

Improved Revenues and Margins for AMD's Q3 2018

Written by Alice Marshall
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AMD appears bullish in Q3 2018, with revenues growing by 4% Y-o-Y to reach \$1.65 billion and gross margin reaching 40%-- but sales did not satisfy the expectations of Wall Street, leading to plummeting share prices.



"We delivered our 5th straight quarter of year-over-year revenue and net income growth driven largely by the accelerated adoption of our Ryzen, EPYC and datacenter graphics products," CEO Dr Lisa Su says. "Client and server processor sales increased significantly although graphics channel sales were lower in the quarter. Looking forward, we believe we are well positioned for further market share gains as we continue making significant progress towards our long-term financial targets."

AMD attributes the growth in gross margin to products such as Ryzen (desktop and mobile) and EPYC (server), as well as IP-related revenues. The company is finding success in laptops, with 54 such machines carrying AMD chips set to debut this year, and processor ASPs are also on the up on both Y-o-Y and Q-o-Q basis.

The Computing and Graphics segment sees revenues growing by 12% Y-o-Y to \$938 million with operating income of \$100m, a 37% Y-o-Y increase. Offsetting strong Ryzen sales is a drop in GPU revenues, the result of a cryptocurrency market dropping to negligible numbers. Previously cryptocurrency brought high single-digit percentage of revenues for the company. Further affecting GPU revenues are high channel inventory and low ASPs.

Meanwhile the Enterprise, Embedded and Semi-Custom segment brings revenues worth \$715m, a -4.5% Y-o-Y decrease. On the other hand operating income reaches \$86m, a 16.2% Y-o-Y increase. The revenue decline is due to lower semi-custom product and IP-related revenue, but offsetting such results is an increase in EPYC server sales. AMD adds the Radeon Instinct line of datacentre graphics products also helps with income growth.

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Looking to Q4 2018, AMD expects revenues to reach \$1.45bn, plus or minus \$50m, with non-GAAP gross margin of 41%. The company should release 7nm GPUs by end 2018, before shipping 7nm CPUs in 2019.

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