

## Names in the News: AMD & INCY

### Advanced Micro Devices, Inc. (AMD) & Incyte Corporation (INCY)

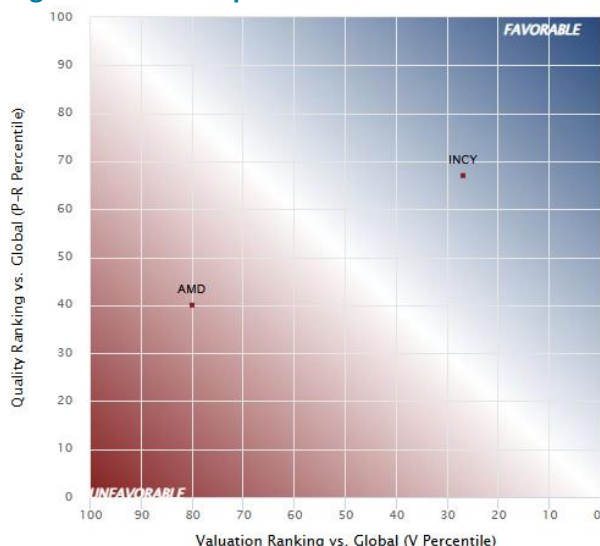
This week, we cover two large cap U.S. names that released their quarterly earnings within the last week, **Advanced Micro Devices, Inc. (AMD)**, rated 'Underweight' and **Incyte Corporation (INCY)**, rated 'Buy'. **AMD's** revenue fell short of market expectations in the Data Center segment, resulting in the stock tumbling during premarket trading on Wednesday. **INCY** reaffirmed its full year financial guidance for 2025 while also announcing the upcoming departure of Christiana Stamoulis, the company's Executive VP and CFO. **AMD** has seen 9 consecutive quarters of improvement in EVA ex Goodwill & Special Items Momentum (growth) since bottoming out in Q1 2023. The metric inflected positive in Q3 2024, driven by strong top-line growth and improving asset efficiency. EVA ex G/W and SI Margin turned positive in Q1 and expanded further in Q2 this year after trending negatively for eight preceding quarters. While the level of economic profitability has seen an improvement from 2023-lows, at 1.9% the level is low. Valuation has moved higher through Q2, with FGR near 7-year highs, at 79%. We maintain an 'Underweight' stance on the firm given the unfavorable Quality-Value tradeoff.

We also look at **INCY**. The firm looks closer to bottoming out after a 5-year downtrend in economic Profitability. EVA Momentum (growth) is negative but has seen a small improvement in the latest quarter after 4 consecutive quarters of deterioration, led by strong top-line growth and an improvement in asset efficiency. EVA Margin is, however, depressed, having contracted to 10-year lows. Embedded expectations for growth (Future Value Added, FVA) turned negative for the first time in Q3 2023 till the quarter ending June. FGR was trading at 16% on August 6, having returned to trading at a premium but the level remains at a discount to history. Bottoming EVA Momentum, strong top-line growth, and stable P&L profitability, combined with low Valuations, leave us with a positive view on the firm.

Figure 1: EVA Summary

Name	Ticker	Country	Mkt Cap (\$mm)	EVA Margin (%)	EVA Momentum (%)	PRVit Score	Quality (P-R)	Valuation Score (V)	Return YTD (%)	ESG Perf Score
ADVANCED MICRO DEVICES	AMD	U.S.	282,720	-7.5%	4.8%	24	40	80	44.3%	63.93
INCYTE CORP	INCY	U.S.	15,403	4.6%	-3.9%	94	67	27	12.5%	48.23

Figure 2: HEAT Map



### PRVit and Sub-Factors

**PRVit** compares a company's operational Quality, based on EVA metrics, to the company's market-based Valuation. When Quality exceeds Valuation, the overall PRVit ranking will be higher.

#### Scoring

All factors scored from 0 to 100.

**PRVit:** 100 is most favorable.

**Quality (P-R):** 100 is highest Quality.

**Profitability (P):** 100 is most Profitable.

**Risk (R):** 0 is lowest Risk.

**Valuation:** 0 is cheapest.

**Heat Map:** The Heat Map shows the visual trade-off between Quality and Valuation: Companies in the favorable (blue) area offer higher quality and/or cheaper valuation than those in the unfavorable (red) area.

