Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to our revenue, inventories, goodwill, long-lived and intangible assets, and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Although actual results have historically been reasonably consistent with management's expectations, the actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions.

Management believes the following critical accounting estimates are the most significant to the presentation of our financial statements and require the most difficult, subjective and complex judgments.

Revenue Allowances. Revenue contracts with our customers include variable amounts which we evaluate under ASC 606-10-32-8 through 14 in order to determine the net amount of consideration to which we are entitled and which we recognize as revenue. We determine the net amount of consideration to which we are entitled by estimating the most likely amount of consideration we expect to receive from the customer after adjustments to the contract price for rights of return and rebates to our original equipment manufacturers (OEM) customers and rights of return, rebates and price protection on unsold merchandise to our distributor customers.

We base our determination of necessary adjustments to the contract price by reference to actual historical activity and experience, including actual historical returns, rebates and credits issued to OEM and distributor customers adjusted, as applicable, to include adjustments, if any, for known events or current economic conditions, or both.

Our estimates of necessary adjustments for distributor price incentives and price protection on unsold products held by distributors are based on actual historical incentives provided to distributor customers and known future price movements based on our internal and external market data analysis.

Our estimates of necessary adjustments for OEM price incentives utilize, in addition to known pricing agreements, actual historical rebate attainment rates and estimates of future OEM rebate program attainment based on internal and external market data analysis.

We offer incentive programs through cooperative advertising and marketing promotions. Where funds provided for such programs can be estimated, we recognize a reduction to revenue at the time the related revenue is recognized; otherwise, we recognize such reduction to revenue at the later of when: i) the related revenue transaction occurs; or ii) the program is offered. For transactions where we reimburse a customer for a portion of the customer's cost to perform specific product advertising or marketing and promotional activities, such amounts are recognized as a reduction to revenue unless they qualify for expense recognition.

We also provide limited product return rights to certain OEMs and to most distribution customers. These return rights are generally limited to a contractual percentage of the customer's prior quarter shipments, although, from time to time we may approve additional product returns beyond the contractual arrangements based on the applicable facts and circumstances. In order to estimate adjustments to revenue to account for these returns, including product restocking rights provided to distributor and OEM customers, we utilize relevant, trended actual historical product return rate information gathered, adjusted for actual known information or events, as applicable.

Overall, our estimates of adjustments to contract price due to variable consideration under our contracts with OEM and distributor customers, based on our assumptions and include adjustments, if any, for known events, have been materially consistent with actual results; however, these estimates are subject to management's judgment and actual provisions could be different from our estimates and current provisions, resulting in future adjustments to our revenue and operating results.

Inventory Valuation. We value inventory at standard cost, adjusted to approximate the lower of actual cost or estimated net realizable value using assumptions about future demand and market conditions. Material assumptions we use to estimate necessary inventory carrying value adjustments can be unique to each product and are based on specific facts and circumstances. In determining excess or obsolescence reserves for products, we consider assumptions such as changes in business and economic conditions, other-than-temporary decreases in demand for our products, and changes in technology or customer requirements. In determining the lower of cost or net realizable value reserves, we consider assumptions such as recent historical sales activity and selling prices, as well as estimates of future selling prices. If in any period we anticipate a change in assumptions such as future demand or market conditions to be less favorable than our previous estimates, additional inventory write-downs may be required and would be reflected in cost of sales, resulting in a negative impact to our gross margin in that period. If in any period we are able to sell inventories that had been written down to a level below the ultimate realized selling price in a previous period, related revenue would be recorded with a lower or no offsetting charge to cost of sales resulting in a net benefit to our gross margin in that period. Overall, our estimates of inventory carrying value adjustments have been materially consistent with actual results.

Goodwill. Goodwill is the excess of the aggregate of the consideration transferred over the identifiable assets acquired and liabilities assumed in connection with business combinations. Our reporting units are at the operating segment level. Our goodwill is contained within four reporting units: Data Center, Client, Gaming and Embedded.

We perform our goodwill impairment analysis as of the first day of the fourth quarter of each year and, if certain events or circumstances indicate that an impairment loss may have been incurred, on a more frequent basis. The analysis may include both qualitative and quantitative factors to assess the likelihood of an impairment, which occurs when the carrying value of a reporting unit exceeds its fair value. Significant judgment is required in estimating the fair value of our reporting units to determine if the fair values of those units exceed their carrying values and an impairment to goodwill is required when a quantitative goodwill impairment test is performed. We typically obtain the assistance of third-party valuation specialists to help in determining the fair value of our reporting units. Changes in operating plans or adverse changes in the business or in the macroeconomic environment in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that would trigger future impairment charges of our reporting units' goodwill. Based on our annual qualitative impairment test, we concluded it is not more likely than not that the fair value of each reporting unit exceeded its carrying amount.

Long-Lived and Intangible Assets. Long-lived and intangible assets to be held and used are reviewed for impairment if indicators of potential impairment exist and at least annually for indefinite-lived intangible assets. Impairment indicators are reviewed on a quarterly basis. Assets are grouped and evaluated for impairment at the lowest level of identifiable cash flows. When indicators of impairment exist and assets are held for use, we estimate future undiscounted cash flows attributable to the related asset groups. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the asset group or based on appraisals.

Income Taxes. In determining taxable income for financial statement reporting purposes, we must make certain estimates and judgments. These estimates and judgments are applied in the calculation of certain tax liabilities and in the determination of the recoverability of deferred tax assets which arise from temporary differences between the recognition of assets and liabilities for tax and financial statement reporting purposes.

