

ADVANCED MICRO DEVICES INC

Form 10-Q

April 29, 2015

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**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 28, 2015

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)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**94-1692300**  
(I.R.S. Employer  
Identification No.)

**One AMD Place**

**Sunnyvale, California**  
(Address of principal executive offices)

**94088**  
(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" and "smaller reporting 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 ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of the registrant's common stock, \$0.01 par value, as of April 24, 2015: 778,059,809

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Advanced Micro Devices, Inc.****Condensed Consolidated Statements of Operations****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 28, 2015</b>	<b>March 29, 2014</b>
	<b>(In millions, except per share amounts)</b>	
Net revenue	\$ 1,030	\$ 1,397
Cost of sales	704	910
Gross margin	326	487
Research and development	242	279
Marketing, general and administrative	131	156
Amortization of acquired intangible assets	3	3
Restructuring and other special charges, net	87	
Operating income (loss)	(137)	49
Interest income		1
Interest expense	(40)	(47)
Other income (expense), net		(21)
Loss before income taxes	(177)	(18)
Provision for income taxes	3	2
Net loss	\$ (180)	\$ (20)
Net loss per share		
Basic	\$ (0.23)	\$ (0.03)
Diluted	\$ (0.23)	\$ (0.03)
Shares used in per share calculation:		
Basic	777	761
Diluted	777	761

See accompanying notes to condensed consolidated financial statements.

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**Advanced Micro Devices, Inc.**

**Condensed Consolidated Statements of Comprehensive Loss**

**(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 28, 2015</b>	<b>March 29, 2014</b>
	<b>(In millions)</b>	
Net loss	\$ (180)	\$ (20)
Other comprehensive income (loss):		
Unrealized gains (losses) on cash flow hedges:		
Unrealized gains (losses) arising during the period, net of tax effects of \$0 and \$0	(11)	(3)
Reclassification adjustment for (gains) losses realized and included in net income (loss), net of tax effects of \$0 and \$0	4	2
Total other comprehensive loss	(7)	(1)
Total comprehensive loss	\$ (187)	\$ (21)

See accompanying notes to condensed consolidated financial statements.

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

	March 28, 2015	December 27, 2014*
(In millions, except par value amounts)		
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 677	\$ 805
Marketable securities	229	235
Accounts receivable, net of allowances of \$0 and \$0	771	818
Inventories, net	688	685
Prepayments to GLOBALFOUNDRIES	44	113
Prepaid expenses and other current assets	88	80
<b>Total current assets</b>	2,497	2,736
Property, plant and equipment, net	297	302
Acquisition related intangible assets, net		65
Goodwill	320	320
Other assets	314	344
<b>Total assets</b>	\$ 3,428	\$ 3,767
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 235	\$ 177
Accounts payable	381	415
Payable to GLOBALFOUNDRIES	121	218
Accrued and other current liabilities	494	558
Deferred income on shipments to distributors	61	72
<b>Total current liabilities</b>	1,292	1,440
Long-term debt	2,033	2,035
Other long-term liabilities	86	105
Commitments and contingencies (See Note 9)		
<b>Stockholders equity:</b>		
Capital stock:		
Common stock, par value \$0.01; 1,500 shares authorized on March 28, 2015 and December 27, 2014; shares issued: 790 shares on March 28, 2015 and 788 shares on December 27, 2014; shares outstanding: 778 shares on March 28, 2015 and 776 shares on December 27, 2014	8	8
Additional paid-in capital	6,967	6,949
Treasury stock, at cost (12 shares on March 28, 2015 and December 27, 2014)	(120)	(119)
Accumulated deficit	(6,826)	(6,646)
Accumulated other comprehensive loss	(12)	(5)
<b>Total stockholders equity</b>	17	187
<b>Total liabilities and stockholders equity</b>	\$ 3,428	\$ 3,767

- \* Amounts were derived from the December 27, 2014 audited consolidated financial statements.  
See accompanying notes to condensed consolidated financial statements.

