

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

October 27, 2020
Date of Report (Date of earliest event reported)



ADVANCED MICRO DEVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of
Incorporation)

001-07882
(Commission
File Number)

94-1692300
(IRS Employer
Identification Number)

2485 Augustine Drive
Santa Clara, California 95054
(Address of principal executive offices) (Zip Code)
(408) 749-4000
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	AMD	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). 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 Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

Item 7.01 Regulation FD Disclosure.

On October 27, 2020, Advanced Micro Devices, Inc. (the "Company") announced its financial position and results of operations as of and for its third quarter ended September 26, 2020 in a press release that is attached hereto as Exhibit 99.1. Attached hereto as Exhibit 99.2 is a presentation regarding the Company's third quarter 2020.

The Company will hold a conference call on October 27, 2020 at 8:00 a.m. ET (5:00 a.m. PT) to discuss its third quarter 2020 financial results and forward-looking financial guidance.

To supplement the Company's financial results presented on a U.S. Generally Accepted Accounting Principles ("GAAP") basis, the Company's earnings press release contains non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, non-GAAP earnings per share, Adjusted EBITDA and free cash flow. The Company uses a normalized tax rate in its computation of the non-GAAP income tax provision to provide better consistency across the reporting periods. For fiscal 2020, the Company uses a projected non-GAAP tax rate, which excludes the direct tax impacts of pre-tax non-GAAP adjustments, of approximately 3%, reflecting currently available information. The Company believes that the supplemental non-GAAP financial measures make it easier for investors to compare its operating results for current and historical periods and also assist investors in comparing the Company's core performance across reporting periods on a consistent basis by excluding items that it believes are not indicative of the Company's underlying operating performance. The Company cautions investors to carefully evaluate the financial results calculated in accordance with GAAP and the supplemental non-GAAP financial measures and reconciliations. The Company's non-GAAP financial measures are not intended to be considered in isolation and are not a substitute for, or superior to, financial measures calculated in accordance with GAAP.

The information in this report furnished pursuant to Items 2.02 and 7.01, including Exhibits 99.1 and 99.2 attached hereto, shall not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or the Securities Act of 1933, as amended, if such subsequent filing specifically references the information furnished pursuant to Items 2.02 and 7.01 of this report.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated October 27, 2020
99.2	Third Quarter 2020 Financial Results Presentation
104	Inline XBRL for the cover page of this Current Report on Form 8-K

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AMD Reports Third Quarter 2020 Financial Results

— Record revenue grew 56 percent and net income and EPS more than doubled year-over-year —

SANTA CLARA, Calif. — October 27, 2020 — AMD (NASDAQ: AMD) today announced record revenue for the third quarter of 2020 of \$2.80 billion, operating income of \$449 million, net income of \$390 million and diluted earnings per share of \$0.32. On a non-GAAP* basis, operating income was \$525 million, net income was \$501 million and diluted earnings per share was \$0.41.

GAAP Quarterly Financial Results

	Q3 2020	Q3 2019	Y/Y	Q2 2020	Q/Q
Revenue (\$M)	\$2,801	\$1,801	Up 56%	\$1,932	Up 45%
Gross profit (\$M)	\$1,230	\$777	Up 58%	\$848	Up 45%
Gross margin	44%	43%	Up 1pp	44%	Flat
Operating expenses (\$M)	\$781	\$591	Up 32%	\$675	Up 16%
Operating income (\$M)	\$449	\$186	Up 141%	\$173	Up 160%
Net income (\$M)	\$390	\$120	Up 225%	\$157	Up 148%
Earnings per share	\$0.32	\$0.11	Up 191%	\$0.13	Up 146%

Non-GAAP* Quarterly Financial Results

	Q3 2020	Q3 2019	Y/Y	Q2 2020	Q/Q
Revenue (\$M)	\$2,801	\$1,801	Up 56%	\$1,932	Up 45%
Gross profit (\$M)	\$1,231	\$779	Up 58%	\$850	Up 45%
Gross margin	44%	43%	Up 1pp	44%	Flat
Operating expenses (\$M)	\$706	\$539	Up 31%	\$617	Up 14%
Operating income (\$M)	\$525	\$240	Up 119%	\$233	Up 125%
Net income (\$M)	\$501	\$219	Up 129%	\$216	Up 132%
Earnings per share	\$0.41	\$0.18	Up 128%	\$0.18	Up 128%

“Our business accelerated in the third quarter as strong demand for our PC, gaming and data center products drove record quarterly revenue,” said Dr. Lisa Su, AMD president and CEO. “We reported our fourth straight quarter with greater than 25 percent year-over-year revenue growth, highlighting our significant customer momentum. We are well positioned to continue delivering best-in-class growth as we further extend our leadership product portfolio with the launches of our next generation Ryzen, Radeon and EPYC processors.”

Q3 2020 Results

- Revenue was \$2.80 billion, up 56 percent year-over-year and 45 percent quarter-over-quarter driven by higher revenue in both the Enterprise, Embedded and Semi-Custom and Computing and Graphics segments.
- Gross margin was 44 percent, up 1 percentage point year-over-year and flat quarter-over-quarter. The year-over-year increase was primarily driven by EPYC™ and Ryzen™ processor sales. Gross margin was flat quarter-over-quarter as an increase of Ryzen and EPYC processor sales was offset by a higher percentage of semi-custom revenue.
- Operating income was \$449 million compared to \$186 million a year ago and \$173 million in the prior quarter. Non-GAAP operating income was \$525 million compared to \$240 million a year ago and \$233 million in the prior quarter. Operating income improvements were primarily driven by revenue growth, including an increase in Ryzen and EPYC processor sales and semi-custom product sales.
- Net income was \$390 million compared to \$120 million a year ago and \$157 million in the prior quarter. Non-GAAP net income was \$501 million compared to \$219 million a year ago and \$216 million in the prior quarter.
- Diluted earnings per share was \$0.32 compared to \$0.11 a year ago and \$0.13 in the prior quarter. Non-GAAP diluted earnings per share was \$0.41 compared to \$0.18 a year ago and \$0.18 in the prior quarter.
- Cash, cash equivalents and short-term investments were \$1.77 billion at the end of the quarter.

Quarterly Financial Segment Summary

- Computing and Graphics segment revenue was \$1.67 billion, up 31 percent year-over-year and 22 percent quarter-over-quarter. Revenue was higher year-over-year driven by a significant increase in Ryzen processor sales partially offset by lower graphics revenue. Revenue was higher quarter-over-quarter driven by a significant increase in Ryzen processor sales and an increase in graphics revenue.
 - Client processor average selling price (ASP) was lower year-over-year due to a higher mix of mobile processor sales. Client processor ASP was higher quarter-over-quarter driven by higher desktop and mobile processor ASPs.
 - GPU ASP was lower year-over-year due to product cycle timing and higher quarter-over-quarter due to product mix.
 - Operating income was \$384 million compared to \$179 million a year ago and \$200 million in the prior quarter. The year-over-year and quarter-over-quarter increases were driven by higher Ryzen revenue.
- Enterprise, Embedded and Semi-Custom segment revenue was \$1.13 billion, up 116 percent year-over-year and 101 percent quarter-over-quarter. Revenue was higher year-over-year and quarter-over-quarter due to higher semi-custom product sales and increased EPYC processor sales.
 - Operating income was \$141 million compared to \$61 million a year ago and \$33 million in the prior quarter. The year-over-year and quarter-over-quarter increases were primarily driven by higher revenue.
- All Other operating loss was \$76 million compared to operating losses of \$54 million a year ago and \$60 million in the prior quarter.