We regularly assess the likelihood that we will be able to recover our deferred tax assets. Unless recovery is considered more-likely-than-not (a probability level of more than 50%), we will record a charge to income tax expense in the form of a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable or maintain the valuation allowance recorded in prior periods. When considering all available evidence, if we determine it is more-likely-than-not we will realize our deferred tax assets, we will reverse some or all of the existing valuation allowance, which would result in a credit to income tax expense and the establishment of an asset in the period of reversal.

In determining the need to establish or maintain a valuation allowance, we consider the four sources of jurisdictional taxable income: (i) carryback of net operating losses to prior years; (ii) future reversals of existing taxable temporary differences; (iii) viable and prudent tax planning strategies; and (iv) future taxable income exclusive of reversing temporary differences and carryforwards.

Through the end of 2023, we continue to maintain a valuation allowance of approximately $2.1 billion for certain federal, state, and foreign tax attributes. The federal valuation allowance maintained is due to limitations, under Internal Revenue Code Section 382 or 383, separate return loss year rules, or dual consolidated loss rules. Certain state and foreign valuation allowances are maintained due to a lack of sufficient sources of future taxable income.

In addition, the calculation of our tax liabilities involves addressing uncertainties in the application of complex, multi-jurisdictional tax rules and the potential for future adjustment of our uncertain tax positions by the Internal Revenue Service or other taxing authorities.

Results of Operations

Additional information on our reportable segments is contained in Note 4 – Segment Reporting of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Our operating results tend to vary seasonally. Historically, our net revenue has been generally higher in the second half of the year than in the first half of the year, although market conditions and product transitions could impact these trends.

The following table provides a summary of net revenue and operating income (loss) by segment for 2023 and 2022:

	Year Ended	
	December 30, 2023	December 31, 2022
	(In millions)	
Net revenue:		
Data Center	$ 6,496	$ 6,043
Client	4,651	6,201
Gaming	6,212	6,805
Embedded	5,321	4,552
Total net revenue	$ 22,680	$ 23,601
Operating income (loss):		
Data Center	$ 1,267	$ 1,848
Client	(46)	1,190
Gaming	971	953
Embedded	2,628	2,252
All Other	(4,419)	(4,979)
Total operating income	$ 401	$ 1,264

Data Center

Data Center net revenue of $6.5 billion in 2023 increased by 7%, compared to net revenue of $6.0 billion in 2022. The increase was primarily driven by higher sales of AMD Instinct GPUs and 4th Gen AMD EPYC CPUs.

Data Center operating income was $1.3 billion in 2023, compared to operating income of $1.8 billion in 2022. The decrease in operating income was primarily due to product mix and higher research and development (R&D) investment.

Client

Client net revenue of $4.7 billion in 2023 decreased by 25%, compared to net revenue of $6.2 billion in 2022, primarily due to lower sales of Ryzen mobile and desktop processors, resulting from a 16% decrease in average selling price and a 12% decrease in unit shipments. Lower Ryzen processor sales were due to weak PC market conditions and inventory correction across the PC supply chain that impacted the first half of 2023.

Client operating loss was $46 million in 2023, compared to operating income of $1.2 billion in 2022. The decrease in operating income was primarily due to lower revenue.

Gaming

Gaming net revenue of $6.2 billion in 2023 decreased by 9%, compared to net revenue of $6.8 billion in 2022. The decrease in net revenue was primarily due to lower semi-custom product revenue.

Gaming operating income was $971 million in 2023, compared to operating income of $953 million in 2022. The increase in operating income was primarily driven by product mix, partially offset by higher R&D investment.

Embedded

Embedded net revenue of $5.3 billion in 2023 increased by 17%, compared to net revenue of $4.6 billion in 2022. The increase in net revenue was primarily driven by the inclusion of embedded product revenue from Xilinx, Inc. (Xilinx) for the full twelve months period in 2023, as compared to a partial period from February 14, 2022 (the Xilinx Acquisition Date) in the prior year period.

Embedded operating income was $2.6 billion in 2023, compared to operating income of $2.3 billion in 2022. The increase in operating income was primarily driven by the inclusion of Xilinx for the full twelve months period as compared to a partial period from the Xilinx Acquisition Date in the prior year period.

All Other

All Other operating loss of $4.4 billion in 2023 primarily consisted of $2.8 billion of amortization of acquisition-related intangibles, $1.4 billion of stock-based compensation expense, and $258 million of acquisition-related and other costs. All Other operating loss of $5.0 billion in 2022 primarily consisted of $3.5 billion of amortization of acquisition-related intangibles, $1.1 billion of stock-based compensation expense and $452 million of acquisition-related and other costs.

Comparison of Gross Margin, Expenses, Licensing Gain, Interest Expense, Other Income (expense) and Income Taxes

The following is a summary of certain consolidated statement of operations data for 2023 and 2022:

	December 30, 2023	December 31, 2022
	(In millions, except for percentages)	
Net revenue	$ 22,680	$ 23,601
Cost of sales	11,278	11,550
Amortization of acquisition-related intangibles	942	1,448
Gross profit	10,460	10,603
Gross margin	46 %	45 %
Research and development	5,872	5,005
Marketing, general and administrative	2,352	2,336
Amortization of acquisition-related intangibles	1,869	2,100
Licensing gain	(34)	(102)
Interest expense	(106)	(88)
Other income (expense), net	197	8
Income tax (benefit)	(346)	(122)

Gross Margin

Gross margin as a percentage of net revenue was 46% in 2023 compared to 45% in 2022. The increase in gross margin was primarily driven by higher Embedded segment revenue and lower amortization of acquisition-related intangible assets, partially offset by lower Client segment revenue and product mix.

