fell 39% sequentially to \$1.56 billion as capex more than doubled to \$808 million, inventories rose to \$8.5 billion, and accounts payable jumped 78%. H1 2026 still produced about \$4.1 billion of free cash flow on \$5.3 billion of operating cash flow, so the cash machine works. But the sequential deterioration, the working-capital stretch, and the 124.5x trailing price-to-FCF multiple (against NVIDIA's 43x) mean the market is paying for cash conversion that the latest quarter did not show.

Partial because the TTM record is real and the H1 number is strong, but a growth story at 124 times FCF cannot afford a quarter where capex doubles and payables fund the build. The next two quarters need FCF to re-accelerate with the Helios ramp.

Upgrade trigger: quarterly FCF back above \$2.5 billion with capex normalizing relative to operating cash flow. Downgrade trigger: another quarter of falling FCF with rising working capital, or disclosure that the Anthropic commitment is being funded from operating cash.

Score: 72/100

Pillar	Grade	Score
1. Sunrise	Pass	90
2. Leadership	Pass	95
3. Moat	Partial	68
4. Iron Fortress	Pass	78
5. Free Cash Flow	Partial	65

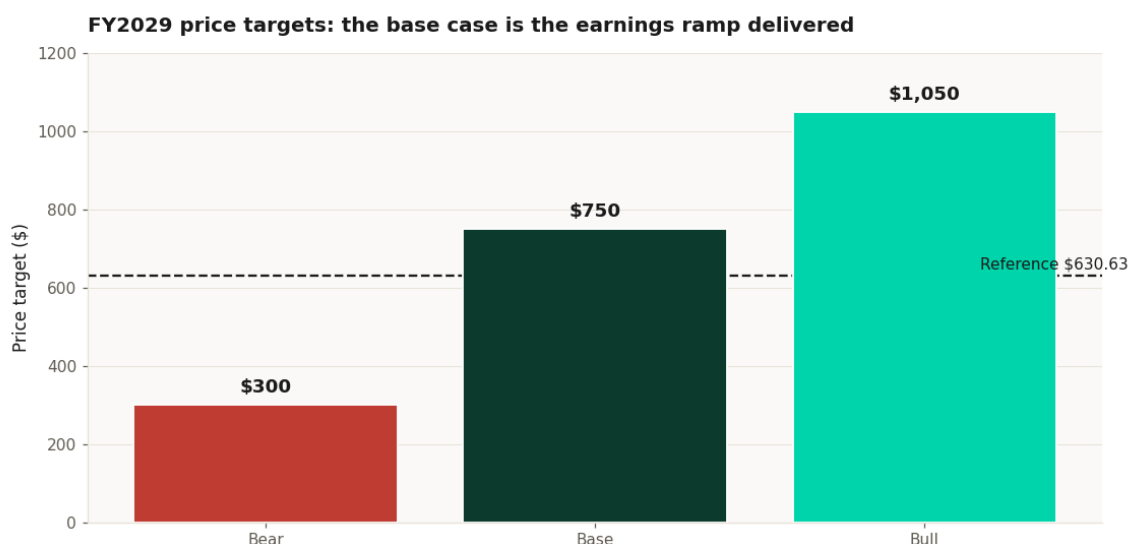
The engine's read: buy the operator and the sunrise, respect the fortress, but do not pay a moat multiple for a moat that is still under construction, and do not pay a cash-compounder multiple until the cash conversion is proven across the capex cycle. At \$630.63 the stock is priced for the pillars to all pass within two years. The 72 says: likely, not certain.

What changes the grade

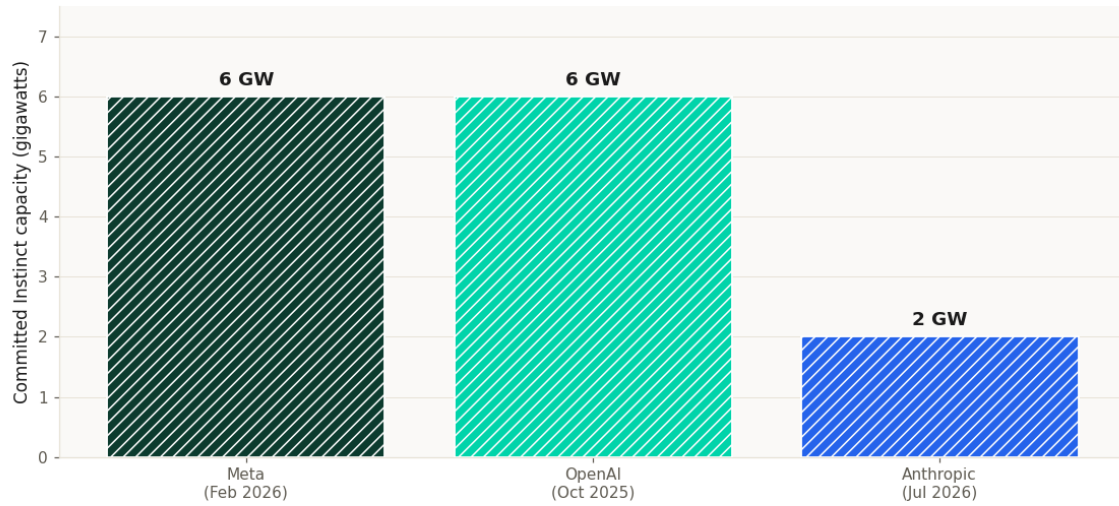
- To 80+: disclosed Instinct revenue showing \$10B+ annualized run rate, ROCM chosen first by an independent frontier lab, quarterly FCF above \$2.5B.
- To below 60: a slipped MI450/Helios ramp, a lost anchor customer, net debt, or China restrictions moving up the stack to MI450-class parts.

Targets: FY2029

Reference \$630.63 (September 25, 2026). Bear \$300: the ramp stumbles, the multiple compresses to growth norms, about \$12 of FY2029 non-GAAP EPS at 25x. Base \$750: the 12-plus gigawatts convert, data center doubles in 2027 per guidance, about \$21 of FY2029 non-GAAP EPS at 35 to 36x. Bull \$1,050: AMD becomes the entrenched second source with pricing power, about \$23 to \$24 of FY2029 non-GAAP EPS at 44 to 45x.



Anchor commitments: up to 14 GW, not booked backlog



Company-announced 'up to' figures. Meta and OpenAI include 160M-share warrants at \$0.01.