Recent PR Highlights

- AMD introduced the AMD Ryzen 5000 Series desktop processors, extending AMD leadership across gaming, single-threaded, and multi-threaded performance as well as power efficiency. Powered by the new “Zen 3” core architecture, the new processors deliver a 19 percent generational increase in instructions per cycle (IPC), the largest since the introduction of “Zen” processors in 2017.
- AMD EPYC processor adoption continues to grow as data center customers harness our differentiated performance and features for cloud computing, high-performance computing (HPC), hyperconverged infrastructure (HCI), virtualization and more.
 - AMD EPYC processors are now being used by the Azure Data Explorer data analytics platform to improve real-time analysis on large volumes of data streaming from applications, websites, IoT devices and more.
 - Oracle announced plans to offer cloud instances based on next-generation AMD EPYC processors, codenamed “Milan.”
 - Cloud service providers continued to announce the availability of new instances based on AMD EPYC processors, including AWS C5ad instances for compute intensive workloads, Google Cloud Confidential VMs featuring AMD Secure Encrypted Virtualization, and Microsoft Azure VMs which use AMD EPYC processors to power Office 365 applications.
 - AMD announced growing ecosystem support for virtualization solutions based on VMware® and Nutanix™ software from Dell, HPE and Lenovo.
 - VMware announced support for AMD Secure Encrypted Virtualization – Encrypted State technology in its latest version of vSphere®.
 - Northern Data is leveraging AMD EPYC and AMD Radeon Instinct™ processors for one of the world’s largest GPU-based distributed computing clusters for HPC applications at sites across Norway, Sweden and Canada.
- AMD expanded its position in the consumer and commercial client markets with new products and growing adoption of AMD Ryzen processors by leading OEMs.
 - OEM partners continued to launch new AMD-powered notebooks, desktops and Chromebooks, including new HP and Lenovo notebooks and desktops for the commercial, consumer and gaming markets and the first “Zen”-based Chromebooks.
 - AMD announced new AMD Ryzen 4000 Series Desktop Processors with Radeon Graphics and AMD Athlon™ 3000 Series Desktop Processors with Radeon Graphics for the consumer market, as well as the new AMD Ryzen PRO 4000 Series and AMD Athlon PRO 3000 Series Desktop Processors for the commercial market.
- AMD and Apple announced the availability of new AMD Radeon Pro 5000 series GPUs for the updated 27-inch iMac, bringing compute performance, energy efficiency and features to a wide variety of graphically intensive applications and workloads.
- AMD announced additional high-performance technology contributions to assist in the global fight against the COVID-19 pandemic, including high-performance computing systems or access to cloud-based clusters powered by 2nd Gen AMD EPYC and AMD Radeon Instinct processors for 21 institutions and research facilities around the world.

- AMD announced its annual corporate responsibility update, highlighting how AMD and its technologies are addressing sustainable technological and scientific advancement, environmental and supply chain responsibility, workplace inclusion and community support.

Current Outlook

AMD's outlook statements are based on current expectations. The following statements are forward-looking, and actual results could differ materially depending on market conditions and the factors set forth under "Cautionary Statement" below.

For the fourth quarter of 2020, AMD expects revenue to be approximately \$3.0 billion, plus or minus \$100 million, an increase of approximately 41 percent year-over-year and 7 percent sequentially. The year-over-year increase is expected to be primarily driven by the ramp of new Ryzen, EPYC and semi-custom products and growing customer momentum. AMD expects non-GAAP gross margin to be approximately 45 percent in the fourth quarter of 2020.

AMD now expects 2020 revenue to grow by approximately 41 percent compared to 2019, up from prior guidance of 32 percent. Non-GAAP gross margin is expected to be approximately 45 percent, consistent with prior guidance.

AMD Teleconference

AMD will hold a conference call for the financial community at 8:00 a.m. ET (5:00 a.m. PT) today to discuss its third quarter 2020 financial results. AMD will provide a real-time audio broadcast of the teleconference on the Investor Relations page of its website at www.amd.com. The webcast will be available for 12 months after the conference call.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

(In millions, except per share data)

	Three Months Ended		
	September 26, 2020	June 27, 2020	September 28, 2019
GAAP gross profit	\$ 1,230	\$ 848	\$ 777
<i>GAAP gross margin %</i>	44 %	44 %	43 %
Stock-based compensation	1	2	2
Non-GAAP gross profit	\$ 1,231	\$ 850	\$ 779
<i>Non-GAAP gross margin %</i>	44 %	44 %	43 %
GAAP operating expenses	\$ 781	\$ 675	\$ 591
<i>GAAP operating expenses/revenue %</i>	28 %	35 %	33 %
Stock-based compensation	75	58	52
Non-GAAP operating expenses	\$ 706	\$ 617	\$ 539
<i>Non-GAAP operating expenses/revenue%</i>	25 %	32 %	30 %
GAAP operating income	\$ 449	\$ 173	\$ 186
<i>GAAP operating margin %</i>	16 %	9 %	10 %
Stock-based compensation	76	60	54
Non-GAAP operating income	\$ 525	\$ 233	\$ 240
<i>Non-GAAP operating margin %</i>	19 %	12 %	13 %

	Three Months Ended					
	September 26, 2020		June 27, 2020		September 28, 2019	
GAAP net income / earnings per share	\$ 390	\$ 0.32	\$ 157	\$ 0.13	\$ 120	\$ 0.11
Loss on debt redemption/conversion	38	0.03	—	—	40	0.03
Non-cash interest expense related to convertible debt	2	—	2	—	6	—
Stock-based compensation	76	0.06	60	0.05	54	0.04
Equity income in investee	(1)	—	(1)	—	(1)	—
Income tax provision	(4)	—	(2)	—	—	—
Non-GAAP net income / earnings per share	\$ 501	\$ 0.41	\$ 216	\$ 0.18	\$ 219	\$ 0.18

Shares used and net income adjustment in earnings per share calculation⁽¹⁾

Shares used in per share calculation (GAAP)		1,215		1,227		1,117
Interest expense add-back to GAAP net income	\$	1	\$	3	\$	—
Shares used in per share calculation (Non-GAAP)		1,230		1,227		1,212
Interest expense add-back to Non-GAAP net income	\$	1	\$	1	\$	4

(1) For the three months ended September 26, 2020 and June 27, 2020, GAAP diluted EPS calculations include 11 million and 31 million shares, respectively, related to the assumed conversion of the Company's 2026 Convertible Notes and the associated \$1 million and \$3 million interest expense, respectively, add-back to net income under the "if converted" method. For the three months ended September 26, 2020, 15 million shares related to the assumed conversion of the Company's 2026 Convertible Notes were not included in the GAAP diluted EPS calculations as their inclusion would have been anti-dilutive.

For the three months ended September 28, 2019, 95 million shares related to the assumed conversion of the Company's 2026 Convertible Notes were not included in the GAAP diluted EPS calculations as their inclusion would have been anti-dilutive.

For the three months ended September 26, 2020, June 27, 2020 and September 28, 2019, Non-GAAP diluted EPS calculations include 26 million, 31 million and 95 million shares, respectively, related to the assumed conversion of the Company's 2026 Convertible Notes and the associated \$1 million, \$1 million and \$4 million interest expense, respectively, add-back to net income under the "if converted" method.

About AMD

For more than 50 years, AMD has driven innovation in high-performance computing, graphics and visualization technologies – the building blocks for gaming, immersive platforms and the data center. Hundreds of millions of consumers, leading Fortune 500 businesses and cutting-edge scientific research facilities around the world rely on AMD technology daily to improve how they live, work and play. AMD employees around the world are focused on building great products that push the boundaries of what is possible. For more information about how AMD is enabling today and inspiring tomorrow, visit the AMD (NASDAQ: AMD) [website](#), [blog](#), [Facebook](#) and [Twitter](#) pages.