Expenses

Research and Development Expenses

Research and development expenses of $5.9 billion in 2023 increased by $867 million, or 17%, compared to $5.0 billion in 2022. The increase was primarily due to higher employee-related costs due to an increase in headcount to support increased investment in AI.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses of $2.4 billion in 2023 increased by $16 million, or 1%, compared to $2.3 billion in 2022. The increase was primarily due to an increase in employee-related costs.

Amortization of Acquisition-Related Intangibles

Amortization of acquisition-related intangibles of $2.8 billion for 2023 decreased by $737 million, or 21%, compared to $3.5 billion in 2022. The decrease was primarily due to certain acquisition-related intangibles being fully amortized in the first half of the current fiscal year.

Licensing Gain

We recognized $34 million of licensing gain from royalty income and $102 million of licensing gain from milestone achievement and royalty income associated with the licensed IP to the THATIC JV, our two joint ventures with Higon Information Technology Co., Ltd., a third-party Chinese entity, in 2023 and 2022, respectively.

Interest Expense

Interest expense of $106 million in 2023 increased by $18 million compared to $88 million in 2022, primarily due to interest expense from our 3.924% Senior Notes Due 2032 (3.924% Notes) and our 4.393% Senior Notes Due 2052 (4.393% Notes) that were issued in June 2022.

Other Income (expense), net

Other income (expense), net is primarily comprised of interest income from short-term investments, changes in valuation of equity investments and foreign currency transaction gains and losses.

Other income (expense), net was $197 million in 2023 compared to $8 million of Other income, net in 2022. The change was primarily due to an increase in interest income driven by rising interest rates.

Income Tax Benefit

We recorded an income tax benefit of $346 million and $122 million in 2023 and 2022, respectively, representing effective tax rates of (68%) and (10%), respectively. The increase in income tax benefit in 2023 was primarily due to the lower pre-tax income coupled with a $185 million foreign-derived intangible income tax benefit and $169 million of research and development tax credits.

Global Minimum Tax

The OECD is continuing discussions surrounding fundamental changes in allocation of profits among tax jurisdictions in which companies do business, as well as the implementation of a global minimum tax (namely the “Pillar One” and “Pillar Two” proposals). The Council of the European Union has adopted the global corporate 15% minimum tax as provided for in Pillar Two and has directed EU member states to implement legislation enacting Pillar Two. Many countries, including non-EU member states, have implemented laws based on Pillar Two proposals, with effective dates starting in 2024. Although many countries have already introduced Pillar Two legislation applicable to the Company effective in 2024, certain jurisdictions in which we operate have not adopted corresponding legislation to date. The impact associated with Pillar Two will be accounted for as period costs. We continue to evaluate the impact of proposed and enacted legislative changes to our effective tax rate and cash flows as new guidance becomes available.

International Sales

International sales as a percentage of net revenue were 65% in 2023 and 66% in 2022. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future. Substantially all of our sales transactions are denominated in U.S. dollars.

FINANCIAL CONDITION

Liquidity and Capital Resources

As of December 30, 2023, our cash, cash equivalents and short-term investments were $5.8 billion compared to $5.9 billion as of December 31, 2022. The percentage of cash and cash equivalents held domestically was 77% as of December 30, 2023, and 73% as of December 31, 2022.

Our operating, investing and financing cash flow activities for 2023 and 2022 were as follows:

	December 30, 2023	December 31, 2022
	(In millions)	
Net cash provided by (used in):		
Operating activities	$ 1,667	$ 3,565
Investing activities	(1,423)	1,999
Financing activities	(1,146)	(3,264)
Net increase (decrease) in cash and cash equivalents	$ (902)	$ 2,300

We have $3.0 billion available under an unsecured revolving credit agreement (Revolving Credit Agreement) that expires on April 29, 2027. No funds were drawn from this credit facility during the year ended December 30, 2023.

We also have a commercial paper program to issue unsecured commercial paper notes up to a maximum principal amount outstanding, at any time, of $3.0 billion, with a maturity of up to 397 days from the date of issue. We did not issue any commercial paper during the year ended December 30, 2023.

Our aggregate principal debt obligations were $2.5 billion as of December 30, 2023. Our 2.95% Notes with a principal amount of $750 million are due in June 2024.

As of December 30, 2023, we had unconditional purchase commitments of approximately $4.6 billion, of which $3.9 billion are in fiscal year 2024. On an ongoing basis, we work with our suppliers on the timing of payments and deliveries of purchase commitments, taking into account business conditions. Our contractual obligations and purchase commitments relate primarily to our obligations to purchase wafers and substrates from third parties and future payments related to certain software and technology licenses and IP licenses. See Note 16 – Commitments and Guarantees.

We believe our cash, cash equivalents, short-term investments and cash flows from operations along with our Revolving Credit Facility and commercial paper program will be sufficient to fund operations, including capital expenditures and purchase commitments, over the next 12 months and beyond. We believe we will be able to access the capital markets should we require additional funds. However, we cannot assure that such funds will be available on favorable terms, or at all.

Operating Activities

Our working capital cash inflows and outflows from operations consist primarily of cash collections from our customers, payments for inventory purchases and payments for employee-related expenditures.

Net cash provided by operating activities was $1.7 billion in 2023, primarily due to our net income of $854 million in 2023, adjusted for non-cash adjustments of $3.9 billion and net cash outflows of $3.0 billion from changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities included a $1.3 billion increase in accounts receivable driven primarily by higher revenue in the last month of 2023 compared to the last month of 2022, and a $580 million increase in inventories driven primarily by build of advanced process nodes to support the ramp of new products.

