

ADVANCED MICRO DEVICES INC

Form 10-Q

May 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-07882

ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

94-1692300

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

2485 Augustine Drive

Santa Clara, California

95054

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (408) 749-4000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

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Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes " No p

Indicate the number of shares outstanding of the registrant's common stock, \$0.01 par value, as of April 27, 2018:

969,343,988

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Advanced Micro Devices, Inc.

Condensed Consolidated Statements of Operations ⁽¹⁾

(Unaudited)

| | Three Months Ended | |
|---|---|------------------|
| | March 31, 2018 | April 1, 2017 |
| | (In millions, except per share amounts) | |
| Net revenue | \$ 1,647 | \$ 1,178 |
| Cost of sales | 1,050 | 800 |
| Gross margin | 597 | 378 |
| Research and development | 343 | 271 |
| Marketing, general and administrative | 134 | 123 |
| Licensing gain | — | (27) |
| Operating income | 120 | 11 |
| Interest expense | (31) | (32) |
| Other income (expense), net | 1 | (5) |
| Income (loss) before equity loss and income taxes | 90 | (26) |
| Provision for income taxes | 8 | 5 |
| Equity loss in investee | (1) | (2) |
| Net income (loss) | \$ 81 | \$ (33) |
| Earnings (loss) per share | | |
| Basic | \$ 0.08 | \$ (0.04) |
| Diluted | \$ 0.08 | \$ (0.04) |
| Shares used in per share calculation | | |
| Basic | 968 | 939 |
| Diluted | 1,039 | 939 |

⁽¹⁾ Prior year amounts adjusted to reflect the retrospective application of ASU 2014-09, Revenue from Contracts with Customers. Refer to Note 1.

See accompanying notes to condensed consolidated financial statements.

Advanced Micro Devices, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss) ⁽¹⁾
(Unaudited)

| | Three Months Ended | |
|--|-----------------------|------------------|
| | March 31, 2018 | April 1, 2017 |
| | (In millions) | |
| Net income (loss) ⁽¹⁾ | \$81 | \$ (33) |
| Other comprehensive income, net of tax: | | |
| Unrealized gains (losses) on cash flow hedges: | | |
| Unrealized gains arising during the period | 1 | 2 |
| Reclassification adjustment for (gains) losses realized and included in net income (loss) | (4) | (1) |
| Total change in unrealized gains on cash flow hedges | (3) | 1 |
| Total other comprehensive income | (3) | 1 |
| Cumulative-effect adjustment to accumulated deficit related to the adoption of ASU 2016-01 | 2 | — |
| Total comprehensive income (loss) | \$80 | \$ (32) |

⁽¹⁾ Prior year amounts adjusted to reflect the retrospective application of ASU 2014-09, Revenue from Contracts with Customers. Refer to Note 1.

See accompanying notes to condensed consolidated financial statements.

Advanced Micro Devices, Inc.
Condensed Consolidated Balance Sheets ⁽¹⁾
(Unaudited)

| | March 31, 2018 | December 30, 2017 |
|--|---|----------------------|
| | (In millions, except par value amounts) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,045 | \$ 1,185 |
| Accounts receivable, net | 738 | 454 |
| Inventories, net | 715 | 694 |
| Prepayment and other receivables - related parties | 18 | 33 |
| Prepaid expenses | 67 | 77 |
| Other current assets | 168 | 191 |
| Total current assets | 2,751 | 2,634 |
| Property, plant and equipment, net | 290 | 261 |
| Goodwill | 289 | 289 |
| Investment: equity method | 57 | 58 |
| Other assets | 376 | 310 |
| Total assets | \$ 3,763 | \$ 3,552 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term debt, net | \$ 223 | \$ 70 |
| Accounts payable | 456 | 384 |
| Payables to related parties | 374 | 412 |
| Accrued liabilities | 485 | 555 |
| Other current liabilities | 159 | 92 |
| Total current liabilities | 1,697 | 1,513 |
| Long-term debt, net | 1,165 | 1,325 |
| Other long-term liabilities | 186 | 118 |
| Commitments and contingencies (See Note 12) | | |
| Stockholders' equity: | | |