Cautionary Statement

This press release contains forward-looking statements concerning Advanced Micro Devices, Inc. (AMD) such as AMD's ability to continue to deliver best-in-class growth and extend its leadership product portfolio; the features, functionality, performance, availability, timing and expected benefits of AMD products; and AMD's expected fourth quarter of 2020 outlook including, revenue and non-GAAP gross margin and expected drivers, based on current expectations, global economic backdrop and customer demand signals, which are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements are commonly identified by words such as "would," "may," "expects," "believes," "plans," "intends," "projects" and other terms with similar meaning. Investors are cautioned that the forward-looking statements in this press release are based on current beliefs, assumptions and expectations, speak only as of the date of this press release and involve risks and uncertainties that could cause actual results to differ materially from current expectations. Such statements are subject to certain known and unknown risks and uncertainties, many of which are difficult to predict and generally beyond AMD's control, that could cause actual results and other future events to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following: Intel Corporation's dominance of the microprocessor market and its aggressive business practices; the ability of third party manufacturers to manufacture AMD's products on a timely basis in sufficient quantities and using competitive technologies; expected manufacturing yields for AMD's products; AMD's ability to introduce products on a timely basis with features and performance levels that provide value to its customers; global economic uncertainty; the loss of a significant customer; AMD's ability to generate revenue from its semi-custom SoC products; the impact of the COVID-19 pandemic on AMD's business, financial condition and results of operations; political, legal, economic risks and natural disasters; the impact of government actions and regulations such as export administration regulations, tariffs and trade protection measures; potential security vulnerabilities; potential IT outages, data loss, data breaches and cyber-attacks; uncertainties involving the ordering and shipment of AMD's products; quarterly and seasonal sales patterns; the restrictions imposed by agreements governing AMD's notes and the secured credit facility; the competitive markets in which AMD's products are sold; AMD's ability to generate sufficient revenue and operating cash flow or obtain external financing for research and development or other strategic investments; the potential dilutive effect if the 2.125% Convertible Senior Notes due 2026 are converted; market conditions of the industries in which AMD products are sold; AMD's reliance on third-party intellectual property to design and introduce new products in a timely manner; AMD's reliance on third-party companies for the design, manufacture and supply of motherboards, software and other computer platform components; AMD's reliance on Microsoft Corporation and other software vendors' support to design and develop software to run on AMD's products; AMD's reliance on third-party distributors and add-in-board partners; future impairments of goodwill and technology license purchases; AMD's ability to attract and retain qualified personnel; AMD's indebtedness; AMD's ability to generate sufficient cash to service its debt obligations or meet its working capital requirements; AMD's ability to repurchase its outstanding debt in the event of a change of control; the cyclical nature of the semiconductor industry; the impact of acquisitions, joint ventures and/or investments on AMD's business; the impact of modification or interruption of AMD's internal business processes and information systems; the availability of essential equipment, materials or manufacturing processes; compatibility of AMD's products with some or all industry-standard software and hardware; costs related to defective products; the efficiency of AMD's supply chain; AMD's ability to rely on third party supply-chain logistics functions; AMD's stock price volatility; worldwide political conditions; unfavorable currency exchange rate fluctuations; AMD's ability to effectively control the sales of its products on the gray market; AMD's ability to adequately protect its technology or other intellectual property; current and future claims and litigation; potential tax liabilities; and the impact of environmental laws, conflict minerals-related provisions and other laws or regulations. Investors are urged to review in detail the risks and uncertainties in AMD's Securities and Exchange Commission filings, including but not limited to AMD's Quarterly Report on Form 10-Q for the quarter ended June 27, 2020.

* In this earnings press release, in addition to GAAP financial results, AMD has provided non-GAAP financial measures including non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income and non-GAAP earnings per share. AMD uses a normalized tax rate in its computation of the non-GAAP income tax provision to provide better consistency across the reporting periods. For fiscal 2020, AMD uses a projected non-GAAP tax rate, which excludes the direct tax impacts of pre-tax non-GAAP adjustments, of approximately 3%, reflecting currently available information. AMD has also provided adjusted EBITDA and free cash flow as supplemental non-GAAP measures of its performance. These items are defined in the footnotes to the selected corporate data tables provided at the end of this earnings press release. AMD is providing these financial measures because it believes this non-GAAP presentation makes it easier for investors to compare its operating results for current and historical periods and also because AMD believes it assists investors in comparing AMD's performance across reporting periods on a consistent basis by excluding items that it does not believe are indicative of its core operating performance and for the other reasons described in the footnotes to the selected data tables. The non-GAAP financial measures disclosed in this earnings press release should be viewed in addition to and not as a substitute for or superior to AMD's reported results prepared in accordance with GAAP and should be read only in conjunction with AMD's Consolidated Financial Statements prepared in accordance with GAAP. These non-GAAP financial measures referenced are reconciled to their most directly comparable GAAP financial measures in the tables in this earnings press release. Refer to the data tables at the end of this earnings press release. This earnings press release also contains forward-looking non-GAAP gross margin concerning AMD's financial outlook, which is based on current expectations as of October 27, 2020 and assumptions and beliefs that involve numerous risks and uncertainties. AMD undertakes no intent or obligation to publicly update or revise its outlook statements as a result of new information, future events or otherwise, except as may be required by law.

AMD, the AMD Arrow logo, EPYC, Radeon, Ryzen, Athlon and combinations thereof, are trademarks of Advanced Micro Devices, Inc. Other names are for informational purposes only and used to identify companies and products and may be trademarks of their owner.

ADVANCED MICRO DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Millions except per share amounts and percentages) (Unaudited)

	Three Months Ended			Nine Months Ended	
	September 26, 2020	June 27, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net revenue	\$ 2,801	\$ 1,932	\$ 1,801	\$ 6,519	\$ 4,604
Cost of sales	1,571	1,084	1,024	3,623	2,685
Gross profit	1,230	848	777	2,896	1,919
Gross margin	44 %	44 %	43 %	44 %	42 %
Research and development	508	460	406	1,410	1,152
Marketing, general and administrative	273	215	185	687	544
Licensing gain	—	—	—	—	(60)
Operating income	449	173	186	799	283
Interest expense	(11)	(14)	(24)	(38)	(76)
Other income (expense), net	(37)	1	(36)	(32)	(40)
Income before income taxes and equity income	401	160	126	729	167
Income tax provision (benefit)	12	4	7	22	(4)
Equity income in investee	1	1	1	2	—
Net Income	\$ 390	\$ 157	\$ 120	\$ 709	\$ 171
Earnings per share					
Basic	\$ 0.33	\$ 0.13	\$ 0.11	\$ 0.60	\$ 0.16
Diluted	\$ 0.32	\$ 0.13	\$ 0.11	\$ 0.59	\$ 0.15
Shares used in per share calculation					
Basic	1,184	1,174	1,097	1,176	1,075
Diluted	1,215	1,227	1,117	1,208	1,107

ADVANCED MICRO DEVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Millions)