Net cash provided by operating activities was $3.6 billion in 2022, primarily due to our net income of $1.3 billion in 2022, adjusted for non-cash adjustments of $4.1 billion and net cash outflows of $1.8 billion from changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities included a $1.4 billion increase in inventories driven primarily by build of advanced process nodes to support the ramp of new products, a $1.1 billion increase in accounts receivable driven primarily by higher revenue in the fourth quarter of 2022 compared to the fourth quarter of 2021, and a $1.2 billion increase in prepaid expenses and other assets due primarily to prepayments under long-term supply agreements in 2022, offset by an $931 million increase in accounts payable primarily due to timing of payments to our suppliers, and a $546 million increase in accrued liabilities and other driven mainly by higher customer-related accruals.

Investing Activities

Net cash used in investing activities was $1.4 billion in 2023, which primarily consisted of cash used for purchases of short-term investments of $3.7 billion, $546 million for purchases of property and equipment, and cash used in acquisitions, net of cash acquired of $131 million, partially offset by proceeds from maturities of short-term investments of $2.7 billion and sale of short-term investments of $300 million.

Net cash provided by investing activities was $2 billion in 2022, which primarily consisted of higher cash provided by maturities of short-term investments of $4.3 billion and cash acquired as part of the acquisition of Xilinx of $2.4 billion, partially offset by higher cash used for purchases of short-term investments of $2.7 billion, cash used in the acquisition of Pensando Systems Inc. ("Pensando") of $1.5 billion and $450 million for purchases of property and equipment.

Financing Activities

Net cash used in financing activities was $1.1 billion in 2023, which primarily consisted of common stock repurchases of $985 million under the Repurchase Program and repurchases to cover tax withholding on employee equity plans of $427 million, partially offset by proceeds from the issuance of common stock under our employee equity plans of $268 million.

Net cash used in financing activities was $3.3 billion in 2022, which primarily consisted of common stock repurchases of $3.7 billion under the Repurchase Program, higher repurchases to cover tax withholding on employee equity plans of $406 million and repayment of debt of $312 million, partially offset by proceeds from the issuance of debt of $991 million and higher proceeds from the issuance of common stock under our employee equity plans of $167 million.

Off-Balance Sheet Arrangements

As of December 30, 2023, we had no off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and long-term debt. We usually invest our cash in investments with short maturities or with frequent interest reset terms. Accordingly, our interest income fluctuates with short-term market conditions. As of December 30, 2023, our investment portfolio consisted of fixed income instruments, time deposits and commercial paper. Our primary aim with our investment portfolio is to invest available cash while preserving principal and meeting liquidity needs. In accordance with our investment policy, we place investments with high credit quality issuers and limit the amount of credit exposure to any one issuer based upon the issuer's credit rating. These securities are subject to interest rate risk and will decrease in value if market interest rates increase. A hypothetical 50 basis-point (half percentage point) increase or decrease in interest rates compared to rates at December 30, 2023 would have affected the fair value of our cash equivalent and investment portfolio by approximately $7 million.

As of December 30, 2023, all of our outstanding long-term debt had fixed interest rates. Consequently, our exposure to market risk for changes in interest rates on reported interest expense and corresponding cash flows is minimal.

We will continue to monitor our exposure to interest rate risk.

Default Risk. We mitigate default risk in our investment portfolio by investing in only high credit quality securities and by constantly positioning our portfolio to respond to a significant reduction in a credit rating of any investment issuer or guarantor. Our portfolio includes investments in marketable debt securities with active secondary or resale markets to ensure portfolio liquidity. We are averse to principal loss and strive to preserve our invested funds by limiting default risk and market risk.

We actively monitor market conditions and developments specific to the securities and security classes in which we invest. We believe that we take a conservative approach to investing our funds in that we invest only in highly-rated debt securities with relatively short maturities and do not invest in securities which we believe involve a higher degree of risk. As of December 30, 2023, all of our investments in debt securities were A-rated by at least one of the rating agencies. While we believe we take prudent measures to mitigate investment-related risks, such risks cannot be fully eliminated as there are circumstances outside of our control.

Foreign Exchange Risk. As a result of our foreign operations, we incur costs and we carry assets and liabilities that are denominated in foreign currencies, while sales of products are primarily denominated in U.S. dollars.

We maintain a foreign currency hedging strategy which uses derivative financial instruments to mitigate the risks associated with changes in foreign currency exchange rates. This strategy takes into consideration all of our exposures. We do not use derivative financial instruments for trading or speculative purposes.

The following table provides information about our foreign currency forward contracts as of December 30, 2023 and December 31, 2022. All of our foreign currency forward contracts mature within 24 months.

	December 30, 2023			December 31, 2022		
	Notional Amount	Average Contract Rate	Estimated Fair Value Gain (Loss)	Notional Amount	Average Contract Rate	Estimated Fair Value Gain (Loss)
	(In millions except contract rates)					
Foreign currency forward contracts:						
Chinese Renminbi	$ 655	6.7593	$ (10)	$ 599	6.7848	$ (3)
Canadian Dollar	645	1.3479	11	607	1.3137	(16)
Indian Rupee	514	84.6922	1	516	82.1493	(9)
Taiwan Dollar	171	29.3064	(3)	207	29.1231	(4)
Singapore Dollar	495	1.3314	6	259	1.3600	4
Euro	303	0.9017	1	142	0.9334	1
Pound Sterling	167	0.8057	2	88	0.8204	(1)
Japanese Yen	—	—	—	2	133.7593	—
Australian Dollar	—	—	—	1	1.4689	—
Total	**$ 2,950**		**$ 8**	**$ 2,421**		**$ (28)**

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Advanced Micro Devices, Inc.

