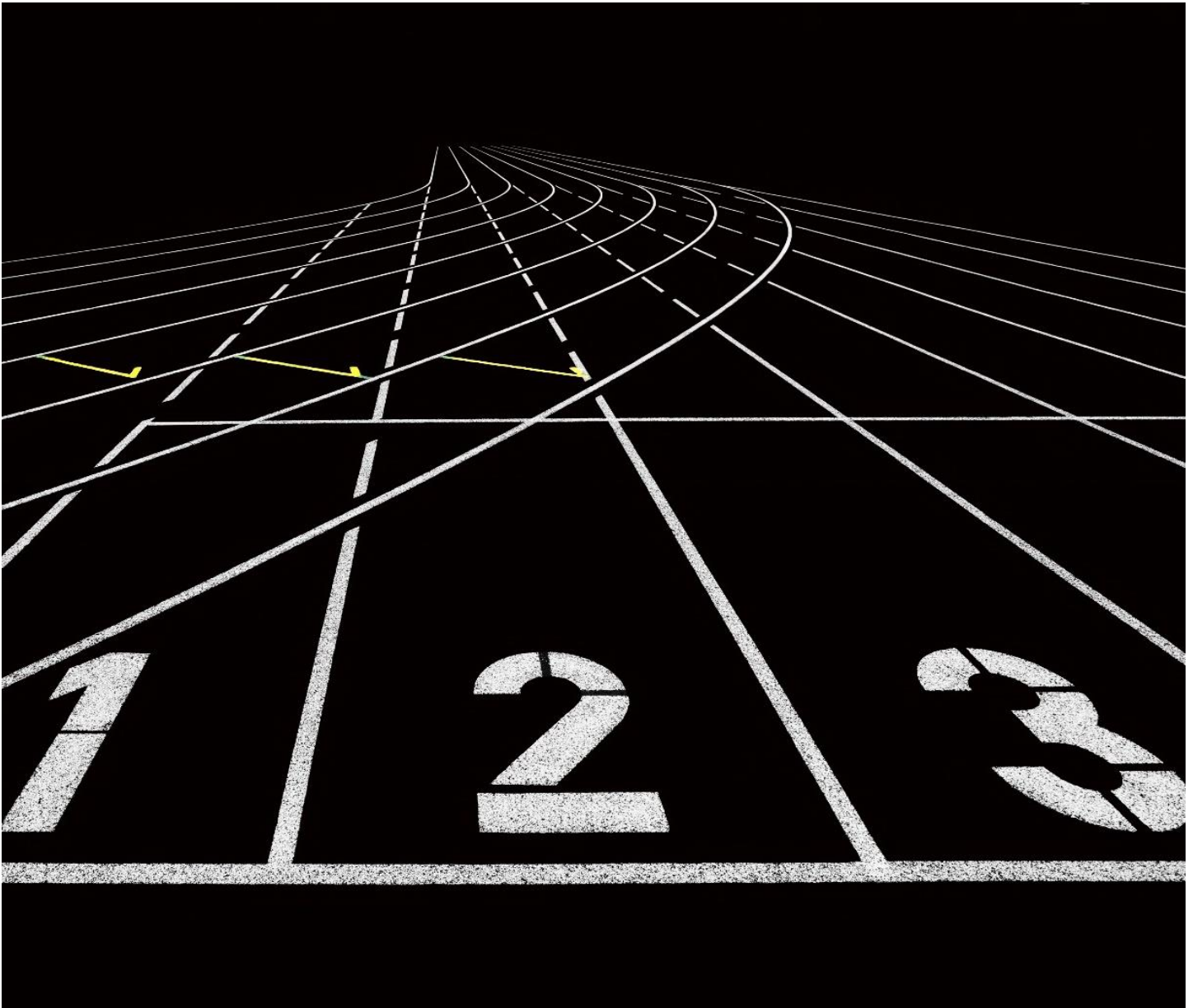


# **AMID THE INTELLIGENCE.**

A FINANCIAL COMPARISON OF AMD INC. AND INTEL.

