



Advanced Micro Devices Stock Is Trading at a Discount of 90% to Consensus Estimates

Description

Semiconductor giant **Advanced Micro Devices** ([NASDAQ:AMD](#)) was among the top-performing [tech stocks](#) prior to the bear market of 2022. Between January 2011 and December 2021, AMD stock surged by a staggering 1,660%. Right now, shares are down 58% from 52-week highs, valuing the company at US\$109 billion by [market cap](#).

Let's see if AMD stock should be part of your portfolio right now.

Is AMD stock a buy in 2022?

AMD's widening market share is a key catalyst of top-line growth for the company. In the June quarter, **Intel's** revenue and sales fell by 22% and 79% year over year, respectively. Comparatively, AMD's revenue surged by 70% to US\$6.55 billion compared to estimates of US\$6.53 billion. Its adjusted net income stood at US\$1.71 billion or US\$1.05 per share, up 119%, exceeding estimates of US\$1.03 per share.

AMD's client processor business saw its revenue grow by 25% to US\$2.2 billion. Higher average selling prices allowed it to increase its operating margin by 100 basis points as well in the last quarter.

AMD's stellar performance can be attributed to impressive market share gain in its PC-related processor business. According to a report from Mercury Research, AMD enjoys a 20.6% share in the desktop processor market, an increase of 3.5 percentage points year over year. Comparatively, market share in the notebook segment rose to 24.8%, an increase of 480 basis points.

AMD should continue to outpace the market, given its Ryzen 7000 series desktop processors will begin sales this week. The Ryzen 7000 processor uses a five-nanometre manufacturing node and may boost computing speed by 15% without requiring additional power consumption compared to a processor running on a seven-nanometre node.

AMD is also aggressively pricing these products. For example, the Ryzen 7000 processor will be available for US\$100, which is lower than the price of the flagship product launched two years back. So, AMD's market share in the PC processor market should remain steady or even inch higher in the future.

A look at AMD stock's valuation

Analysts tracking AMD expect the company to increase sales by 59.4% to US\$26.2 billion in 2022 and by 12.8% to US\$29.56 billion in 2023. Comparatively, its adjusted earnings are forecast to increase from US\$2.79 in 2021 to US\$4.87 in 2023.

So, AMD stock is valued at 4.2 times forward sales and 15.7 times forward earnings, which is quite reasonable. While the semiconductor industry is wrestling with chip shortages and supply chain disruptions, AMD's pricing power will allow it to expand earnings by 26.4% annually in the next five years.

AMD stock is really cheap given its average forward price-to-earnings multiple stands at 39. Analysts remain bullish on AMD and expect the stock to gain over 90% in the next 12 months.

The Foolish takeaway

While the semiconductor industry is extremely cyclical, AMD's improving market share, stellar profit margins, attractive valuation, and expanding product portfolio make it a top bet for long-term investors.

Around 41 analysts track AMD stock, and none of the Wall Street experts recommend a "sell" on the company.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:AMD (Advanced Micro Devices)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. araghunath
2. kduncombe

Category

1. Investing
2. Tech Stocks

Date

2025/09/09

Date Created

2022/09/28

Author

araghunath

default watermark

default watermark