	September 26, 2020 (Unaudited)	December 28, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,296	\$ 1,466
Short-term investments	475	37
Accounts receivable, net	2,134	1,859
Inventories	1,292	982
Receivables from related parties	4	20
Prepaid expenses and other current assets	299	233
Total current assets	5,500	4,597
Property and equipment, net	595	500
Operating lease right-of use assets	215	205
Goodwill	289	289
Investment: equity method	60	58
Other non-current assets	364	379
Total Assets	\$ 7,023	\$ 6,028
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 752	\$ 988
Payables to related parties	115	213
Accrued liabilities	1,478	1,084
Other current liabilities	72	74
Total current liabilities	2,417	2,359
Long-term debt, net	373	486
Long-term operating lease liabilities	205	199
Other long-term liabilities	161	157
Stockholders' equity:		
Capital stock:		
Common stock, par value	12	12
Additional paid-in capital	10,362	9,963
Treasury stock, at cost	(126)	(53)
Accumulated deficit	(6,386)	(7,095)
Accumulated other comprehensive income	5	—
Total stockholders' equity	\$ 3,867	\$ 2,827
Total Liabilities and Stockholders' Equity	\$ 7,023	\$ 6,028

ADVANCED MICRO DEVICES, INC.
SELECTED CASH FLOW INFORMATION
(Millions) (Unaudited)

	Three Months Ended			Nine Months Ended	
	September 26, 2020	June 27, 2020	September 28, 2019	September 26, 2020	September 28, 2019
	Net cash provided by (used in)				
Operating activities	\$ 339	\$ 243	\$ 234	\$ 517	\$ 51
Investing activities	\$ (549)	\$ (36)	\$ 57	\$ (658)	\$ (123)
Financing activities	\$ (269)	\$ 238	\$ (98)	\$ (29)	\$ 150

SELECTED CORPORATE DATA
(Millions) (Unaudited)

Segment and Category Information	Three Months Ended			Nine Months Ended	
	September 26, 2020	June 27, 2020	September 28, 2019	September 26, 2020	September 28, 2019
	Computing and Graphics ⁽¹⁾				
Net revenue	\$ 1,667	\$ 1,367	\$ 1,276	\$ 4,472	\$ 3,047
Operating income	\$ 384	\$ 200	\$ 179	\$ 846	\$ 217
Enterprise, Embedded and Semi-Custom ⁽²⁾					
Net revenue	\$ 1,134	\$ 565	\$ 525	\$ 2,047	\$ 1,557
Operating income	\$ 141	\$ 33	\$ 61	\$ 148	\$ 218
All Other ⁽³⁾					
Net revenue	\$ —	\$ —	\$ —	\$ —	\$ —
Operating loss	\$ (76)	\$ (60)	\$ (54)	\$ (195)	\$ (152)
Total					
Net revenue	\$ 2,801	\$ 1,932	\$ 1,801	\$ 6,519	\$ 4,604
Operating income	\$ 449	\$ 173	\$ 186	\$ 799	\$ 283

Other Data					
Capital expenditures	\$ 74	\$ 91	\$ 55	\$ 220	\$ 175
Adjusted EBITDA ⁽⁴⁾	\$ 607	\$ 305	\$ 300	\$ 1,216	\$ 593
Cash, cash equivalents and short-term investments	\$ 1,771	\$ 1,775	\$ 1,209	\$ 1,771	\$ 1,209
Free cash flow ⁽⁵⁾	\$ 265	\$ 152	\$ 179	\$ 297	\$ (124)
Total assets	\$ 7,023	\$ 6,583	\$ 5,253	\$ 7,023	\$ 5,253
Total debt	\$ 373	\$ 690	\$ 872	\$ 373	\$ 872

⁽¹⁾ The Computing and Graphics segment, which primarily includes desktop and notebook processors and chipsets, discrete and integrated graphics processing units (GPUs), data center and professional GPUs and development services. From time to time, the Company may also sell or license portions of its IP portfolio.

⁽²⁾ The Enterprise, Embedded and Semi-Custom segment, which primarily includes server and embedded processors, semi-custom System-on-Chip (SoC) products, development services and technology for game consoles. From time to time, the Company may also sell or license portions of its IP portfolio.

⁽³⁾ All Other category primarily includes certain expenses and credits that are not allocated to any of the operating segments. Also included in this category is stock-based compensation expense.

(4) **Reconciliation of GAAP Net Income to Adjusted EBITDA***

	Three Months Ended			Nine Months Ended	
	September 26, 2020	June 27, 2020	September 28, 2019	September 26, 2020	September 28, 2019
GAAP net income	\$ 390	\$ 157	\$ 120	\$ 709	\$ 171
Interest expense	11	14	24	38	76
Other (income) expense, net	37	(1)	36	32	40
Income tax provision (benefit)	12	4	7	22	(4)
Equity income in investee	(1)	(1)	(1)	(2)	—
Stock-based compensation	76	60	54	195	140
Depreciation and amortization	82	72	60	222	158
Loss contingency on legal matter	—	—	—	—	12
Adjusted EBITDA	\$ 607	\$ 305	\$ 300	\$ 1,216	\$ 593

(5) **Reconciliation of GAAP Net Cash Provided by Operating Activities to Free Cash Flow****

	Three Months Ended			Nine Months Ended	
	September 26, 2020	June 27, 2020	September 28, 2019	September 26, 2020	September 28, 2019
GAAP net cash provided by operating activities	\$ 339	\$ 243	\$ 234	\$ 517	\$ 51
Purchases of property and equipment	(74)	(91)	(55)	(220)	(175)
Free cash flow	\$ 265	\$ 152	\$ 179	\$ 297	\$ (124)

* The Company presents "Adjusted EBITDA" as a supplemental measure of its performance. Adjusted EBITDA for the Company is determined by adjusting GAAP net income for interest expense, other income (expense), net, income tax provision (benefit), equity income on investee, stock-based compensation, and depreciation and amortization expense. The Company also included a loss contingency on legal matter in the nine months ended September 28, 2019. The Company calculates and presents Adjusted EBITDA because management believes it is of importance to investors and lenders in relation to its overall capital structure and its ability to borrow additional funds. In addition, the Company presents Adjusted EBITDA because it believes this measure assists investors in comparing its performance across reporting periods on a consistent basis by excluding items that the Company does not believe are indicative of its core operating performance. The Company's calculation of Adjusted EBITDA may or may not be consistent with the calculation of this measure by other companies in the same industry. Investors should not view Adjusted EBITDA as an alternative to the GAAP operating measure of income or GAAP liquidity measures of cash flows from operating, investing and financing activities. In addition, Adjusted EBITDA does not take into account changes in certain assets and liabilities that can affect cash flows.

** The Company also presents free cash flow as a supplemental Non-GAAP measure of its performance. Free cash flow is determined by adjusting GAAP net cash provided by operating activities for capital expenditures. The Company calculates and communicates free cash flow in the financial earnings press release because management believes it is of importance to investors to understand the nature of these cash flows. The Company's calculation of free cash flow may or may not be consistent with the calculation of this measure by other companies in the same industry. Investors should not view free cash flow as an alternative to GAAP liquidity measures of cash flows from operating activities.

The Company has provided reconciliations within the earnings press release of these Non-GAAP financial measures to the most directly comparable GAAP financial measures.