Consolidated Statements of Operations

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions, except per share amounts)		
Net revenue	$ 22,680	$ 23,601	$ 16,434
Cost of sales	11,278	11,550	8,505
Amortization of acquisition-related intangibles	942	1,448	—
Total cost of sales	12,220	12,998	8,505
Gross profit	10,460	10,603	7,929
Research and development	5,872	5,005	2,845
Marketing, general and administrative	2,352	2,336	1,448
Amortization of acquisition-related intangibles	1,869	2,100	—
Licensing gain	(34)	(102)	(12)
Operating income	401	1,264	3,648
Interest expense	(106)	(88)	(34)
Other income (expense), net	197	8	55
Income before income taxes and equity income	492	1,184	3,669
Income tax provision (benefit)	(346)	(122)	513
Equity income in investee	16	14	6
Net income	$ 854	$ 1,320	$ 3,162
Earnings per share			
Basic	$ 0.53	$ 0.85	$ 2.61
Diluted	$ 0.53	$ 0.84	$ 2.57
Shares used in per share calculation			
Basic	1,614	1,561	1,213
Diluted	1,625	1,571	1,229

See accompanying notes to consolidated financial statements.

Advanced Micro Devices, Inc.

Consolidated Statements of Comprehensive Income

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Net income	$ 854	$ 1,320	$ 3,162
Other comprehensive income (loss)			
Net change in unrealized gains (losses) on cash flow hedges	31	(38)	(20)
Total comprehensive income	$ 885	$ 1,282	$ 3,142

See accompanying notes to consolidated financial statements.

Advanced Micro Devices, Inc.

Consolidated Balance Sheets

	December 30, 2023	December 31, 2022
	(In millions, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,933	$ 4,835
Short-term investments	1,840	1,020
Accounts receivable, net	5,376	4,126
Inventories	4,351	3,771
Receivables from related parties	9	2
Prepaid expenses and other current assets	1,259	1,265
Total current assets	16,768	15,019
Property and equipment, net	1,589	1,513
Operating lease right-of-use assets	633	460
Goodwill	24,262	24,177
Acquisition-related intangibles	21,363	24,118
Investment: equity method	99	83
Deferred tax assets	366	58
Other non-current assets	2,805	2,152
Total assets	$ 67,885	$ 67,580
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,055	$ 2,493
Payables to related parties	363	463
Accrued liabilities	3,082	3,077
Current portion of long-term debt, net	751	—
Other current liabilities	438	336
Total current liabilities	6,689	6,369
Long-term debt, net of current portion	1,717	2,467
Long-term operating lease liabilities	535	396
Deferred tax liabilities	1,202	1,934
Other long-term liabilities	1,850	1,664
Commitments and Contingencies (see Notes 16 and 17)		
Stockholders' equity:		
Capital stock:		
Common stock, par value $0.01; shares authorized: 2,250; shares issued: 1,663 and 1,645; shares outstanding: 1,616 and 1,612	17	16
Additional paid-in capital	59,676	58,005
Treasury stock, at cost (shares held: 47 and 33)	(4,514)	(3,099)
Retained earnings (Accumulated deficit)	723	(131)
Accumulated other comprehensive loss	(10)	(41)
Total stockholders' equity	55,892	54,750
Total liabilities and stockholders' equity	$ 67,885	$ 67,580

See accompanying notes to consolidated financial statements.

Advanced Micro Devices, Inc.

Consolidated Statements of Stockholders’ Equity

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Capital stock			
Common stock			
Balance, beginning of period	$ 16	$ 12	$ 12
Common stock issued under employee equity plans	1	—	—
Issuance of common stock as consideration for acquisition	—	4	—
Balance, end of period	$ 17	$ 16	$ 12
Additional paid-in capital			
Balance, beginning of period	$ 58,005	$ 11,069	$ 10,544
Common stock issued under employee equity plans	273	167	104
Stock-based compensation	1,384	1,080	379
Issuance of common stock to settle convertible debt	1	—	25
Issuance of common stock as consideration for acquisition	—	45,372	—
Fair value of replacement share-based awards related to acquisition	—	275	—
Issuance of common stock warrants	13	42	17
Balance, end of period	$ 59,676	$ 58,005	$ 11,069
Treasury stock			
Balance, beginning of period	$ (3,099)	$ (2,130)	$ (131)
Repurchases of common stock	(985)	(3,702)	(1,762)
Reissuance of treasury stock as consideration for acquisition	—	3,138	—
Common stock repurchases for tax withholding on employee equity plans	(430)	(405)	(237)
Balance, end of period	$ (4,514)	$ (3,099)	$ (2,130)
Retained earnings (Accumulated deficit)			
Balance, beginning of period	$ (131)	$ (1,451)	$ (4,605)
Cumulative effect of adoption of accounting standard	—	—	(8)
Net income	854	1,320	3,162
Balance, end of period	$ 723	$ (131)	$ (1,451)
Accumulated other comprehensive income (loss)			
Balance, beginning of period	$ (41)	$ (3)	$ 17
Other comprehensive income (loss)	31	(38)	(20)
Balance, end of period	$ (10)	$ (41)	$ (3)
Total stockholders' equity	$ 55,892	$ 54,750	$ 7,497

See accompanying notes to consolidated financial statements.

Advanced Micro Devices, Inc.

