



KC Rajkumar, CFA, PhD

(408) 425-5680

KC@LynxEq.com

AMD preview, lateral to MU

*Going into the AMD event tonight the Street appears to be hopeful of a modest surprise. The hope lies in AMD management 1) following through on its expectation of PC strength in the second half of the year and 2) nudging upwards the MI300x outlook for the year. While there could be modest uptick in MI300x guidance, we think the upside could be limited due to continued problems with sourcing essential components. Blame it on Samsung's **inability to qualify HBM3e**. We were negative into the AI event a few weeks ago ([link](#)). The stock sold off ~6% since then vs. Sox down ~2%. We doubt if the earnings event tonight is likely to offer respite to the stock. We see further downside to AMD. We think it could revisit its lows for the year.*

*We are increasingly doubtful if Samsung will be successful in getting its HBM3e qualified. It may be too late in the game to keep chasing HBM3e, and perhaps Samsung has re-allocated resources to HBM4 development. Also, we are hearing chatter of Samsung DRAM fab going offline. Additionally, there is a Digitimes story out today reporting on plans for NAND production cuts at Samsung and Kioxia; we are looking into that. We think that **idiosyncratic issues at Samsung** could work to MU's advantage in the near term. We think there is upside to our \$110 PT for MU, we have increased confidence in the \$110-\$120 range as we had proposed earlier.*

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AMD – MI300x / Samsung: We think it gets lost in the noise that AMD's key HBM supplier is Samsung. And Samsung continues to have issues having its HBM3e stack qualification. We suppose AMD had come to depend on Samsung given that NVDA appears to have locked up supply at Hynix and MU. We are coming around to conclude that Samsung may have **fundamental issues** with its 8-high HBM3e, let alone the 12-high stack.

To bolster our confidence in this hypothesis we looked at checks into Samsung's DRAM fabs. We are hearing chatter that one Samsung's DRAM fab has been **offline for a few weeks**, an unusual situation given that DRAM fabs are not usually taken offline in the middle of the year. We think this may have something to do with excess inventory of DDR5 dies, the build-up arising from 1) weak demand from traditional customers in the PC space, and more importantly, 2) Samsung's inability to ship DDR5 due to its inability to qualify DDR5-based HBM3e. That would limit AMD's sourcing for its HBM needs and **limit the upside to AMD's MI300x sales**.

AMD - PC space / negative: Weak September sales at **Compal** ought to be a warning that the PC space could be **sub-seasonal in 2H** vs AMD's expectation at the previous earnings call of 2H being above-

seasonal. The Taiwan supply chain does not seem optimistic into early 2025 either. We are connecting the offline Samsung DRAM fab to weak PC pull-thru as well. On the AI PC front, we think AMD's Zen5 products are not getting much traction and are likely to underperform INTC's Lunar Lake.

AMD – Traditional server space / positive: We are inline with investor expectations of a relatively strong ramp of Turin. Our checks into the supply chain show strong demand from AMD at the traditional OSAT firms for CPU testing into next year. While we do not expect material change to market share in the near term, we are inline with the consensus that there is a modest refresh cycle going on in the traditional CPU-server market.

AMD – Net/Net: In the PC space, management's expectation of an above-seasonal 2H in PC, may come under pressure given recent data out of Taiwan ODMs. We think the overall sentiment towards PCs in the Taiwan supply chain has been continually slipping since peak enthusiasm at Computex in June. We think AMD's difficulty in sourcing essential components is likely to weigh on its MI300x ambitions this year, and MI325x shipment next year. This, in turn, could pressure consensus estimates of revenue growth of ~27% in 2025, driven by a ~45% growth on data center revenue. **We expect the stock to drift lower.**

MU – slow drift to the upside: Nearly a month ago, into the MU earnings event we had proposed that Samsung could start cutting back on **packaged DDR5** output ([link](#)). MU's surprisingly strong Nov guide suggested to us that perhaps Samsung output cuts were already in effect ([link](#)). There have been scattered reports in Digitimes in recent weeks hinting at memory manufacturers cutting back allocation to PC, but nothing concrete.

More recently, we have begun to hear that Samsung may have taken a DDR5 **wafer fab** offline, now for a few weeks. And today there is a report in Digitimes that Samsung and Kioxia have plans to cut back **NAND wafer** output

MU – Net/Net: Cutbacks in DRAM and NAND supply is incrementally positive for MU, in our view. Furthermore, if Samsung is indeed giving up on its HBM3e ambitions, that would remove a major sentiment buzzkill for MU. We think the net impact of exogenous events on **MU is positive.**

Trading call: We expect muted enthusiasm at AMD at the earnings event today; the event could be a negative catalyst. With NVDA's Blackwell sentiment riding high, unless there is an extra-ordinary beat to MI300X expectations, AMD stock is likely to trend lower. Meanwhile at MU, idiosyncratic issues at Samsung could act in MU's favor.

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