



AMD Data Centre Revenue Misses Estimates

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- AMD reported better-than-expected Q4 revenue and profit
- Data centre sales nearly doubled in 2024, but still fell short of estimates
- Q1 projected revenue beats Wall Street estimates

Q1 Projected Revenue Beats Wall Street Estimates

Advanced Micro Devices has announced its financial results for the fourth quarter and full year of 2024, exceeding expectations in both revenue and earnings per share. In Q4, the company achieved revenue of \$7.7 billion, with a gross margin of 51%. Operating income reached \$871 million, net income totalled \$482 million, and diluted earnings per share stood at \$0.29. On a non-GAAP basis, AMD reported a gross margin of 54%, a record operating income of \$2.0 billion, net income of \$1.8 billion, and diluted earnings per share of \$1.09. For the full year 2024, AMD reported record-breaking revenue of \$25.8 billion.¹

- **Earnings per share (EPS):** \$1.09 (adjusted) vs. \$1.08 consensus estimates
- **Revenue:** \$7.66 billion vs. \$7.53 billion consensus estimates

AMD provided a cautious outlook for Q1, projecting sales of \$7.1 billion, plus/minus \$300 million exceeding consensus estimates of around \$7 billion, and a gross margin of approximately 54%.

Data Centre Performance and AI Competition

AMD has been striving to expand its footprint in the advanced AI processor market, a sector largely dominated by Nvidia, which is serving major tech giants like Amazon and Microsoft. A major focal point for investors was AMD's data centre division, which has been growing due to demand for AI-related hardware. The company reported \$3.86 billion in revenue from data centres, reflecting a 69% year-over-year increase. However, this figure fell short of FactSet analyst expectations of \$4.14 billion, leading to concerns about the company's AI momentum. For the full year, data centre revenue grew by 94% to \$12.6

billion, with \$5 billion attributed to AMD's Instinct GPUs for AI applications.

AMD is working to convince some of the world's largest companies to integrate its AI products into their data centre expansion plans. However, it remains far behind Nvidia. While AMD now generates over \$5 billion annually from accelerator chips used in AI model development, Nvidia's revenue in this category surpasses \$100 billion per year.²

During a conference call with analysts, AMD Chair & CEO Lisa Su stated that the company's data centre sales in the current quarter are expected to decline by approximately 7% from the previous one, aligning with an anticipated overall drop in AMD's revenue

Future Outlook

Looking ahead, AMD has expressed confidence in achieving strong double-digit revenue and EPS growth in 2025. AMD stated that it expects to launch improved products by mid-year, strengthening its performance in the second half. However, for the first half of 2025, the company anticipates AI chip revenue to remain in line with levels seen in the second half of 2024.

Despite the competitive challenges, AMD's diversification across multiple chip markets such as PC, gaming, and embedded chips, provides some insulation against volatility in any single segment. Nonetheless, the company's most important unit remains the one selling chips for data centres. Therefore, the chip-maker received little to no recognition for exceeding revenue expectations in its client segment, which includes desktop chips.

Su declined to give a revenue forecast for the company's AI chips, but said AMD expects "tens of billions" of dollars in sales "in the next couple of years." The lack of a specific revenue number for its data centre business, a segment where the company is struggling to catch up with Nvidia, has not been perceived well by investors. Overall, investor sentiment remains cautious, especially as Nvidia has managed to double its sales in each of the past two years.



Source: TradingView, as of February 6, 2025

AMD Shares Plunge as AI Concerns Mount, Despite PC Segment Gains

The lacklustre data centre performance fuelled concerns that AMD's AI expansion was losing momentum, particularly as new competitors, such as Chinese startup DeepSeek, enter the market with cost-effective AI models.

In contrast, AMD's PC and gaming segments saw mixed results. Revenue from chips for desktops and laptops, grew by 58% year-over-year to \$2.3 billion, while gaming revenue declined sharply by 59% to \$563 million, reflecting weakening demand.

Although AMD's fourth-quarter revenue exceeded estimates and it issued a solid forecast for the current period, concerns over its data centre performance overshadowed the positive results.

The report reignited concerns that AMD's AI expansion is losing momentum. While AMD continues to gain market share from Intel in the CPU market, it still lags far behind Nvidia in the GPU space and faces challenges in closing the gap. These worries have been further fuelled in recent weeks by the emergence of a Chinese startup DeepSeek offering a more cost-effective model.

The reaction from investors was swift and negative, with AMD shares dropping over 8% on Wednesday. Prior to the report, AMD's stock had already fallen more than 4% in 2025 and has been lower more than 50% from its March 2024 all-time high of \$227.30. While the secondary down trend remains intact at this juncture in time, the stock is approaching oversold levels on the weekly chart suggesting that support is likely to be encountered soon and a rebound to \$140 – \$150 could unfold thereafter.

Conclusion

The semiconductor industry has seen explosive growth driven by increasing demand for artificial intelligence (AI) and high-performance computing. As a leading chip manufacturer, AMD has sought to capitalize on these trends, particularly in the data centre sector. Despite reporting a nearly twofold increase in data centre sales, AMD's revenue in this segment still fell short of analysts' expectations, leading to a negative market reaction. With AI demand continuing to grow, AMD must accelerate its competitive positioning against Nvidia to reassure investors and sustain long-term growth. The coming quarters will be crucial in determining whether AMD can translate its AI ambitions into tangible market gains. Professional investors looking for exposure to AMD shares may consider [Leverage Shares 2x Long ARM Daily ETF](#) (Ticker: AMDG).

Footnotes:

¹ AMD Press Release, AMD Reports Fourth Quarter and Full Year 2024 Financial Results, as of February 4, 2025

² NVIDIA Newsroom, NVIDIA Announces Financial Results for Fourth Quarter and Fiscal 2024, as of February 21, 2024

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