QUINTON CARTER

FIN 534



## INTRODUCTION

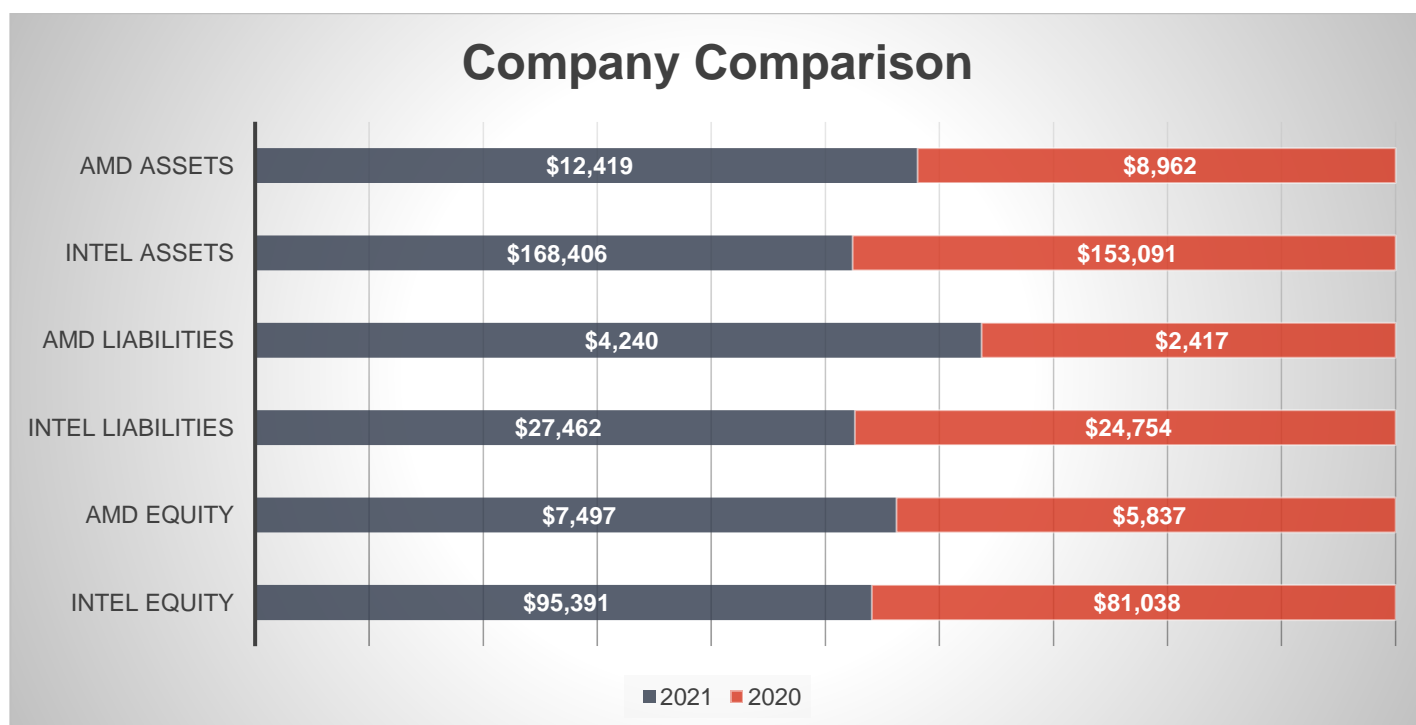
This will be a financial comparison of two technology powerhouses. AMD, founded on May 1, 1969, in Sunnyvale, CA will be compared to its rival Intel founded on July 18, 1968, in Mountain View, CA. Will the Sunnyvale or the Mountain view win out? Both companies are large multinational technology companies, offering a wide array of products and services for their consumers. Intel and AMD are most well-known by end users for their semiconductors. Intel's I-core line of processors and AMD's Ryzen processors. Behind the scenes, these companies are producing more than just these microprocessors. Like AMD, Intel produces, markets and sells motherboard chipsets, embedded processors, graphics processors, workstations, personal computers and embedded system applications. These technology behemoths control roughly 37.7 to 42.7 percent of the total semiconductor market share, through their large multinational reach, clientele, and services.

