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Nvidia vs. Advanced Micro Devices: Which Is the Better Buy?

The rapid climb of tech growth has given rise to NVDA and AMD's innovative capabilities.

By Paulina Likos, Staff Writer Sept. 29, 2020



Both of these tech powerhouses have been delivering state-of-the-art graphics and quick computing processes to find solutions to the problems that surface from our growing virtual landscape. (STR/AFP VIA GETTY IMAGES)

WITH TECHNOLOGICAL innovations accelerating, there have been many players emerging – developing new products for ease of use, storage and efficiency. Two companies in particular, Nvidia Corp. (ticker: [NVDA](#)) and Advanced Micro Devices ([AMD](#)), have ascended to the limelight for their unique capabilities and proprietary products.

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These tech powerhouses have been delivering state-of-the-art graphics and quick computing processes to find solutions to the problems that surface from our growing virtual landscape.

Long-term investors seeking high-value [companies](#) with room for growth should consider taking a deeper look at these two semiconductor stocks:

- Nvidia stock.
- Advanced Micro Devices stock.
- The bottom line.

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Nvidia Stock

Market capitalization: \$324 billion

Dividend yield: 0.12%

Year-to-date (YTD) gain: 123%

Nvidia has laid the groundwork for graphics processing unit-accelerated computing, a system used in engineering applications driven by the [growth](#) in the gaming market's demand for 3D graphics. NVDA's GPU-accelerated computing implementation initially started in PCs, but due to accelerated demand, it extended to virtual reality, artificial intelligence, drones and autonomous vehicles.

As [technology](#) has been evolving and becoming the center of our universe, Nvidia has been the market leader in visual computing graphics for years. In recent decades, NVDA's computing system has been emerging in cloud [data centers](#), mobile devices and industries like transportation and health care.

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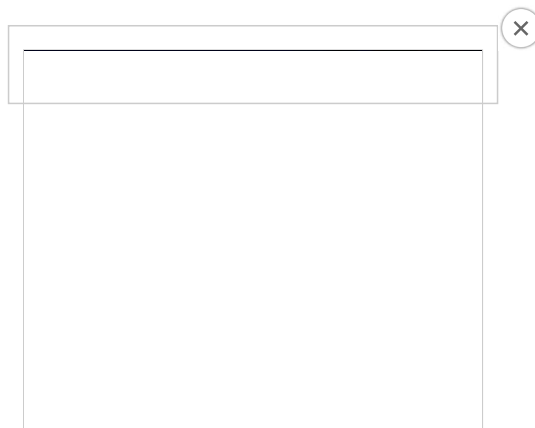
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In September 2020, the California-based company announced its acquisition of SoftBank Group Corp.'s Arm, a British software design company, in a transaction valued at \$40 billion – bringing together both companies' specialties in the

AI field.

Logan Purk, senior equity analyst at Edward Jones in St. Louis, details that the deal gives NVDA "an all-in-one turnkey solution for AI deployments within data centers and smart electronics, further solidifying Nvidia's lead within this fast-growing market."



The deal includes expanding Arm's AI research and development facility to support developments in industries such as transportation, health care, robotics and life sciences, among others, according to the news release.

Nvidia's competitive computing platform, CUDA, rolled out in 2006, offers advanced libraries of applications that allow for fast and easy processing capabilities for general-purpose computing. "Nvidia's proprietary programming architecture, called CUDA, makes its products easier to use, program and deploy, compared with other products," Purk says.

CUDA accelerates the performance of the most demanding applications in fields like aerospace, bioscience research and energy exploration, according to the company's 10-K filing.

NVDA stock started 2020 at around \$239. Since then, its price has more than doubled to its current [market value](#) of roughly \$521 at the time of this writing. NVDA is up around 123% year to date, and it has the financial growth to back its stellar performance.

"Given the company's position in growth markets and our optimistic growth outlook, we believe shares are attractively valued for long-term investors," Purk says.

The company's market value has been growing, but the one thing to keep an eye on is NVDA's intrinsic value. "NVDA's valuation is demanding, but we think it's reflective of the company's leadership position in fast-growing end markets," observes Norm Conley, CEO and chief investment officer at JAG Capital Management in St. Louis.



"From a fundamental perspective, we see little to pick on outside of the company's exposure to an overall sluggish PC market and challenging automotive market given the current macro backdrop," Conley explains.

In its second-quarter fiscal 2021 results, Nvidia reported record revenue of \$3.87 billion, up by 50% from the prior year's \$2.58 billion, and up by 26% from \$3.08 billion in the previous quarter.

