

EXECUTIVE SUITE

MEET AMD'S RAGS-TO-RICHES HEIR APPARENT

Why the chipmaker's overachieving president, Hector Ruiz, should worry Intel

When Hector de Jesus Ruiz was growing up in the 1950s in the Mexican border town of Piedras Negras, just across the Rio Grande from Eagle Pass, Tex., his ambitions were as modest as his upbringing. He played guitar in a rock-and-roll foursome called The Teenagers and dreamed of being an auto mechanic. "I just wanted to have fun," he says. Instead, at the age of 15, Ruiz met a local missionary who offered English tutoring in exchange for housework. A short time later, she persuaded him to attend the high school in Eagle Pass. For the next 18 months, he walked 45 minutes each way across the border every day to study in America. By graduation, he was named valedictorian of the senior class.

Since then, other mentors have helped him on the fast track. Swayed by Ruiz' intelligence and persistence, George M.C. Fisher, the former CEO of Motorola Inc., promoted him steadily at the mobile-phone and chip giant during Ruiz' 22-year career there. And last fall, W.J. "Jerry" Sanders III, the founder of Advanced Micro Devices Inc., handpicked Ruiz to be the chipmaker's president and heir apparent, both for his technical acumen and because he and Ruiz share common values rooted in their rags-to-riches life stories. "There have always been angels in my life," Ruiz says. One way he shows his gratitude is by buying the textbooks and school supplies for dozens of children in Piedras Negras who can't afford them.

Ruiz has much to be grateful for these days at AMD. He will share power with Sanders until the CEO retires in two years, and then he is expected to take charge himself. Better yet, Ruiz is witnessing a golden moment at the Sunnyvale (Calif.) company. A perennial rival to chip giant Intel Corp., AMD is enjoying a level of success unprecedented in its 31-year history. The key reason is its Athlon microprocessor, which is faster and cheaper than Intel's flagship Pentium III and has won AMD dozens of corporate customers, including 9 of the top 10 PC makers. In addition, AMD has be-



NEXT IN LINE

Ruiz is expected to take over when CEO Sanders retires in two years

come the world's leading source of "flash" memory chips used in cell phones and other electronic gizmos.

The combination is driving AMD's financial performance to record levels. Merrill Lynch & Co. expects revenues

to hit \$4.95 billion this year, up 73% from 1999's \$2.86 billion. After four years of losses, the company should book more than \$880 million in profits in 2000. And though the company's stock has dropped along with the semiconductor sector recently, AMD shares have more than doubled, to \$30.13, since Jan. 1.

Ruiz' task is to keep the boom times going. To do so, he doesn't plan to tear up the company or make dramatic shifts

in strategy. Rather, he just needs to execute flawlessly on AMD's current approach. The goal is to keep churning out chips that are speedier—and often cheaper—than Intel's. If he can do that, Ruiz figures, AMD can boost its share of the PC processor business from 18% now to 30% by the end of 2001. Analysts think that's attainable. "AMD has taken advantage of a competitive opening left by Intel," says Merrill Lynch analyst Joseph P. Osha.

Intel is trying its best to close that window of opportunity. The chip giant plans to introduce its new Pentium 4 in October and will likely take back the speed crown from AMD. The situation could worsen by the end of this year, when Intel brings out its long-awaited Itanium chip, a behemoth that chews through data 64 bits at a time vs. the 32 bits tackled by Pentium and Athlon chips. Plus, AMD has so far failed to crack the most lucrative parts of the PC business—servers and high-end commercial desktops—leaving it confined to the lower-margin consumer segment. "AMD is going to be challenged to keep pace," says Kevin M. Krewell, a senior analyst at chip consultancy MicroDesign Resources.

FACTORY FIXES. That's where Ruiz' technical savvy and operational expertise kicks in. After six years at Texas Instruments Inc. and his time at Motorola, most spent in the company's chip division, Ruiz has seen all facets of the semiconductor industry. His primary aim is to prevent the sorts of technical and manufacturing slipups that have soured AMD's results every time it appeared to be gaining on Intel in recent years. He plans to roll out a series of new chips this year and next, including faster versions of its entry-level Duron family, which competes with Intel's Celeron, and an Itanium rival that will run both 32-bit and 64-bit software. "We're going to win through innovation and better technology," he says.

Forgive Ruiz if he thinks he can accomplish just about anything. When he was born, on Christmas Day, 1945, in Piedras Negras, his parents were so poor, they couldn't afford to go

to the hospital. Ruiz' father located a young physician, just six weeks out of medical school, who was willing to visit the family's one-room home. They were so grateful, they named their son Hector after him. Ruiz was later joined by four sisters, and both of his parents worked hard to support their family.