# LET'S TALK GROWTH

Below are the standard metrics for the two companies as of December 2021 and December 2020. General analysis indicates that, based on sheer size and purchasing power, Intel is the clear winner. With nearly every metrics year over year increase being more substantial than AMD's 2021 numbers. This is obviously a bonus as an investor due to the level of security provided by a company of this size.

This analysis is not about which company has more money to throw around, it's about how the money is being used, which is why the second chart was included. The second chart breaks down the comparison of year over year of these numbers to see if more distinguishing features could be discovered. From this view of the metrics, the comparison appears different. In this light AMD looks to be in a better position with yearly increases in its Equity, Liabilities, and Assets at a higher rate year-over-year than Intel. This shows that AMD is in a growth stage which is very appealing for some investors.

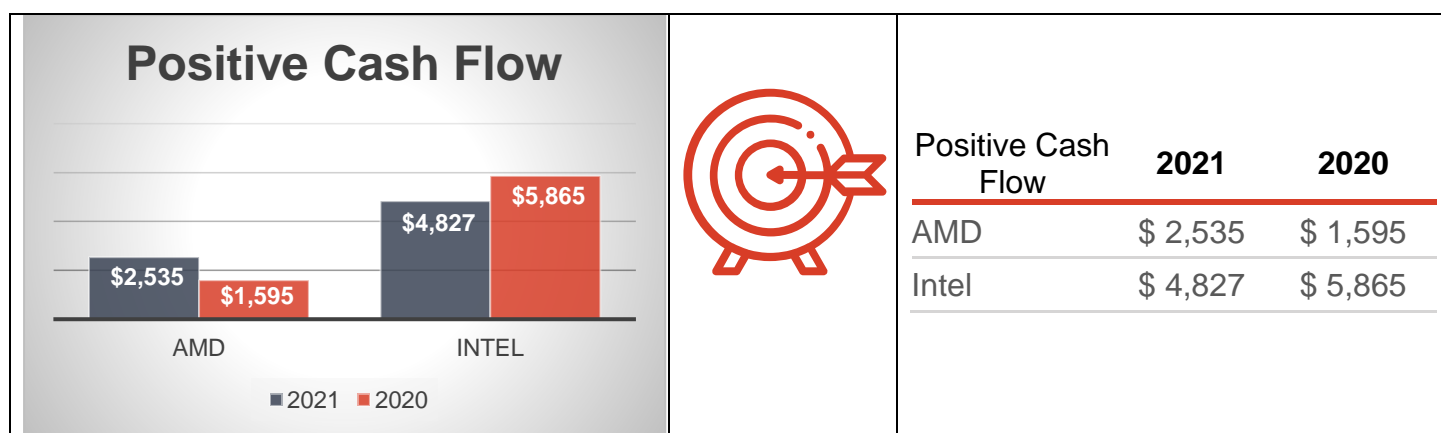
In Millions	AMD 2021	Intel 2021	AMD 2020	Intel 2020
Assets	\$ 12,419	\$ 168,406	\$ 8,962	\$ 153,091
Liabilities	\$ 4,240	\$ 27,462	\$ 2,471	\$ 24,754
Equity	\$ 7,497	\$ 95,391	\$ 5,837	\$ 81,038