THIRD QUARTER 2020 FINANCIAL RESULTS

OCTOBER 27, 2020

CAUTIONARY STATEMENT

This presentation contains forward-looking statements concerning Advanced Micro Devices, Inc. (AMD) such as the features, functionality, performance, availability, timing and expected benefits of AMD products including Radeon™ RX 6000 series GPUs and next generation "Milan" server processors; semi-custom shipments and revenue expectations; AMD's financial outlook for the fourth quarter of 2020 and fiscal 2020, including, revenue, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating expenses as a percentage of revenue, non-GAAP interest expense, taxes and other; non-GAAP taxes, and diluted share count; and AMD's leadership roadmaps, execution excellence, sustained market share gains and strong financial returns, which are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements are commonly identified by words such as "would," "may," "expects," "believes," "plans," "intends," "projects" and other terms with similar meaning. Investors are cautioned that the forward-looking statements in this presentation are based on current beliefs, assumptions and expectations, speak only as of the date of this presentation and involve risks and uncertainties that could cause actual results to differ materially from current expectations. Such statements are subject to certain known and unknown risks and uncertainties, many of which are difficult to predict and generally beyond AMD's control, that could cause actual results and other future events to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following: Intel Corporation's dominance of the microprocessor market and its aggressive business practices; the ability of third party manufacturers to manufacture AMD's products on a timely basis in sufficient quantities and using competitive technologies; expected manufacturing yields for AMD's products; AMD's ability to introduce products on a timely basis with features and performance levels that provide value to its customers; global economic uncertainty; the loss of a significant customer; AMD's ability to generate revenue from its semi-custom SoC products; the impact of the COVID-19 pandemic on AMD's business, financial condition and results of operations; political, legal, economic risks and natural disasters; the impact of government actions and regulations such as export administration regulations, tariffs and trade protection measures; potential security vulnerabilities; potential IT outages, data loss, data breaches and cyber-attacks; uncertainties involving the ordering and shipment of AMD's products; quarterly and seasonal sales patterns; the restrictions imposed by agreements governing AMD's notes and the secured credit facility; the competitive markets in which AMD's products are sold; AMD's ability to generate sufficient revenue and operating cash flow or obtain external financing for research and development or other strategic investments; the potential dilutive effect if the 2.125% Convertible Senior Notes due 2026 are converted; market conditions of the industries in which AMD products are sold; AMD's reliance on third-party intellectual property to design and introduce new products in a timely manner; AMD's reliance on third-party companies for the design, manufacture and supply of motherboards, software and other computer platform components; AMD's reliance on Microsoft Corporation and other software vendors' support to design and develop software to run on AMD's products; AMD's reliance on third-party distributors and add-in-board partners; future impairments of goodwill and technology license purchases; AMD's ability to attract and retain qualified personnel; AMD's indebtedness; AMD's ability to generate sufficient cash to service its debt obligations or meet its working capital requirements; AMD's ability to repurchase its outstanding debt in the event of a change of control; the cyclical nature of the semiconductor industry; the impact of acquisitions, joint ventures and/or investments on AMD's business; the impact of modification or interruption of AMD's internal business processes and information systems; the availability of essential equipment, materials or manufacturing processes; compatibility of AMD's products with some or all industry-standard software and hardware; costs related to defective products; the efficiency of AMD's supply chain; AMD's ability to rely on third party supply-chain logistics functions; AMD's stock price volatility; worldwide political conditions; unfavorable currency exchange rate fluctuations; AMD's ability to effectively control the sales of its products on the gray market; AMD's ability to adequately protect its technology or other intellectual property; current and future claims and litigation; potential tax liabilities; and the impact of environmental laws, conflict minerals-related provisions and other laws or regulations. Investors are urged to review in detail the risks and uncertainties in AMD's Securities and Exchange Commission filings, including but not limited to AMD's Quarterly Report on Form 10-Q for the quarter ended June 27, 2020.

NON-GAAP FINANCIAL MEASURES

In this presentation, in addition to GAAP financial results, AMD has provided non-GAAP financial measures including non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income, non-GAAP earnings per share and free cash flow. AMD uses a normalized tax rate in its computation of the non-GAAP income tax provision to provide better consistency across the reporting periods. For fiscal 2020, AMD uses a projected non-GAAP tax rate, which excludes the direct tax impacts of pre-tax non-GAAP adjustments, of approximately 3%, reflecting currently available information. AMD is providing these financial measures because it believes this non-GAAP presentation makes it easier for investors to compare its operating results for current and historical periods and also because AMD believes it assists investors in comparing AMD's performance across reporting periods on a consistent basis by excluding items that it does not believe are indicative of its core operating performance. The non-GAAP financial measures disclosed in this presentation should be viewed in addition to and not as a substitute for or superior to AMD's reported results prepared in accordance with GAAP and should be read only in conjunction with AMD's Consolidated Financial Statements prepared in accordance with GAAP. These non-GAAP financial measures referenced are reconciled to their most directly comparable GAAP financial measures in the Appendices at the end of this presentation. This presentation also contains forward-looking non-GAAP measures concerning AMD's financial outlook such as gross margin, operating expenses, interest expense, taxes and other. These forward-looking non-GAAP measures are based on current expectations as of October 27, 2020 and assumptions and beliefs that involve numerous risks and uncertainties. AMD undertakes no intent or obligation to publicly update or revise its outlook statements as a result of new information, future events or otherwise, except as may be required by law.

AMD

OUR JOURNEY

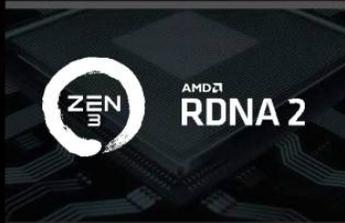
High-Performance
Computing
Leadership

Disruptive Solutions
Combining CPUs
and GPUs

Strong and
Predictable
Execution

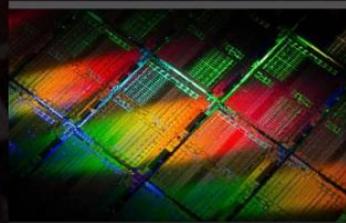
Best-in-Class
Growth
Franchise

OUR LEADERSHIP TECHNOLOGY



INDUSTRY-LEADING IP

Delivering Multi-generational
Leadership CPU and GPU
Roadmaps



ADVANCED TECHNOLOGY

Leadership Process,
Packaging and Interconnect
Technology



DATA CENTER LEADERSHIP

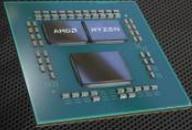
Innovation in Cloud,
Enterprise and
Accelerated Computing



PC/GAMING SOLUTIONS

Driving Leadership
PC Experiences
and Gaming Solutions

OUR BEST EVER **PRODUCT PORTFOLIO**



AMD
RYZEN

World's Fastest Gaming Processors



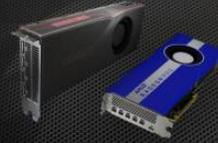
AMD
RYZEN
MOBILE PROCESSORS

Leadership Ultrathin and Gaming Notebook Processors



AMD
RYZEN
THREADRIPPER

Unmatched High-end Desktop with up to 64 "Zen 2" Cores



AMD
RADEON

Performance & Power Efficiency with RDNA Architecture



AMD
EPYC

Up to 64 "Zen 2" Cores with up to 50% Lower TCO

**PERFORMANCE LEADERSHIP
FROM NOTEBOOK TO DESKTOP TO DATA CENTER**

FINANCIAL SUMMARY Q3 2020¹

- Revenue of \$2.80 billion, up 56% y/y and 45% q/q
 - Growth driven by higher revenue in both the Enterprise, Embedded and Semi-Custom and Computing and Graphics segments
- Gross margin of 44%
 - Up 1 percentage point y/y driven by EPYC™ and Ryzen™ processor sales
 - Flat q/q as an increase in Ryzen and EPYC processor sales was offset by a higher percentage of semi-custom revenue
- Operating expenses of \$781 million; non-GAAP OpEx of \$706 million
- Strong profitability
 - Gross profit of \$1.23B; non-GAAP gross profit also \$1.23B
 - Operating income of \$449 million; non-GAAP operating income of \$525 million
 - Operating margin of 16%; non-GAAP operating margin of 19%
 - Net income of \$390 million; non-GAAP net income of \$501 million
 - Diluted EPS of \$0.32; non-GAAP diluted EPS of \$0.41
- Cash, cash equivalents and short-term investments of \$1.77 billion
- Operating cash flow of \$339 million; Free cash flow of \$265 million