HECTOR DE JESUS RUIZ

BORN December 25, 1945, Piedras Negras, Mexico.

EDUCATION Walked across the U.S. border daily to attend high school in Eagle Pass, Tex. Three years after starting to learn English, he graduated as valedictorian. Earned a B.S. in electrical engineering from the University of Texas at Austin in 1968 and a PhD from Rice University in 1972.

CAREER Six years at Texas Instruments and 22 at Motorola, overseeing worldwide manufacturing, worldwide research and development, paging, and semiconductors. Since February, 2000, has been president and COO of Advanced Micro Devices.

VISION FOR AMD The 31-year-old company has never been more successful thanks to its inexpensive Athlon microprocessor. Ruiz plans to expand production capacity and move into the high end of the PC biz.

BIGGEST SURPRISE IN NEW JOB

How rough rival Intel plays. Ruiz says he's "shocked" by some of the chip giant's hardball tactics, such as pressuring customers not to buy from AMD. Intel denies wrongdoing.

WORST PROFESSIONAL EXPERIENCE Overhauling Motorola's semiconductor unit in 1997, including cutting 21,000 jobs and moving the headquarters from Phoenix to Austin. Got threatening letters from employees. The moves returned Motorola to growth.

BIGGEST LIFE INFLUENCE Methodist missionary Olive Givin hired 15-year-old Ruiz to help around the house in exchange for English lessons, urged him to attend U.S. high school, then paid for his first year of college. Ruiz dedicated his PhD dissertation to her.

CULTURAL IDENTITY Became a U.S. citizen in 1975 and identifies himself as a Texan. Still prefers Mexican food—especially rich molé sauce. Elected this year to the U.S. Hispanic Engineers Hall of Fame. Speaks frequently to business and youth groups to encourage Hispanics to enter engineering.

PERSONAL VALUES Having experienced discrimination, Ruiz aims to "treat people with the utmost dignity." His leadership style is tough but respectful. "I will never, ever belittle an individual. You can be a successful business leader without being an a-----."

FAMILY Widowed at 29. Married wife Judy 24 years ago. Son, Hector, now 28, from his first marriage, and Judy's two children, Joanie, 35, and Greg, 28.

His father managed cattle for a livestock company, and his mother was a secretary. They both valued reading and saved as much money as they could toward their dream of opening a bookstore—a goal they reached in 1969.

As a youth, Ruiz was studious and serious. His sister, Magdalena Ruiz Villanueva, says he was "like a partner" to his parents, looking after the younger kids and helping around the house. "We always knew he'd be a success," she says, recalling the light pouring out of his bedroom at 1 a.m. as he finished his homework. But Hector, who sported an Elvis Presley pompadour, also liked to play street soccer, tinker with cars, and play with his band.

BIG HELP. His life changed forever when missionary Olive Givin, who taught English at his school, took him under her wing. She convinced Ruiz to attend American high school, and helped collect the \$25 monthly fee to send him there. Later, she paid \$600 out of her own pocket for his first year of college at the University of Texas at Austin. Ruiz

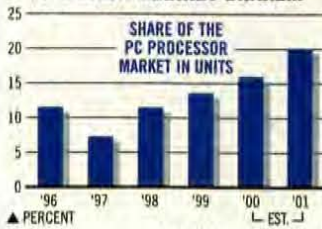


chose the engineering program because of his mechanical inclinations and earned bachelor's and master's degrees in electrical engineering. When he got a PhD at Rice University in 1972, he dedicated his dissertation to Givin, who died in 1984.

It wasn't all smooth sailing. Ruiz has experienced overt discrimination: He was once passed over for a teaching-assistant job in college because of his Hispanic heritage—the professor later apologized. After he and his wife bought their first house, in Dallas, a next-door neighbor mistook him for a gardener and asked Ruiz to work for him. He has also suffered tragedy: While he was working at Texas Instruments, Ruiz' first wife died, at age 29, of leukemia. That left him alone to care for their four-year-old son, Hector Jr.

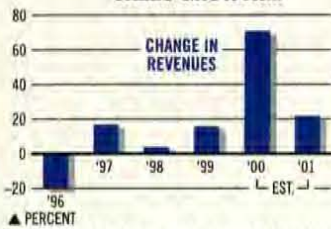
Such experiences have given Ruiz a determination to be compassionate. "I treat people with the utmost dignity," he says. "You can be a successful busi-

ADVANCED MICRO DEVICES IS GAINING MARKET SHARE...

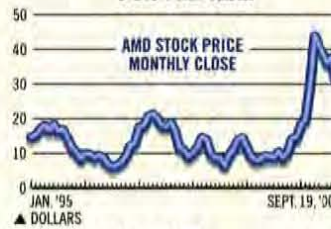


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...AND BOOSTING SALES GROWTH...



