AMD Q1 Earnings Blow Out

By Kevin Krewell {4/24/00-03}

AMD started off 2000 with its best quarter ever, producing almost $1.1 billion in revenues and $189 million in earnings ($1.15 per diluted share). The main reasons for AMD's stunning earnings and revenue growth are the hot market for flash memories and the ramp of

the Athlon processor. AMD's processor business provided the bulk of the revenue, which, with about 6.5 million units shipped and a blended average selling price (ASP) in excess of $90, would put processor revenues over $600 million for the quarter. AMD's ASP was up more than 10% from the previous quarter because of a stable K6 ASP and a higher frequency mix of Athlon processors. AMD shipped large volumes of the 850MHz Athlon and tens of thousands of the 900-, 950- and 1,000MHz parts.

Athlon continues its ramp into production as AMD shipped 1.2 million units in Q1 and expects to ship 50% more (1.8 million) in Q2. The company also said it plans to double production to 3.6 million parts in Q3 and again to 7 million in Q4. The K6-2 was not out of the Q1 picture—AMD sold 4 million units and had a stable ASP, as more of the K6-2 production was used in slightly higher ASP mobile applications. AMD does expect the K6-2 to ramp down over the year, but it will not reach zero units, as the K6-2 will remain AMD's solution for mobile computing through Q4. Currently about 15% of AMD's processors go to the mobile market, and AMD has made significant market share gains in the consumer/retail mobile market.

The Athlon Roadmap Ahead

AMD revealed that its new Athlon derivatives—Thunderbird and Spitfire—are sampling and will ship before the end of the second quarter. Thunderbird will address the performance segment and will be produced in AMD's new Fab30 (Dresden, Germany) on a 0.18-micron copper process and its

mainstay Fab25 (Austin, Texas) on its 0.18-micron aluminum process. The value-line version of Athlon will be Spitfire, and it will be introduced in only the aluminum process from Fab25. AMD is being conservative by bringing up the Dresden fab slowly and by providing backup production of Thunderbird processors in Fab25. The use of Fab25 and the aluminum process will also give AMD's OEM partners more time to qualify the Dresden fab and the copper process. But once Dresden begins shipping production quantities in Q2, AMD's plans show a unit-growth ramp of 100% per quarter, eventually reaching a capacity of 5,000 wafers/week by the end of 2001.

CEO Jerry Sanders also stated that both new processors have more total on-chip cache memory than the equivalent Intel processor. This would indicate that Thunderbird will have a 256K L2 cache, which, combined with the 128K of L1 cache, would give it a total of 384K of on-chip cache—beating the Pentium III (Coppermine), which has 288K. The amount of cache on Spitfire is not as clear, because either 64K or 128K of L2 cache, combined with the 128K of L1 cache on the Athlon core, would exceed the 160K of cache available on Celeron (Coppermine-128).

AMD also confirmed additional details about its short-term processor roadmap. Spitfires will be offered in only the Socket A PGA packages, but Thunderbird will be offered first in a slot package and, later in Q3, in PGA. The long-term package plan for AMD, as with Intel, is a return to single-chip PGAs. AMD appears to be on track with an enhanced Athlon core, code-named Mustang, for release in Q4. Mustang will

allow AMD to offer a mobile Athlon in Q4 and to reach the stated goal of 1.5GHz by January 2001.

AMD's chip-set plans include a single-processor, DDR-memory solution in late Q3 or Q4 and a dual-processor, DDR-memory chip set in Q4. Multiprocessor solutions are essential for AMD to enter mainstream workstation and server markets. AMD also expressed confidence that third-party chip-set vendors ALi and SiS would have Athlon chip sets in the second half of the year. Until then, AMD will rely on the already out of date AMD-750 (Irongate) chip set and VIA's more-competitive KX133 chip set.

When asked about AMD's strategy for information appliances, Sanders explained the company's three-track plan for the computation and information markets. Track one is the PC (desktop) market, where AMD plays today; track two is the server market, where AMD plans to make a major push in Q4 of this year; and track three is the information-appliance market, for which AMD has not yet formulated a strategy. Sanders made it clear that the PC market (track one) is his first priority, and he expressed confidence that it will continue to be a robust market, with a growth rate just short of 20% this year. ◇