1. See Appendices for GAAP to Non-GAAP reconciliation

COMPUTING AND GRAPHICS SEGMENT Q3 2020

- Revenue of \$1.67 billion
 - Up 31% y/y driven by a significant increase in Ryzen processor sales partially offset by lower graphics revenue
 - Up 22% q/q driven by a significant increase in Ryzen processor sales and an increase in graphics revenue
- Average Selling Price (ASP)
 - Client processor ASP lower y/y due to a higher mix of mobile processor sales
 - Client processor ASP higher q/q driven by higher desktop and mobile processor ASPs
 - GPU ASP lower y/y due to product cycle timing; GPU ASP higher q/q due to product mix
- Operating income of \$384 million
 - Up \$205 million y/y and \$184 million q/q driven by higher Ryzen revenue
- Strategic news and highlights
 - Record quarterly Client processor revenue driven by highest ever quarterly mobile processor unit shipments and revenue
 - Number of AMD-based commercial and gaming notebooks each more than doubled y/y
 - Announced Ryzen 5000 desktop processors featuring our newest “Zen 3” core
 - Radeon™ RX 6000 series GPUs featuring RDNA 2 graphics coming in Q4'20 for the high-end graphics market

ENTERPRISE, EMBEDDED AND SEMI-CUSTOM SEGMENT Q3 2020

- Revenue of \$1.13 billion
 - Up 116% y/y and 101% q/q due to higher semi-custom product sales and increased EPYC processor sales
- Operating income of \$141 million
 - Up \$80 million y/y and \$108 million q/q primarily driven by higher revenue
- Strategic news and highlights
 - Record quarterly server processor revenue; sales more than doubled y/y driven by cloud and enterprise adoption
 - On track to begin shipments of next-generation “Milan” server processors to cloud and select HPC customers in Q4’20 with OEM availability to follow in Q1’21
 - Ramped production and shipments of next-generation game console SoCs to support the November launches of the PlayStation® 5 and Xbox® Series X and Series S consoles
 - Expect semi-custom shipments and revenue to increase q/q in Q4’20 based on strong demand

REVENUE TREND

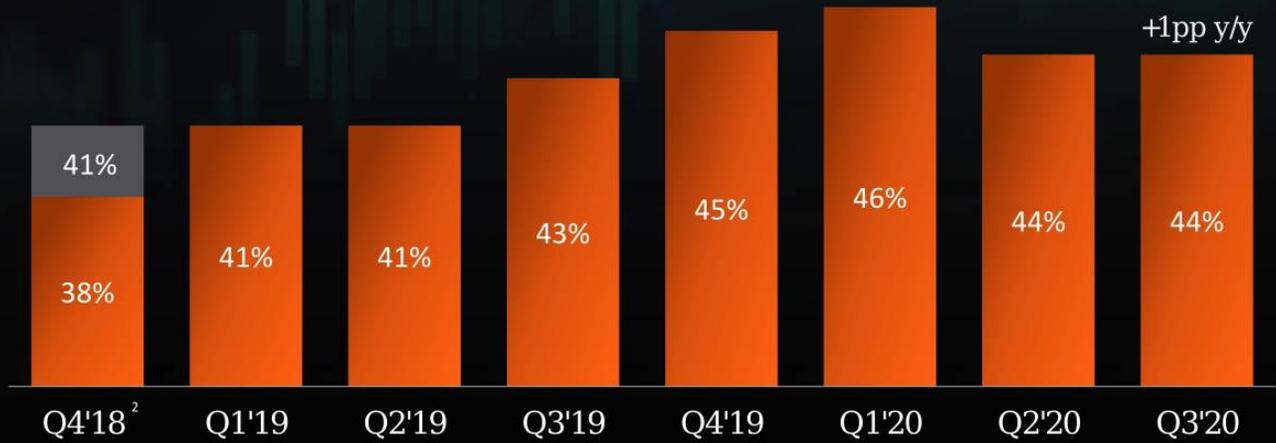
(\$ IN MILLIONS)



SIGNIFICANT Y/Y REVENUE GROWTH

GROSS MARGIN TREND

(GAAP AND NON-GAAP)¹



CONTINUED Y/Y MARGIN EXPANSION

1. See Appendices for GAAP to Non-GAAP reconciliation
2. Gross margin for both GAAP and Non-GAAP are the same for all periods except as indicated for Q4 2018

EARNINGS PER SHARE TREND

(GAAP)



EPS MORE THAN DOUBLED Y/Y AND Q/Q

EARNINGS PER SHARE TREND

(NON-GAAP)¹



EPS MORE THAN DOUBLED Y/Y AND Q/Q

Q3 2020 SUMMARY P&L – GAAP

	Q3 2020	Q3 2019	Y/Y	Q2 2020	Q/Q
Revenue	\$2,801M	\$1,801M	Up 56%	\$1,932M	Up 45%
Gross Profit	\$1,230M	\$777M	Up 58%	\$848M	Up 45%
Gross Margin %	44%	43%	Up 1pp	44%	Flat
Operating Expenses	\$781M	\$591M	Up 32%	\$675M	Up 16%
Operating Expense/Revenue %	28%	33%	Down 5pp	35%	Down 7pp
Operating Income	\$449M	\$186M	Up 141%	\$173M	Up 160%
Operating Margin %	16%	10%	Up 6pp	9%	Up 7pp
Net Income	\$390M	\$120M	Up 225%	\$157M	Up 148%
Earnings Per Share ¹	\$0.32	\$0.11	Up 191%	\$0.13	Up 146%

PROFITABILITY MORE THAN DOUBLED Y/Y AND Q/Q

Q3 2020 SUMMARY P&L – NON-GAAP¹

	Q3 2020	Q3 2019	Y/Y	Q2 2020	Q/Q
Revenue	\$2,801M	\$1,801M	Up 56%	\$1,932M	Up 45%
Gross Profit	\$1,231M	\$779M	Up 58%	\$850M	Up 45%
Gross Margin %	44%	43%	Up 1pp	44%	Flat
Operating Expenses	\$706M	\$539M	Up 31%	\$617M	Up 14%
Operating Expense/Revenue %	25%	30%	Down 5pp	32%	Down 7pp
Operating Income	\$525M	\$240M	Up 119%	\$233M	Up 125%
Operating Margin %	19%	13%	Up 6pp	12%	Up 7pp
Net Income	\$501M	\$219M	Up 129%	\$216M	Up 132%
Earnings Per Share ¹	\$0.41	\$0.18	Up 128%	\$0.18	Up 128%

PROFITABILITY MORE THAN DOUBLED Y/Y AND Q/Q

Q3 2020 SEGMENT RESULTS

	Q3 2020	Q3 2019	Y/Y	Q2 2020	Q/Q
Computing and Graphics					
Net Revenue	\$1,667M	\$1,276M	Up 31%	\$1,367M	Up 22%
Operating Income	\$384M	\$179M	Up 115%	\$200M	Up 92%
Enterprise, Embedded and Semi-Custom					
Net Revenue	\$1,134M	\$525M	Up 116%	\$565M	Up 101%
Operating Income (Loss)	\$141M	\$61M	Up 131%	\$33M	Up 327%
All Other Category					
Operating Loss	\$(76M)	\$(54M)	Down 41%	\$(60M)	Down 27%
TOTAL					
Net Revenue	\$2,801M	\$1,801M	Up 56%	\$1,932M	Up 45%
Operating Income	\$449M	\$186M	Up 141%	\$173M	Up 160%