Consolidated Statements of Cash Flows

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
		(In millions)	
Cash flows from operating activities:			
Net income	$ 854	$ 1,320	$ 3,162
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,453	4,174	407
Stock-based compensation	1,384	1,081	379
Amortization of operating lease right-of-use assets	98	88	56
Amortization of inventory fair value adjustment	3	189	—
Loss on debt redemption, repurchase and conversion	—	—	7
Loss on sale or disposal of property and equipment	11	16	34
Deferred income taxes	(1,019)	(1,505)	308
(Gains) losses on equity investments, net	(1)	62	(56)
Other	(67)	(14)	(2)
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,250)	(1,091)	(640)
Inventories	(580)	(1,401)	(556)
Receivables from related parties	(7)	(13)	8
Prepaid expenses and other assets	(472)	(1,197)	(920)
Payables to related parties	(100)	379	7
Accounts payable	(419)	931	801
Accrued and other liabilities	(221)	546	526
Net cash provided by operating activities	1,667	3,565	3,521
Cash flows from investing activities:			
Purchases of property and equipment	(546)	(450)	(301)
Purchases of short-term investments	(3,722)	(2,667)	(2,056)
Proceeds from maturity of short-term investments	2,687	4,310	1,678
Proceeds from sale of short-term investments	300	—	—
Cash received from acquisition of Xilinx	—	2,366	—
Acquisitions, net of cash acquired	(131)	(1,544)	—
Other	(11)	(16)	(7)
Net cash provided by (used in) investing activities	(1,423)	1,999	(686)
Cash flows from financing activities:			
Proceeds from debt, net of issuance costs	—	991	—
Repayment of debt	—	(312)	—
Proceeds from sales of common stock through employee equity plans	268	167	104
Repurchases of common stock	(985)	(3,702)	(1,762)
Common stock repurchases for tax withholding on employee equity plans	(427)	(406)	(237)
Other	(2)	(2)	—
Net cash used in financing activities	(1,146)	(3,264)	(1,895)
Net increase (decrease) in cash and cash equivalents	(902)	2,300	940
Cash and cash equivalents at beginning of year	4,835	2,535	1,595
Cash and cash equivalents at end of year	$ 3,933	$ 4,835	$ 2,535

Advanced Micro Devices, Inc.

Consolidated Statements of Cash Flows

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
		(In millions)	
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 84	$ 85	$ 25
Income taxes, net of refund	$ 523	$ 685	$ 35
Non-cash investing and financing activities:			
Purchases of property and equipment, accrued but not paid	$ 106	$ 157	$ 72
Issuance of common stock and treasury stock for the acquisition of Xilinx	$ —	$ 48,514	$ —
Fair value of replacement share-based awards related to acquisition of Xilinx	$ —	$ 275	$ —
Non-cash activities for leases:			
Operating lease right-of-use assets acquired by assuming related liabilities	$ 273	$ 115	$ 227

See accompanying notes to consolidated financial statements.

Advanced Micro Devices, Inc.

Notes to Consolidated Financial Statements

NOTE 1 – The Company

Advanced Micro Devices, Inc. is a global semiconductor company. References herein to AMD or the Company mean Advanced Micro Devices, Inc. and its consolidated subsidiaries. AMD's products include x86 microprocessors (CPUs) and graphics processing units (GPUs), as standalone devices or as incorporated into accelerated processing units (APUs), chipsets, data center and professional GPUs, embedded processors, semi-custom System-on-Chip (SoC) products, microprocessor and SoC development services and technology, data processing units (DPUs), Field Programmable Gate Arrays (FPGAs), System on Modules (SOMs), Smart Network Interface Cards (SmartNICs), AI Accelerators and Adaptive SoC products. From time to time, the Company may also sell or license portions of its intellectual property (IP) portfolio.

NOTE 2 – Basis of Presentation and Significant Accounting Policies

Fiscal Year. The Company uses a 52- or 53-week fiscal year ending on the last Saturday in December. Fiscal 2023, 2022 and 2021 ended on December 30, 2023, December 31, 2022 and December 25, 2021, respectively. Fiscal 2023 and 2021 each consisted of 52 weeks, while fiscal 2022 consisted of 53 weeks.

Principles of Consolidation. The consolidated financial statements include the Company's accounts and those of its wholly-owned subsidiaries. Upon consolidation, all inter-company accounts and transactions have been eliminated.

Reclassification. Certain immaterial prior period amounts have been reclassified to conform to current period presentation.

Use of Estimates. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results are likely to differ from those estimates, and such differences may be material to the financial statements. Areas where management uses subjective judgment include, but are not limited to, revenue allowances, inventory valuation, valuation of goodwill and long-lived and intangible assets, and income taxes.

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. Sales, value-added, and other taxes collected concurrently with the provision of goods or services are excluded from revenue. Shipping and handling costs associated with product sales are included in cost of sales. Substantially all the Company's revenue is derived from product sales, representing a single performance obligation.

Customers are generally required to pay for products and services within the Company's standard contractual terms, which are typically net 30 to 60 days. The Company has determined that it does not have significant financing components in its contracts with customers.

Non-custom products

The Company transfers control and recognizes revenue when non-custom products are shipped to customers, which includes original equipment manufacturers (OEM) and distributors, in accordance with the shipping terms of the sale. Non-custom product arrangements generally comprise a single performance obligation. Certain OEMs may be entitled to rights of return and rebates under OEM agreements. The Company also sells to distributors under terms allowing the majority of distributors certain rights of return and price protection on unsold merchandise held by them. The Company estimates the amount of variable consideration under OEM and distributor arrangements and, accordingly, records a provision for product returns, allowances for price protection and rebates based on actual historical experience and any known events.

