

AMD's CEO resigns suddenly, board cites growth (Update)

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In this Nov. 13, 2008 file photo, Advance Micro Devices (AMD) CEO Dirk Meyer speaks at AMD headquarters in Sunnyvale, Calif. In a statement Monday, Jan. 10, 2011, AMD says Meyer has resigned from the company. (AP Photo/Paul Sakuma, File)

(AP) -- Advanced Micro Devices Inc. forced out its CEO Dirk Meyer on Monday in a surprise twist of fate for a technologist who inherited the chip maker when it was in tatters and won fans on Wall Street for steering it through a wrenching turnaround.

AMD is a heavyweight in the computer industry as the world's No. 2 maker of microprocessors. Meyer's sudden resignation caught many in the industry off guard. Under his 2 1/2-year tenure, AMD came back from the brink of collapse by spinning off its expensive chip factories and its stock price went from less than \$2 to more than \$9 a share.

But AMD's board was blunt in its reason for showing Meyer the door.

In a statement, the board's chairman, Bruce Claflin, acknowledged that Meyer took the helm at a difficult time and "successfully stabilized" the company. The board, however, felt Meyer wasn't the right person to lead the company through its next phase of growth.

"The board believes we have the opportunity to create increased shareholder value over time," Claflin said. "This will require the company to have significant growth, establish market leadership and generate superior financial returns. We believe a change in leadership at this time will accelerate the company's ability to accomplish these objectives."

A company spokesman said Meyer will receive \$8.6 million in cash and that all of his equity will become fully vested as part of his severance.

The announcement came the same day that AMD's chief rival, Intel Corp., announced that it will pay \$1.5 billion to Nvidia Corp. for a license to all of Nvidia's patents. That settlement reflects the changing nature of the semiconductor industry as companies such as Intel and AMD are facing new types of competitors looking to put their chips in smart phones, tablets and other mobile devices using chip designs that consume less power than Intel's and AMD's offerings.

Patrick Wang, a semiconductor analyst with Wedbush Securities, described the resignation as "shocking," especially following AMD's

launch of a powerful new line of chips called Fusion at last week's International Consumer Electronics Show in Las Vegas.

"I totally did not see this coming," Wang said. "We just saw him at CES give a great presentation, really fired up about the direction of the company and the progress they've made, only to see some silly little arguments cause him to exit the company."

The company might consider another technical executive such as Rick Bergman, who leads AMD's products group, as a possible replacement as CEO, Wang said.

"What it comes down to is there's a major difference in terms of the visions of where the company should be a couple years down the road," he added.

AMD would only say that it is conducting a search that will include internal and external candidates. The company's chief financial officer, Thomas Seifert, 47, was named interim CEO, but AMD noted that Seifert has asked not to be considered for the permanent CEO job.

Meyer, 49, was only the third person to lead AMD since the company's founding in 1969. The previous CEO, Hector Ruiz, left in 2008 after six years on the job. AMD's founder, Jerry Sanders, whose flashy lifestyle added a splash of glamour to Silicon Valley before it was fashionable, was the only other CEO before that.

Meyer inherited AMD at a time of deep distress for the chip maker. It was saddled with debt, had lost billions of dollars, was losing ground to bigger rival Intel Corp, and had seen its stock plunge from above \$40 per share in 2006 to below \$2 a share at the end of 2008.

Meyer's biggest challenge was overseeing AMD's spinoff of its chip-

making factories, essentially a lifesaving move to help the company cut costs and stay competitive with Intel. AMD now only designs its processors, and pays the spinoff to build them. That saves AMD billions of dollars in upgrade expenses that chip makers must shell out every couple of years to keep their factories competitive.

And while the company has made strides, Meyer apparently couldn't escape the board's sentiment that there's still more room to grow. Areas for potential growth include server and laptop chips, where AMD is particularly weak against Intel, and in charting a new course for chips for smart phones and tablet computers, two of the industry's hottest areas.

When it comes to laptops, in particular, AMD's processors have been criticized for having relatively short battery life. Over the past year, however, the company has made some technical improvements that have led to its processors being built into a wider variety of laptops.

AMD shares fell 40 cents, or 4.3 percent, to \$8.79 during after-hours trading. In regular trading before the announcement, the stock had closed at \$9.19, up 36 cents, or 4.1 percent.

Meyer's technical capabilities were one of his key selling points in taking the CEO job.

He ran AMD's core microprocessor business and was involved in the design of AMD's Opteron server chip, which allowed the company in 2003 to enter a lucrative segment of the server market dominated by Intel. The success of that chip helped transform AMD into a serious competitor to Intel across all computing platforms.

The AMD he took over was struggling with debt from its \$5.6 billion acquisition of graphics card maker ATI Technologies. That deal was meant to improve the graphics ability of AMD's chips - indeed, the ATI

technologies are critical parts of AMD's new Fusion chips - but in the interim AMD was forced to sell its factories and tap the market for urgent cash infusions. Part of the factory sale involved AMD selling an 8.1 percent stake in AMD to the Abu Dhabi government's investment arm.

Also Monday, AMD also updated its financial guidance.

AMD said that its fourth quarter revenue edged up 2 percent over the previous quarter to \$1.65 billion. That's better than the \$1.61 billion that analysts expected, according to data from FactSet. AMD will report full fourth-quarter results on Jan. 20. Intel is scheduled to report its numbers this Thursday.

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