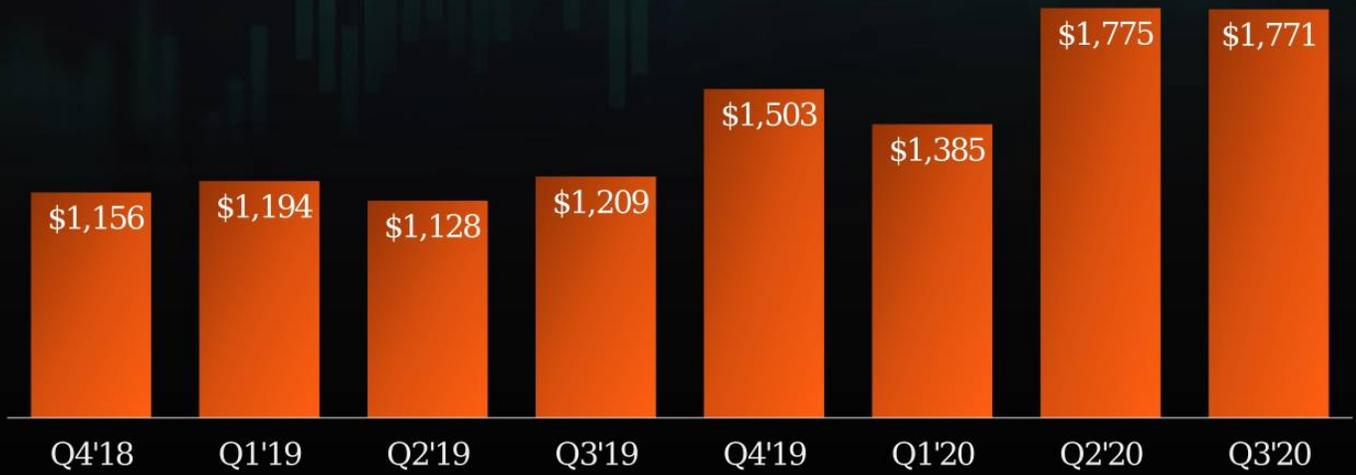
Q3 2020 SUMMARY BALANCE SHEET ITEMS

	Q3 2020	Q3 2019	Y/Y	Q2 2020	Q/Q
Cash, Cash Equivalents and Short-term Investments	\$1,771M	\$1,209M	Up \$562M	\$1,775M	Down \$4M
Accounts Receivable, Net	\$2,134M	\$1,393M	Up \$741M	\$1,789M	Up \$345M
Inventories	\$1,292M	\$1,040M	Up \$252M	\$1,324M	Down \$32M
Total Debt (principal amount) ¹	\$398M	\$1,087M	Down \$689M	\$763M	Down \$365M
Total Debt, Net ¹	\$373M	\$872M	Down \$499M	\$690M	Down \$317M

STRONG BALANCE SHEET

TOTAL CASH BALANCE¹

(\$ IN MILLIONS)



SOLID NET CASH POSITION

Q4 2020 AND FY 2020 FINANCIAL OUTLOOK – NON-GAAP¹

	Q4 2020	FY 2020
Revenue	~\$3.0 Billion +/- \$100 Million	Growth of ~41% y/y
Gross Margin %	~45%	~45%
Operating Expenses Operating Expenses/Revenue %	~\$750 Million	~28%
Interest Expense, Taxes and Other	~\$30 Million	--
Taxes	--	~3% of pre-tax income
Diluted Share Count ²	1.23 billion shares	1.23 billion shares

1. See Cautionary Statement on Slide 2. These forward-looking outlook statements and non-GAAP measures are based on current expectations as of October 27, 2020 and assumptions and beliefs that involve numerous risks and uncertainties. AMD undertakes no intent or obligation to publicly update or revise its outlook statements as a result of new information, future events or otherwise, except as may be required by law. All items, except revenue are on a non-GAAP basis. Adjustments to arrive at the GAAP financial outlook typically include stock-based compensation, non-cash interest expense related to convertible debt, income tax provision, equity (income) loss in investee, and other non-recurring items such as loss on debt redemption/conversion, impairment charges, and loss contingency on legal matters. The timing and impact of such adjustments are dependent on future events that are typically uncertain or outside of AMD's control; therefore, a reconciliation to equivalent GAAP measures is not practicable at this time.
2. Refer to Diluted Share Count overview in the Appendices

Q3 2020 EXECUTION

Strong Record
Quarterly Revenue
Increased 56% Y/Y

Growth Driven by
Ryzen, EPYC and
Semi-Custom

Continued Y/Y
Gross Margin
Expansion

Profitability & EPS
More than Doubled
Y/Y and Q/Q



BUILDING THE BEST

Leadership
Roadmaps

Execution
Excellence

Sustained Market
Share Gains

Strong
Financial Returns

APPENDICES

Reconciliation of GAAP to Non-GAAP Gross Profit and Gross Margin

(Millions)	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
GAAP gross profit	\$ 537	\$ 521	\$ 621	\$ 777	\$ 949	\$ 818	\$ 848	\$ 1,230
GAAP gross margin %	38%	41%	41%	43%	45%	46%	44%	44%
Impairment of technology licenses	45	–	–	–	–	–	–	–
Stock-based compensation	1	1	2	2	1	2	2	1
Non-GAAP gross profit	\$ 583	\$ 522	\$ 623	\$ 779	\$ 950	\$ 820	\$ 850	\$ 1,231
Non-GAAP gross margin %	41%	41%	41%	43%	45%	46%	44%	44%

Reconciliation of GAAP to Non-GAAP Operating Expenses

(Millions)	Q3'20	Q3'19	Q2'20
GAAP operating expenses	\$ 781	\$ 591	\$ 675
GAAP Operating Expenses/Revenue %	28%	33%	35%
Stock-based compensation	75	52	58
Non-GAAP operating expenses	\$ 706	\$ 539	\$ 617
Non-GAAP Operating Expenses/Revenue %	25%	30%	32%

APPENDICES

Reconciliation of GAAP Operating Income to Non-GAAP Operating Income

(Millions)	Q3'20	Q3'19	Q2'20
GAAP operating income	\$ 449	\$ 186	\$ 173
GAAP operating margin %	16%	10%	9%
Stock-based compensation	76	54	60
Non-GAAP operating income	\$ 525	\$ 240	\$ 233
Non-GAAP operating margin %	19%	13%	12%

APPENDICES

Reconciliation of GAAP to Non-GAAP Net Income / Earnings Per Share

(Millions, except per share data)	Q4'18		Q1'19		Q2'19		Q3'19		Q4'19		Q1'20		Q2'20		Q3'20	
GAAP net income / earnings per share	\$ 38	\$ 0.04	\$ 16	\$ 0.01	\$ 35	\$ 0.03	\$ 120	\$ 0.11	\$ 170	\$ 0.15	\$ 162	\$ 0.14	\$ 157	\$ 0.13	\$ 390	\$ 0.32
Loss on debt redemption/conversion	5	–	8	0.01	–	–	40	0.03	128	0.10	–	–	–	–	38	0.03
Non-cash interest expense related to convertible debt	6	0.01	6	0.01	6	–	6	–	4	–	2	–	2	–	2	–
Stock-based compensation	36	0.03	41	0.04	45	0.04	54	0.04	57	0.05	59	0.04	60	0.05	76	0.06
Impairment of technology licenses	45	0.04	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity (income) loss in investee	–	–	1	–	–	–	(1)	–	–	–	–	–	(1)	–	(1)	–
Loss contingency on legal matter	–	–	5	–	7	0.01	–	–	–	–	–	–	–	–	–	–
Income tax provision (benefit)	–	–	(15)	(0.01)	(1)	–	–	–	24	0.02	(1)	–	(2)	–	(4)	–
Withholding tax refund including interest	(43)	(0.04)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-GAAP net income / earnings per share	\$ 87	\$ 0.08	\$ 62	\$ 0.06	\$ 92	\$ 0.08	\$ 219	\$ 0.18	\$ 383	\$ 0.32	\$ 222	\$ 0.18	\$ 216	\$ 0.18	\$ 501	\$ 0.41