**Table of Contents****Advanced Micro Devices, Inc.****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 28, 2015</b>	<b>March 29, 2014</b>
	<b>(In millions)</b>	
Cash flows from operating activities:		
Net loss	\$ (180)	\$ (20)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	46	53
Stock-based compensation expense	17	23
Non-cash interest expense	3	6
Loss on debt redemptions		15
Restructuring and other special charges, net	71	
Other	(1)	(4)
Changes in operating assets and liabilities:		
Accounts receivable	46	(8)
Inventories	(6)	14
Prepayments to GLOBALFOUNDRIES	68	
Prepaid expenses and other assets	(16)	(8)
Accounts payable, accrued liabilities and other	(124)	(124)
Payable to GLOBALFOUNDRIES	(97)	(151)
Net cash used in operating activities	(173)	(204)
Cash flows from investing activities:		
Purchases of available-for-sale securities	(223)	(310)
Purchases of property, plant and equipment	(22)	(21)
Proceeds from sales and maturities of available-for-sale securities	230	200
Net cash used in investing activities	(15)	(131)
Cash flows from financing activities:		
Proceeds from issuance of common stock		1
Proceeds from borrowings, net	58	589
Net proceeds from grants	4	
Repayments of long-term debt and capital lease obligations	(1)	(569)
Other	(1)	(1)
Net cash provided by financing activities	60	20
Net decrease in cash and cash equivalents	(128)	(315)
Cash and cash equivalents at beginning of period	805	869
Cash and cash equivalents at end of period	\$ 677	\$ 554

See accompanying notes to condensed consolidated financial statements.





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### **Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

#### **NOTE 1. Basis of Presentation and Significant Accounting Policies**

*Basis of Presentation.* The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. and its subsidiaries (the Company or AMD) have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The results of operations for the quarter ended March 28, 2015 shown in this report are not necessarily indicative of results to be expected for the full year ending December 26, 2015. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary for a fair presentation of the Company's results of operations, financial position and cash flows. All such adjustments are of a normal, recurring nature. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 27, 2014.

The Company uses a 52 or 53 week fiscal year ending on the last Saturday in December. The quarters ended March 28, 2015 and March 29, 2014 each consisted of 13 weeks.

*Principles of Consolidation.* The condensed consolidated financial statements include the Company's accounts and those of its wholly-owned subsidiaries. Upon consolidation, all significant intercompany accounts and transactions are eliminated.

*Change to Prior Period Information.* During the third quarter of 2014, the Company realigned its organizational structure. As a result of this organizational change, beginning in third quarter of 2014, the Company reports its financial statements based on the new segments described in Note 7 - Segment Reporting with no other impact on the Company's condensed consolidated financial statements. All prior-period amounts have been adjusted retrospectively to reflect the Company's reportable segment changes.

#### *Recently Issued Accounting Standards*

*Interest Imputation of Interest.* In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. ASU 2015-03 will be effective for annual reporting periods beginning after December 15, 2015 and interim periods within fiscal years beginning after December 15, 2016, with early adoption permitted. The new guidance will be applied retrospectively to each prior period presented. The Company is currently in the process of evaluating the impact of adoption of the ASU 2015-03 on its consolidated financial statements.

*Disclosure of Going Concern Uncertainties.* In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15), which provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 will be effective in the fourth quarter of 2016, with early adoption permitted. The Company is currently evaluating the impact of its pending adoption of ASU 2014-15 on its consolidated financial statements.

*Share-Based Payments with Performance Targets.* In June 2014, the FASB issued Accounting Standards Update No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASU 2014-12), which requires that a performance target be treated as a performance condition if it affects vesting and could be achieved after the requisite service period is rendered. ASU 2014-12 will be effective in the first quarter of 2016, with early adoption permitted. The Company may use either of two methods: (i) prospective application to all awards granted or modified after the effective date or (ii) retrospective application to all awards with performance targ