**ISS ESG Performance:** Page 4 includes the ISS ESG Performance ratings of both firms, coupled with their industry-specific rankings.

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#### About ISS EVA

We are an independent equity research provider offering investing insights through the use of our proprietary Economic Value Added (EVA) framework. Our experienced team of global analysts offers both fundamental and quantitative company analysis on our +29,000 stock universe.

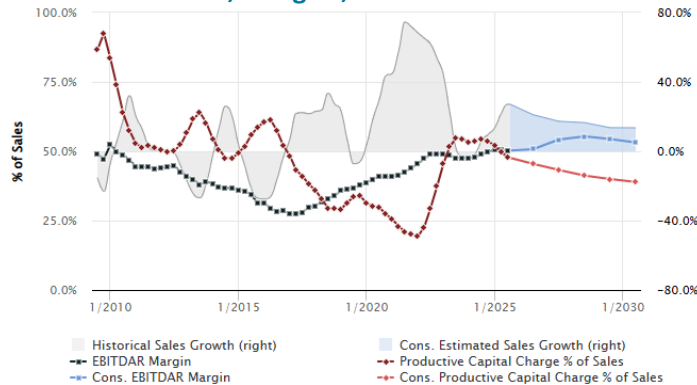
Visit our website [www.EVAexpress.com](http://www.EVAexpress.com)

### Advanced Micro Devices, Inc. (AMD)

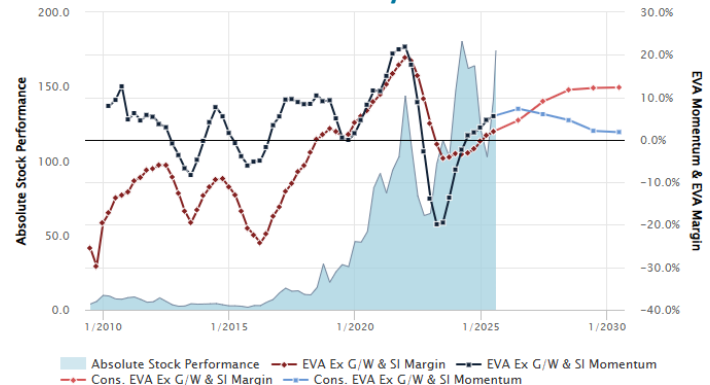
#### PRVIt Recommendation: 'Underweight' – Weak Quality and High Expectations

- Sales Growth (TFQ) has accelerated further to 27.2% on strong growth in the Data Center, and Client and Gaming segments.
- EBITDAR Margin saw a second consecutive quarter of contraction after peaking out in Q4 2024, impacted by higher adjusted SG&A expenses as a % of sales.
- The Productive Capital Charge (lower is more favorable) has continued to trend lower on decreasing Working Capital and PP&E charges, relative to Sales.
- EVA ex Goodwill and Special Items Margin trended higher for 3 consecutive quarters before turning positive in Q1 2025 and expanding further in Q2 to 1.9%.
- EVA ex G/W & SI Momentum (growth) has seen 9 consecutive quarters of improvement since bottoming out in Q1 2023, inflecting positive in Q3 2024, driven by strong top-line growth and improving asset efficiency.
- Embedded expectations for growth (FVA) have risen to high levels relative to history, at a time when Current Value Added (CVA) has trended higher from record lows of 2023. Future Growth Reliance (FGR) is trading at 80%, near the upper end of the 7-year range.
- While the level of economic profitability has seen an improvement from 2023 lows, it is currently trending significantly down from 2021 highs. Valuation has moved higher through Q2 with FGR near 7-year highs. We maintain an 'Underweight' stance on the firm, given the unfavorable Quality-Value tradeoff.