The Company offers incentive programs to certain customers, including cooperative advertising, marketing promotions, volume-based incentives and special pricing arrangements. Where funds provided for such programs can be estimated, the Company recognizes a reduction to revenue at the time the related revenue is recognized; otherwise, the Company recognizes such reduction to revenue at the later of when: i) the related revenue transaction occurs; or ii) the program is offered. For transactions where the Company reimburses a customer for a portion of the customer’s cost to perform specific product advertising or marketing and promotional activities, such amounts are recognized as a reduction to revenue unless they qualify for expense recognition.

Constraints of variable consideration have not been material.

Custom products

Custom products, which are primarily associated with the Company’s Gaming segment, are sold under non-cancellable purchases orders, for which the Company has an enforceable right to payment, and which have no alternative use to the Company at contract inception, are recognized as revenue, over the time of production of the products by the Company. The Company utilizes a cost-based input method, calculated as cost incurred plus estimated margin, to determine the amount of revenue to recognize for in-process or completed customer orders at a reporting date. The Company believes that a cost-based input method is the most appropriate manner to measure how the Company satisfies its performance obligations to customers because the effort and costs incurred best depict the Company’s satisfaction of its performance obligation.

Sales of custom products are not subject to a right of return and arrangements generally involve a single performance obligation. Generally, there are no variable consideration estimates associated with custom products.

Development and intellectual property licensing agreements

From time to time, the Company may enter into arrangements with customers that combine the provision of development services and a license to the right to use the Company’s IP. These arrangements are deemed to be single or multiple performance obligations based upon the nature of the arrangements. Revenue is recognized upon the transfer of control, over time or at a point in time, depending on the nature of the arrangements. The Company evaluates whether the licensing component is distinct. A licensing component is distinct if it is both (i) capable of being distinct and (ii) distinct in the context of the arrangement. If the license is not distinct, it is combined with the development services as a single performance obligation and recognized over time. If the license is distinct, revenue is recognized at a point in time when the customer has the ability to benefit from the license.

From time to time, the Company may enter into arrangements with customers that solely involve the sale or licensing of its patents or IP. Generally, there are no performance obligations beyond transferring the designated license to the Company’s patents or IP. Accordingly, revenue is recognized at a point in time when the customer has the ability to benefit from the license.

There are no variable consideration estimates associated with either combined development and IP arrangements or for standalone arrangements involving either the sale or licensing of IP.

Inventories

The Company values inventory at standard cost, adjusted to approximate the lower of actual cost or estimated net realizable value using assumptions about future demand and market conditions. In determining excess or obsolescence reserves for its products, the Company considers assumptions such as changes in business and economic conditions, other-than-temporary decreases in demand for its products, and changes in technology or customer requirements. In determining the lower of cost or net realizable value reserves, the Company considers assumptions such as recent historical sales activity and selling prices, as well as estimates of future selling prices. The Company fully reserves for inventories and non-cancellable purchase orders for inventory deemed obsolete. The Company performs periodic reviews of inventory items to identify excess inventories on hand by comparing on-hand balances and non-cancellable purchase orders to anticipated usage using recent historical activity as well as anticipated or forecasted demand. If estimates of customer demand diminish further or market conditions become less favorable than those projected by the Company, additional inventory carrying value adjustments may be required.

Business Combinations

The Company is required to use the acquisition method of accounting for business combinations. The acquisition method of accounting requires the Company to allocate the purchase consideration to the assets acquired and liabilities assumed from the acquiree based on their respective fair values as of the acquisition date. The excess of the fair value of purchase consideration over the fair value of these assets acquired and liabilities assumed is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing intangible assets include, but are not limited to, expected future revenue growth rates and margins, future changes in technology, time to recreate customer relationships, useful lives, and discount rates. Fair value estimates are based on the assumptions that management believes a market participant would use in pricing the asset or liability. These estimates are inherently uncertain and, therefore, actual results may differ from the estimates made.

Goodwill

The Company performs its goodwill impairment analysis as of the first day of the fourth quarter of each year and, if certain events or circumstances indicate that an impairment loss may have been incurred, on a more frequent basis. The analysis may include both qualitative and quantitative factors to assess the likelihood of an impairment.

The Company has the option to first perform qualitative testing to determine if it is more likely than not that the fair value of a reporting unit exceeds its carrying amount. Qualitative factors include industry and market considerations, overall financial performance, share price trends and market capitalization and Company-specific events. If the Company concludes it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, the Company does not proceed to perform a quantitative impairment test.

If the Company concludes it is more likely than not that the fair value of a reporting unit is less than its carrying value or elects to bypass the qualitative test, a quantitative goodwill impairment test will be performed by comparing the fair value of each reporting unit to its carrying value. If a reporting unit's fair value is determined to be less than its carrying value, a goodwill impairment charge is recognized for the amount by which the reporting unit's fair value is less than its carrying value, not to exceed the total amount of goodwill allocated to that reporting unit.

Long-Lived and Intangible Assets

Long-lived and intangible assets to be held and used are reviewed for impairment if indicators of potential impairment exist and at least annually for indefinite-lived intangible assets. Impairment indicators are reviewed on a quarterly basis. Assets are grouped and evaluated for impairment at the lowest level of identifiable cash flows.

When indicators of impairment exist and assets are held for use, the Company estimates future undiscounted cash flows attributable to the related asset groups. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the asset group or based on appraisals. Factors affecting impairment of assets held for use include the ability of the specific assets to generate separately identifiable positive cash flows.

When assets are removed from operations and held for sale, the Company estimates impairment losses as the excess of the carrying value of the assets over their fair value. Market conditions are among the factors affecting impairment of assets held for sale. Changes in any of these factors could necessitate impairment recognition in future periods for assets held for use or assets held for sale.

Cash Equivalents

Cash equivalents consist of financial instruments that are readily convertible into cash and have original maturities of three months or less at the time of purchase.