...PUSHING UP ITS SHARES FOR THE YEAR



ness leader without being an a——.” He has already infused AMD with a more easygoing atmosphere, colleagues say, encouraging them to drop by his office without an appointment and responding quickly to e-mails from anybody in the company.

Still, he can be tough when the situation demands it. In 1997, he was assigned to fix Motorola's struggling semiconductor unit—a job he calls the hardest of his career. Desperate to bring sense to the group, Ruiz reorganized it three times in three years and shed 21,000 workers—earning the unflattering sobriquet “Hector the dissector.” An ex-colleague critical of Ruiz' tenure says the result was “chaos beyond description.” Ruiz got threatening letters from employees and was vilified in the press. Still, analysts such as Samuel S. May of US Bancorp Piper Jaffray credit Ruiz with saving the group: Its sales next year should climb 24%, to \$10.1 billion.

The experience taught Ruiz the value of a go-slow approach. At AMD, he is taking time to “sit and learn, like slowly ingesting vitamins over a long time.” Ruiz has visited all of AMD's facilities, from Singapore to Dresden, to meet managers and says he has no interest in speeding the departure of Sanders, who has sold 1.8 million shares of AMD stock this year, for a gain of \$88.4 million. “He's a phenomenal cheerleader. Why would I want to lose that?” Ruiz says.

The two men seem to have a tight bond. They met when Ruiz was at Motorola, helping to engineer a landmark technology-sharing pact between the companies. Then, a year ago, with Sanders looking for a successor in the wake of the sudden departure of S. Atiq Raza, the previous front-runner, Sanders and Ruiz began having monthly dinners. In November, Sanders popped the question over dinner at Austin's Sardine Rouge restaurant. “I told him the [CEO] job was his to lose,” Sanders says. Ruiz couldn't resist the opportunity to run his own show—and relished the chance to take on Intel. “One of the reasons I took this job was to compete

with a bunch of tough sons-of-bitches,” he says.

He's getting his wish—and more. Ruiz says he is “shocked” by Intel's hardball tactics, which “border on unethical.” While he won't give details, he hints that Intel pressures its customers not to buy from AMD—and says he's grateful that the federal government keeps a close eye on the chip giant. Even so, Ruiz isn't looking for the feds to fight AMD's battles: He aims to beat Intel in the marketplace. Intel declined to comment for this article.

Ruiz also has to contend with Intel's deeper pockets. Even as AMD spends billions of dollars to crank up production of PC processors, Intel is madly diversifying into other, faster-growing parts of the semiconductor business, such as chips used in networking and communications gear. The reason: While demand for PC processors should grow in the low teens annually for the next five years, communications chips could surge 30% or more. “AMD has put all of its eggs in one basket, while Intel is looking for greener pastures,” says Krewell.

DOWN THE ROAD. Ruiz doesn't see it that way. He figures AMD can thrive for

Sanders says. What ultimately swayed Sanders was that Ruiz volunteered to take the heat for the flip-flop internally.

Ruiz' family helps him escape those kinds of pressures at work. A year after he was widowed, Ruiz met his second wife, Judy, who is a Texan and was herself a widow caring for two kids. They merged their families into a kind of bi-cultural *Brady Bunch* and have been married for 24 years. “They are still madly in love,” says Ruiz' best friend, Gustavo A. Arenas. Ruiz typically calls his wife several times a day when he's on business trips. He and Judy escape periodically from their Austin home to Flagstaff, Ariz., where they hike and dine with friends. Ruiz is a dutiful son, too. He calls his mother weekly and visits her at home in Mexico as often as possible to get his fill of her delicious *barbacoa*—slow-cooked cow cheeks—and mashed *guisado* beans.

Ruiz also derives satisfaction from his position as a Hispanic role model. To share his success with his extended family, he has paid for the education of more than four dozen of his nieces and nephews. And he has become a public advocate for equal opportunity, speaking



TIGHT BOND Sanders and Ruiz met when Ruiz was at Motorola, helping to engineer a landmark technology-sharing agreement between the companies

the next three to five years by sticking with the still-growing PC market. After that, he concedes, “we may have to do different things.” AMD already plans to make chips for inexpensive Web appliances. And to keep his options open, Ruiz scotched the potential sale of a group at AMD that makes chips used in networking gear. He has also started

often to business leaders to encourage them to open doors for others. This year, in recognition of his contribution, Ruiz was elected to the U.S. Hispanic Engineers Hall of Fame. That seems a just reward for a guy who is committed to helping others—just like his own angels helped him.

By Andy Reinhardt in Austin



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