# LET'S TALK CASH

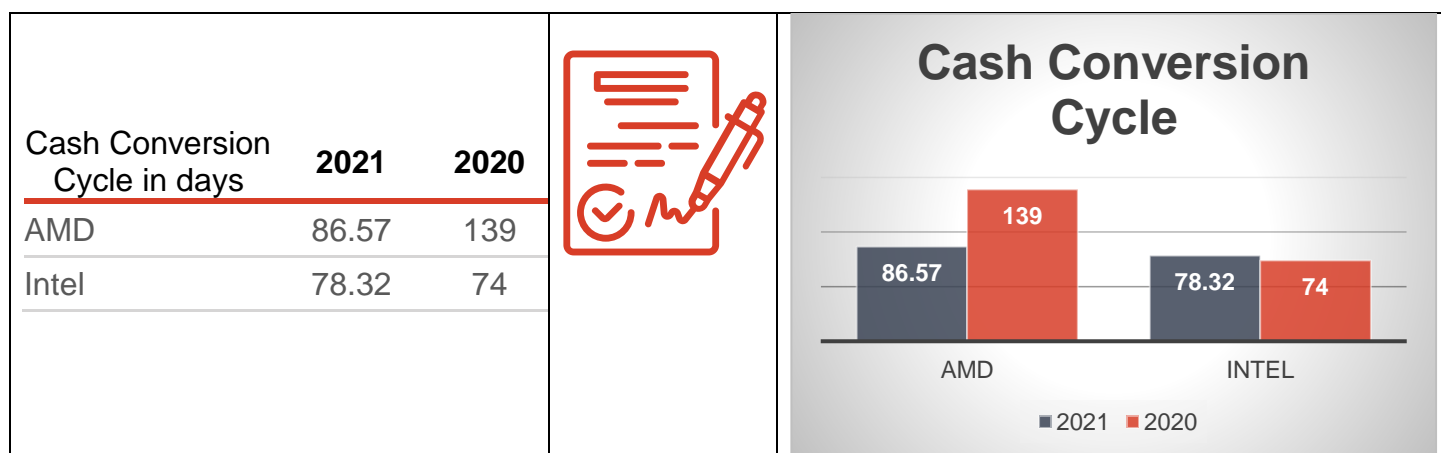
## Positive Cash Flow

Between Intel and AMD both companies brought in billions in positive cash flow. Where there is a shift is that AMD increased its Positive Cashflow 1 billion where Intel decreased their Cash Flow 1 billion dollars. Each company identified the movement in cash flow to their investments and the closing of substantial acquisitions. For AMD's acquisition in Xilinx closed out at the end of the quarter which allowed them to balance that amount, but Intel's acquisition of "Mobileye IPO might not be completed in the expected timeframe" which interfered with their book numbers.



## Cash Conversion Cycle

From 2010 to 2022 the average CCC per quarter for AMD is 56.91. Their highest quarterly CCC was 94 and occurred in 2020 and the lowest was 17 and it was in 2017. Both AMD and the broader Semiconductor industry over the 5-year period average 98 CCC. I would say recently AMD has been staying aligned with the broader market for CCC. Unlike AMD over the past 5 years Intel has ranged from a 74 day to an 82-day cash conversion cycle. This is below the average 98 day for the broader industry. For investors viewing AMD's year-over-year to Intel's year-over-year, although Intel has a lower average it has maintained consistency over several years.



# LET'S TALK EARNINGS

Both Intel and AMD had great quarters and year over year growth which provided both companies the confidence to provide additional projection forecasts for the remainder of 2022.