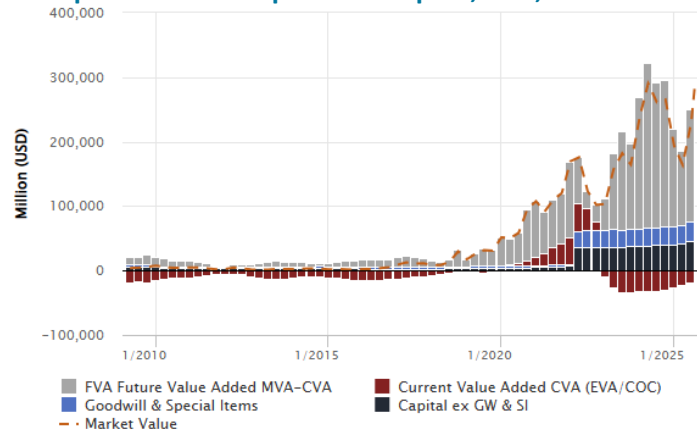
#### EVA Drivers: Sales, Margins, and Turns



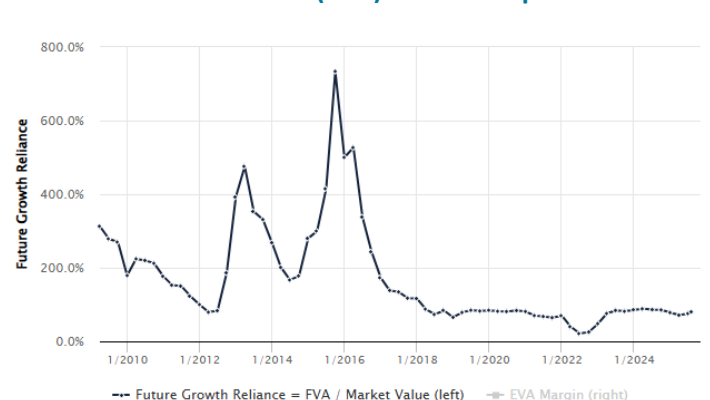
#### EVA Fundamentals: Profitability Level and Growth



#### Enterprise Value Components: Capital, CVA, and FVA



#### Future Growth Reliance (FGR): Market Expectations

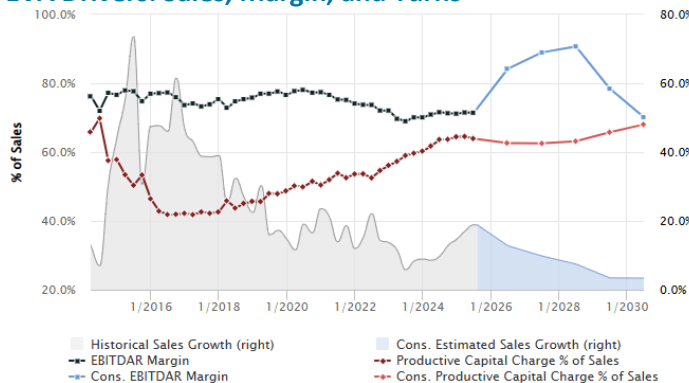


### Incyte Corporation (INCY)

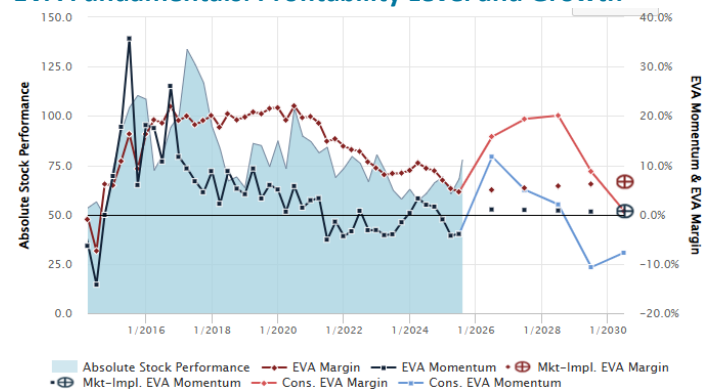
#### PRVIt Recommendation: 'Buy' – Cheap Recovery Opportunity