Shares used and net income adjustment in earnings per share calculation

Shares used in per share calculation (GAAP) ⁽¹⁾	1,079	1,094	1,109	1,117	1,188	1,224	1,227	1,215
Interest expense add back to GAAP net income ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 4	\$ 3	\$ 1
Shares used in per share calculation (Non-GAAP)	1,180	1,195	1,210	1,212	1,216	1,224	1,227	1,230
Interest expense add back to Non-GAAP net income	\$ 5	\$ 5	\$ 5	\$ 4	\$ 2	\$ 2	\$ 1	\$ 1

(1) Q4'19, Q1'20 and Q2'20 GAAP diluted EPS calculation includes 31 million shares related to the assumed conversion of the Company's 2026 Convertible Notes and the associated \$4 million, \$4 million and \$3 million interest expense, respectively, add-back to net income under the "if converted" method. The 53 million shares (28 million weighted-average) issued in exchange for \$428 million of convertible debt in Q4'19 were not included as their inclusion would have been anti-dilutive. Q3'20 GAAP diluted EPS calculation includes 11 million shares related to the assumed conversion of the Company's 2026 Convertible Notes and the associated \$1 million interest expense add-back to net income under the "if converted" method. The 20 million shares (15 million weighted-average) issued in exchange for \$165 million of convertible debt in Q3'20 were not included as their inclusion would have been anti-dilutive.

APPENDICES

Share Count Overview

Shares (millions) ⁽¹⁾	Q1'20	Q2'20	Q3'20	Q4'20	2020
	Actual	Actual	Actual	Estimate	Estimate
Basic Shares	1,170	1,174	1,184	1,203	1,183
Dilutive impacts from:					
Employee Equity Grants ⁽²⁾	23	22	20	17	20
Diluted Shares (without 2026 Convertible Notes)	1,193	1,196	1,204	1,220	1,203
2026 Convertible Notes – GAAP ⁽³⁾	31	31	11	11	11
Diluted Shares (with 2026 Convertible Notes) – GAAP	1,224	1,227	1,215	1,231	1,214
2026 Convertible Notes – Non-GAAP ⁽³⁾	31	31	26	11	25
Diluted Shares (with 2026 Convertible Notes) – Non-GAAP	1,224	1,227	1,230	1,231	1,228

The table above provides actual share count for Q1'20, Q2'20 and Q3'20, and an estimate of share count that may be used when calculating GAAP and non-GAAP diluted earnings per share for Q4'20 and FY'20.

(1) Share counts are weighted average shares.

(2) The dilutive impact of employee equity grants is based on the Treasury Stock method and is dependent upon the average stock price during the period. The Q3'20, Q2'20 and Q1'20 average stock price was \$73.20, \$52.87 and \$48.14, respectively. The Q3'20 average stock price of \$73.20 was assumed for the Q4'20 and FY'20 estimates.

(3) The dilutive impact from the 2.125% Convertible Senior Notes due 2026 (2026 Convertible Notes) is based on the If-Converted method, where the interest costs associated with the 2026 Convertible Notes are added back to the Net Income and the shares underlying the 2026 Convertible Notes are assumed to be converted and are added to the share count. The impact from the 2026 Convertible Notes, if dilutive, is included in diluted EPS calculation. For the GAAP computation, the add-back to net income includes cash and non-cash interest expense, while only the cash interest expense is added back to the non-GAAP net income. The dilutive shares associated with the 2026 Convertible Notes reflect the weighted average shares subject to conversion during each period.

During Q3'20, 20 million shares of the Company's common stock were issued to convert \$165 million of the outstanding 2026 Convertible Notes.

Moving forward, assuming positive earnings per share, the potential factors we expect may impact AMD's diluted share count include:

- On-going employee equity grants, and
- The 2026 Convertible Notes, which have 11 million underlying shares.

APPENDICES

Reconciliation of Operating Cash Flow to Free Cash Flow

(Millions)	Q3'20
Operating cash flow	\$ 339
Purchases of property and equipment	(74)
Free cash flow	\$ 265

Total Debt (Net)

(Millions)	Q3'20	Q3'19	Q2'20
7.50% Senior Notes due 2022	\$ 312	\$ 312	\$ 312
7.00% Senior Notes due 2024	–	96	–
2.125% Convertible Senior Notes due 2026	86	679	251
Borrowings from revolving facility	–	–	200
Total Debt (principal amount)	\$ 398	\$ 1,087	\$ 763
Unamortized debt discount associated with 2.125% Convertible Senior Notes due 2026	(23)	(205)	(69)
Unamortized debt issuance costs	(2)	(10)	(4)
Total Debt (net)	\$ 373	\$ 872	\$ 690

ENDNOTES

R5K-002: Testing by AMD performance labs as of 9/2/2020 based on the average FPS of 40 PC games at 1920x1080 with the High image quality preset using an AMD Ryzen™ 9 5900X processor vs. Core i9-10900K. Results may vary. R5K-002

RM3-127: Ultrathin laptop processor™ defined as 15W typical TDP. Testing by AMD Performance Labs as of 12/09/2019 utilizing an AMD Ryzen™ 4800U reference system, a Dell XPS 7390 system with 10th Gen Intel® Core i7-1065G7 processor, and a Dell XPS 7390 with a 10th Gen Intel® Core i7-10710U processor using Cinebench R20 1T, Cinebench R20 nT and 3DMark 11 Performance. Results may vary. 3DMark is a registered trademark of Futuremark Corporation. RM3-127

CPK-02: Testing by AMD performance labs on 10/07/2019 comparing an AMD Ryzen™ Threadripper™ 3970X and AMD Ryzen™ Threadripper™ 3960X vs. Intel® Core™ i9-9980XE in the Cinebench R20 nT benchmark test. Results may vary. CPK-02

RX-325: Testing done by AMD performance labs 6/1/19, using the Division 2 @ 25x14 Ultra settings. Performance may vary based on use of latest drivers.

RX-362: Testing done by AMD performance labs on June 4, 2019. Systems were tested with: Intel(R) Core(TM) i7-5930K CPU @ 3.50GHz (6 core) with 16GB DDR4 @ 2133 MHz using an Asus X99-E Motherboard running Windows 10 Enterprise 64-bit (Ver. 1809, build 17763.053). Using the following graphics cards: Navi 10 (Driver 19.30_1905161434 (CL#1784070)) with 40 compute units, versus a Vega 64 (Driver 19.4.1) with 40 compute units enabled. Breakdown based on AMD internal data June 4, 2019. Performance may vary. RX-362

ROM-557 Estimates based on AMD Server Virtualization TCO (total cost of ownership) Estimator tool v5.5, comparing the AMD EPYC™ and Intel® Xeon® server solutions required to deliver 320 total virtual machines (VM), requiring 1 core and 8GB of memory per VM, with a minimum total solution memory requirement of 2.56 TB of memory. The analysis includes both hardware and virtualization software components. For 320 VMs and 1 core per VM, the Intel® Gold 6250 processor requires 20 - 2P servers. The AMD EPYC 7702P solution requires 5 - 1P servers. Virtualization software pricing as of October 2019. Third party names are for informational purposes only and may be trademarks of their respective owners. This scenario contains many assumptions and estimates and, while based on AMD internal research and best approximations, should be considered an example for information purposes only, and not used as a basis for decision making over actual testing. All pricing is in USD.

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