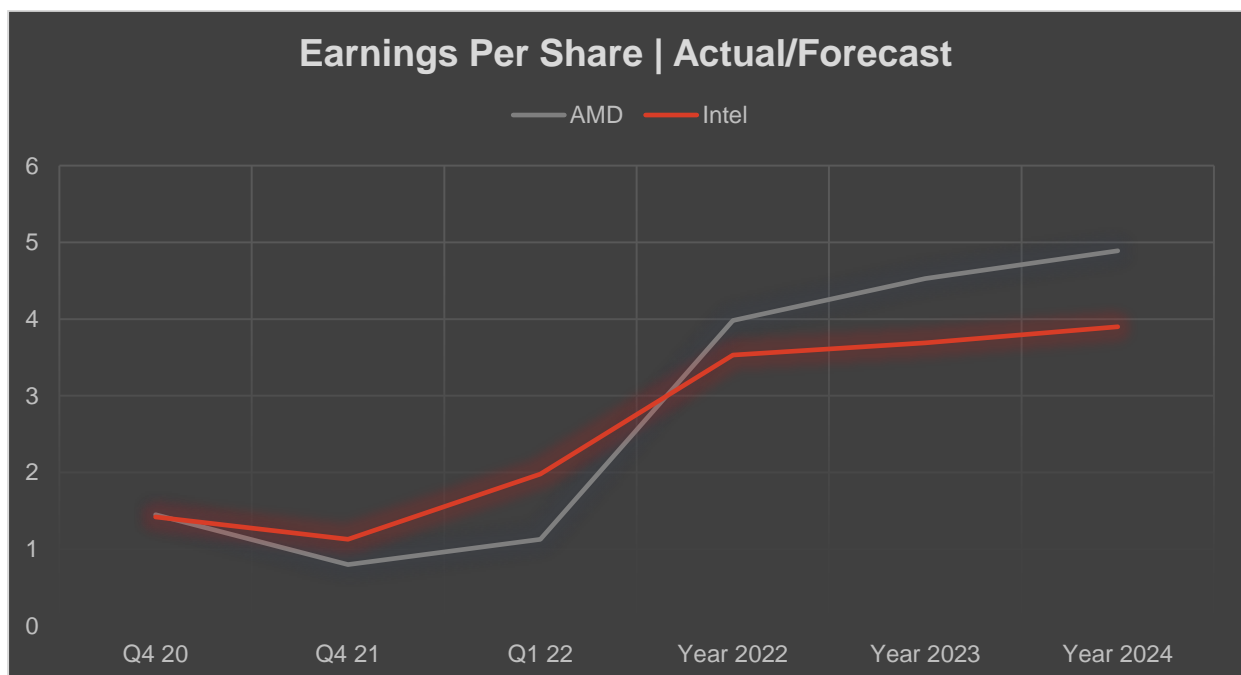

AMD's Q1 EPS score improved 117% from \$0.52 to \$1.13. One of the key reasons they succeeded this year was due to their \*\*"record cash from operations was \$995 million in the quarter and record free cash flow was \$924 million in the quarter." With this explosive quarter under their belt AMD produced a Q2 approximation of revenue at 6.5 billion dollars, a 69 % increase over Q2 2021. AMD also released 2022-year end guidance of expected revenue of 26.3 billion, which is a 60% increase to 2021.

Intel's Q1 EPS score improved 141% from \$0.82 to \$1.98.

Also, on an amazing streak Intel provided Q2 guidance of 18 billion in revenue for the quarter as well as full year guidance of 76 billion in revenue.

Looking at the chart and the table we can see that from theses provided numbers of analysts have hedged their bets in favor of AMD and their recent growth. As of the end of 2022 the EPS estimation is that AMD will be well ahead of Intel and not looking back.

Earnings Per Share	Q4 20	Q4 21	Q1 22	Year 22	Year 23	Year 24
AMD	1.45	.80	1.13	3.98	4.53	4.89
Intel	1.42	1.13	1.98	3.53	3.69	3.9



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## LET'S TALK CONFIDENCE

Between the two companies AMD is in a much worse position in relation to bond credit ratings. AMD currently holds an A- rating through the S&P, this score has improved from the prior B+ rating in 2019. This falls extremely short of the bond security that Intel can provide its investors.

**Intel currently has an A+ credit rating, and Intel has held this rating for longer than a decade.**

An A+ rating for this range of time truly shows the stability in this company even through difficult and dysfunctional market times. As of Q1 Intel's Debt to equity ratio was 0.3611, where AMD current Debt/Equity ratio is .0323. Both companies did come out in Q1 with substantial upsets but based on a bond rating of an A+ for over a decade Intel is a better bet for any bond portfolio on paper.

## CONCLUDING STATEMENT

As stated, I think both companies had stellar Q1, and prior year. The main point of purpose in this article is to establish the growth phase for AMD and its comparison to the behemoth Intel. This market is a safe bet to invest in for the foreseeable future, with the mass expansion of demand for high powered computer processors and services. For a lower risk investment, Intel is safe, established and has held an A+ credit rating for over a decade. For investors wanting to flirt with risk, AMD is in a superb growth cycle, it's the same age as Intel, and there is a lot of area between the metrics of the two companies leaving AMD a lot of room to run, on top of that their recent acquisition, customers, and services are going to give it a leg up in the next few quarters.

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# CITATIONS

\*<https://www.intc.com/news-events/press-releases/detail/1522/Intel-reports-fourth-quarter-and-full-year-2021-financial>

\*\*“AMD Reports First Quarter 2022 Financial Results.” AMD, 5/3/22, <https://ir.amd.com/news-events/press-releases/detail/1062/amd-reports-first-quarter-2022-financial-results>.