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Advanced Micro Devices Stock

Market cap: \$95 billion

Dividend yield: N/A

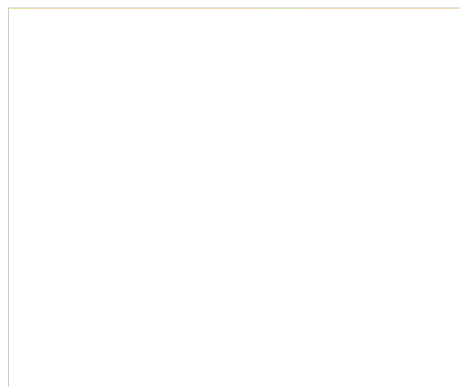
YTD gain: 76%

Advanced Micro Devices, also based in Santa Clara, California, is a global manufacturer of semiconductor devices used for high-performance computer processing in electric products and systems such as desktops, PCs and workstations. This Silicon Valley startup turned S&P 500 company has seen significant growth over the years producing energy-efficient microprocessors and chipsets that improve technology, visual and data performance.

AMD's top competitor, Intel Corp. ([INTC](#)), is the leader in the microprocessing market. Since Intel can attract more customers and ultimately gain more market share in the [industry](#), this is a hit to AMD's profitability. But AMD's research and development has led to innovative technological growth.

"AMD has been able to create the fastest and smallest chip at the best price point within the space. Even though Intel has more market share currently, Intel is still far behind on AMD's technology, which makes AMD the winner," explains Danielle Shay, director of options at Simpler Trading in Austin, Texas.

AMD's central business focus is on graphics processing, increasing the speed for rendering images, along with data processing for large cloud and data center applications. But in the graphics and server markets, AMD's main competitor is Nvidia, driven by its high-performing CUDA software.



AMD is leading in the computing space, but Nvidia is a graphics leader, Shay says.

"Nvidia's acquisition of (Arm's) technology is very significant. It's a space that AMD is not in currently. Because of the ARM acquisition, Nvidia will be able to breach more into the AI space and growth potential," Shay explains.

In its latest financial results, AMD's revenue for the second quarter was \$1.93 billion, up 26% year over year from \$1.53 billion, driven by higher revenue in its computing and graphics segment, according to AMD's July 2020 earnings release. Diluted earnings per share were 13 cents, up from 3 cents from the same time last year. In its forward-looking

statements, AMD says it expects its next quarter to have about a 42% increase in revenue, driven by sales of its high-performance processors and servers.

"The primary issue with holding AMD is that they tend to be volatile whenever we have issues with China. Throughout 2019, there was a lot of volatility when the trade war ramped up," Shay observes. AMD may be subject to international political conflict through a disruption of its operations and an impact to its sales due to export restrictions.

Shay says that [investors](#) should know while AMD offers the chance for high growth, all semiconductor stocks are going to be volatile as it relates to the trade war.

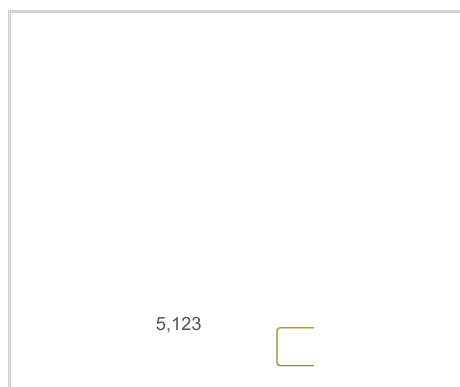
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Bottom Line

Nvidia's computing platform consisting of efficient GPUs, its industry-leading CUDA platform and AI integration are all important assets that are set to further enhance the company's technological innovation.

"We rate Nvidia shares as a 'buy'," Purk says.

"In our view, Nvidia maintains an attractive position within its gaming markets, with nearly 70% market share. The company continues to expand its presence in the fast-growing data center and automotive markets, particularly with AI, which should lead growth over the long term," he says.



Some external factors that may influence NVDA's performance include uncertainties in international economic and political dilemmas that could impact its global business operations. Political tension between the U.S. and China along with the pandemic could inhibit the distribution of its products.

"If pressed, we might also note that NVDA's cloud business can also be a bit lumpy and that trade war tensions are likely to present a continued overhang over the entire semi industry," Conley explains.

AMD is in a highly competitive market, but experts say the company is well-positioned for future growth. AMD's products are scalable and its processors can be used in a variety of settings such as storage, gaming and medicine.

"For investors looking to get into a lower-price semiconductor stock that still has a lot of growth potential, AMD is absolutely the best choice," Shay says. "Currently, I'm looking for AMD to trade back up to the previous all-time high (of) \$94.28 and break to a new high of around \$100 a share."

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