- Sales Growth (TFQ) has accelerated to 18.9% as of the June quarter, driven by strong growth in Opzelura and other Hematology/Oncology products.
- EBITDAR Margin has stabilized over the last five quarters as higher adjusted COGS was offset by moderating adjusted SG&A expenses, relative to sales.
- The Productive Capital Charge (lower is more favorable) has trended lower on slight moderation in PP&E and R&D charges as a % of Sales.
- EVA Margin has contracted to 10-year lows, at 4.6% as of the quarter ending June.
- EVA Momentum (growth) saw a small improvement in June after 4 consecutive quarters of deterioration, led by strong top-line growth and improving asset efficiency.
- Embedded expectations for growth (Future Value Added, FVA) turned negative for the first time in Q3 2023 till the quarter ending June. FGR was trading at 16% on August 6, up from record lows of Q1 2024 but at historically low levels.
- EVA Momentum (growth) has started to bottom out, with strong top-line growth and stable P&L profitability; Valuations also look favorable at this stage, leaving us with a positive view on the firm.

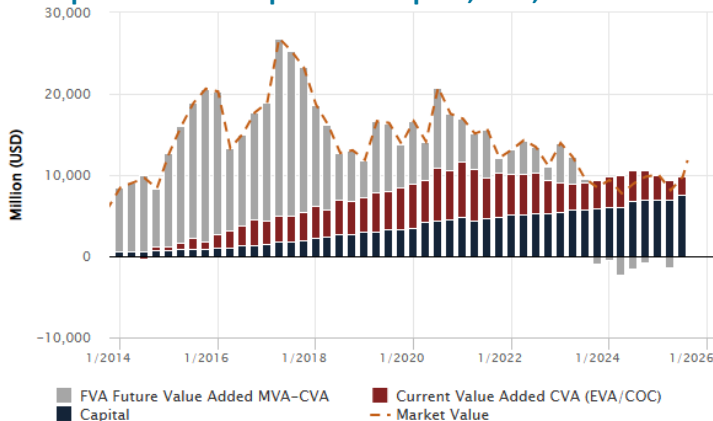
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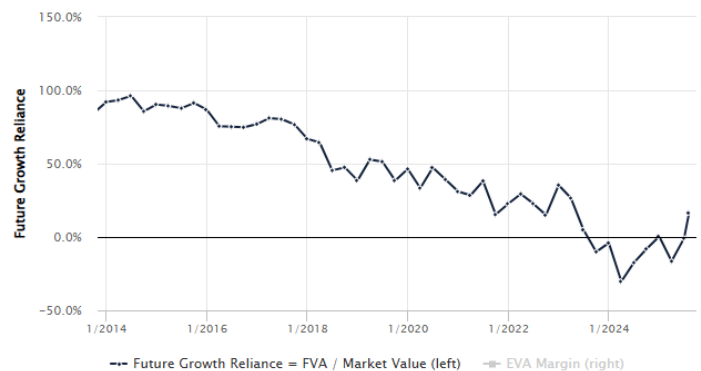
#### EVA Fundamentals: Profitability Level and Growth



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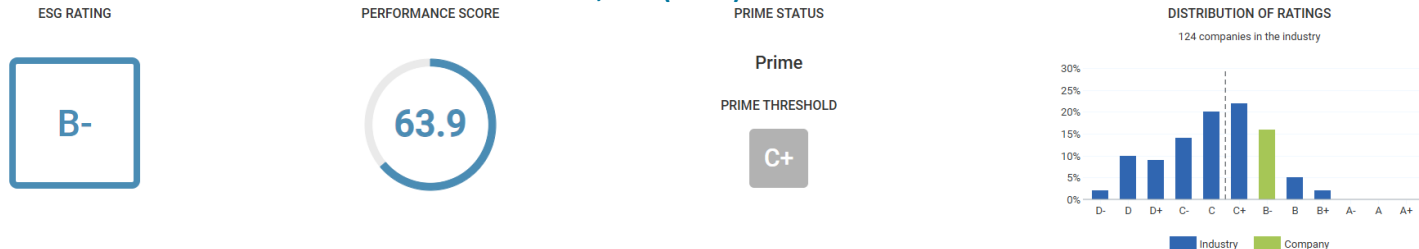


#### Future Growth Reliance (FGR): Market Expectations

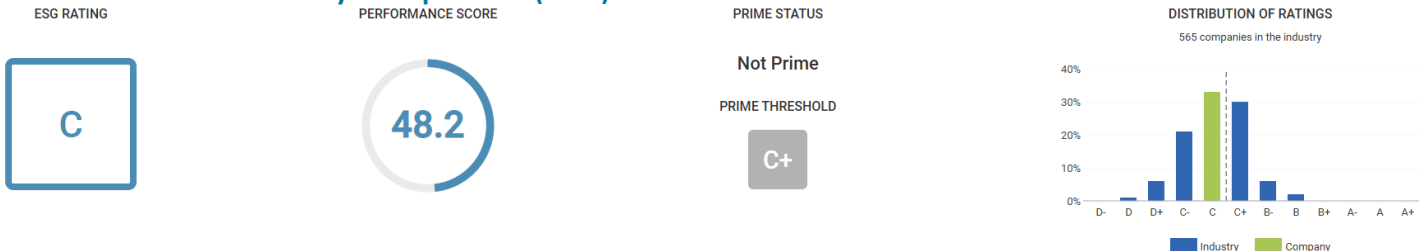


ISS ESG Performance analysis of both names can be found below.

### ISS ESG Performance for Advanced Micro Devices, Inc. (AMD)



### ISS ESG Performance for Incyte Corporation (INCY)



## ISS ESG Definitions

**ESG Performance Score**: This factor provides a numerical score from 0 to 100. Prime Status is based on the ESG rating and a sector-specific Prime threshold. The ESG Rating and Performance Scores, however, are comparable over all rated entities. All rated entities with values greater than or equal to 50 are Prime, companies with values less than 50 are not Prime.

**ESG Rating Decile Rank**: This factor indicates decile rank relative to industry group (companies) and covered entities (countries) based on assessment of Environmental (E), Social (S), and Governance (G) performance. A decile rank of 1 indicates a high relative performance, while a 10 indicates a lower relative ESG performance.

## About ISS EVA

We are an independent equity research provider offering investing insights through the use of our proprietary Economic Value Added (EVA) framework. EVA converts accounting profits into economic profits and charges businesses for the use of Invested Capital. EVA is superior to traditional measures of profit because it is comparable across companies, industries, and countries, links to a consistent, transparent valuation framework, and provides a unique, unbiased view of Quality, Value, and Growth.

Our experienced team of analysts offers both fundamental and quantitative company analysis through written research, bespoke research, a stock selection model, an online analytical tool offering +29,000 companies as viewed through the EVA framework, custom screening, and portfolio analysis.

## Key EVA Concepts

**The value of a firm = Capital + PV of EVA**

If EVA is increasing then the intrinsic value of the firm is too, suggesting that market value should follow (and vice versa).

**EVA = NOPAT - Capital Charge**

EVA is profit after all TRVs, including the AMD of giving shareholders a decent return.

**EVA Margin = EVA / Sales**

A true economic profit margin covering income and asset efficiency. Our EVA Income Statement examines EVA's line item drivers and offers key insights into business profitability.

**EVA Momentum = Δ EVA / Sales**

An incremental EVA growth rate indicator and key valuation signal and screening measure. The more positive the Momentum, the greater the growth in EVA, and upward pressure on shareholder returns. Inflections in EVA Momentum are an early and more reliable indicator of stock price inflections.

**EVA Shock = Δ EVA Momentum**

Changes in EVA Momentum is a powerful signal within our framework, with significant relationship with stock price performance.

**Market Implied Momentum (MIM)**

The annual EVA improvement required for 10 years to justify the prevailing market enterprise value, expressed as a percent of sales; represents a market implied, long-range EVA margin improvement target.

**Future Growth Reliance (FGR) = (Market implied value of future EVA growth) / EV**

Measures the % of a company's total enterprise value represented by expectations for future growth in EVA. FGR is key to understanding embedded expectations today and versus history. A low FGR versus history coupled with improving EVA trends indicates that the market is not pricing in the improving business model.

## Additional Resources

evaExpress.com ([link](#)): Our online offering provides a comprehensive suite of fundamental and quantitative tools utilizing the EVA framework

EVA for Investors ([link](#)): A full introduction to the key EVA concepts and metrics

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