Accounts Receivable

Accounts receivable are primarily comprised of trade receivables presented net of rebates, price protection and an allowance for credit loss. Accounts receivable also include unbilled receivables, which primarily represent work completed on development services recognized as revenue but not yet invoiced to customers and custom products under non-cancellable purchase orders that have no alternative use to the Company at contract inception, for which revenue has been recognized but not yet invoiced to customers. All unbilled accounts receivables are expected to be billed and collected within twelve months.

The Company manages its exposure to customer credit risk through credit limits, credit lines, ongoing monitoring procedures and credit approvals. Furthermore, the Company performs in-depth credit evaluations of all new customers and, at intervals, for existing customers. From this, the Company may require letters of credit, bank or corporate guarantees or advance payments if deemed necessary. The Company maintains an allowance for credit loss, consisting of known specific troubled accounts as well as an amount based on overall estimated potential uncollectible accounts receivable based on historical experience and review of their current credit quality. The Company does not believe the receivable balance from its customers represents a significant credit risk.

Investments

Available-for-Sale Debt Securities. The Company classifies its investments in debt securities at the date of acquisition as available-for-sale. Available-for-sale debt securities are reported at fair value with the related unrealized gains and losses included, net of tax, in accumulated other comprehensive income (loss), a component of stockholders' equity. If an available-for-sale debt security's fair value is less than its amortized cost basis, then the Company evaluates whether the decline is the result of a credit loss, in which case an impairment is recorded through an allowance for credit losses. Unrealized gains and losses not attributable to credit losses are included, net of tax, in accumulated other comprehensive income (loss), a component of stockholders' equity. The Company classifies and accounts for its short-term investments in debt securities as available-for-sale as the Company may sell these securities at any time for use in its current operations or for other purposes. As a result, the Company classifies its short-term investments, including securities with stated maturities beyond twelve months, within current assets in the Consolidated Balance Sheets.

Non-marketable Equity Securities. The Company's investments in non-marketable securities of privately-held companies are accounted for under the measurement alternative, defined as cost, less impairments, adjusted for subsequent observable price changes and are periodically assessed for impairment when events or circumstances indicate that a decline in value may have occurred. The Company's periodic assessment of impairment is made by considering available evidence, including the investee's general market and industry conditions and product development status. The Company also assesses the investee's ability to meet business milestones, its financial condition, and near-term prospects, including the rate at which the investee is using its cash, the investee's need for possible additional funding at a lower valuation and any bona fide offer to purchase the investee.

Fair Value Measurements

The Company's financial instruments are measured and recorded at fair value on a recurring basis, except for non-marketable equity investments in privately-held companies, which are generally accounted for under the measurement alternative.

Fair Value Hierarchy

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. The guidance for fair value measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 — Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of two to 15 years for equipment, 34 to 44 years for buildings, and leasehold improvements are measured by the shorter of the remaining terms of the leases or the estimated useful economic lives of the improvements.

Leases

Operating and finance leases are recorded as right-of-use (ROU) assets and lease liabilities on the Company’s balance sheet. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are initially recognized based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Company uses the implicit interest rate if readily determinable. When the implicit interest rate is not readily determinable, the Company uses its incremental borrowing rate, which is based on its collateralized borrowing capabilities over a similar term of the lease payments. When using the incremental borrowing rate, the Company utilizes the consolidated group incremental borrowing rate. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company has elected the accounting policy to not recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying asset. Operating leases are included in operating lease ROU assets, other current liabilities, and long-term operating lease liabilities on the Company’s consolidated balance sheets. The Company’s finance leases are immaterial.

Foreign Currency Translation/Transactions

The functional currency of the Company’s foreign subsidiaries is the U.S. dollar. Assets and liabilities denominated in non-U.S. dollars have been remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and historical exchange rates for non-monetary assets and liabilities. Non-U.S. dollar denominated transactions have been remeasured at average exchange rates in effect during each period, except for those cost of sales and expense transactions related to non-monetary balance sheet amounts which have been remeasured at historical exchange rates. The gains or losses from foreign currency remeasurement are included in earnings.

Marketing and Advertising Expenses

Advertising costs are expensed as incurred. In addition, the Company’s marketing and advertising expenses include certain cooperative advertising funding obligations under customer incentive programs, which costs are recorded upon agreement with customers and vendor partners. Cooperative advertising expenses are recorded as marketing, general and administrative expense to the extent the cash paid does not exceed the estimated fair value of the advertising benefit received. Any excess of cash paid over the estimated fair value of the advertising benefit received is recorded as a reduction of revenue. Total marketing and advertising expenses for 2023, 2022 and 2021 were approximately $695 million, $683 million and $578 million, respectively.

Stock-Based Compensation

The Company estimates stock-based compensation cost for stock options at the grant date based on the option’s fair value as calculated by the Black-Scholes model. For time-based restricted stock units (RSUs), fair value is based on the closing price of the Company’s common stock on the grant date. The Company estimates the grant-date fair value of RSUs that involve a market condition using the Monte Carlo simulation model. The Company estimates the grant-date fair value of stock to be issued under the Company’s Employee Stock Purchase plan (ESPP) using the Black-Scholes model. Compensation expense is recognized over the vesting period of the applicable award using the straight-line method, except for the compensation expense related to RSUs with performance or market conditions (PRSUs), which are recognized ratably for each vesting tranche from the service inception date to the end of the requisite service period. Forfeiture rates are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Contingencies

From time to time the Company is a defendant or plaintiff in various legal actions that arise in the normal course of business. The Company is also subject to income tax, indirect tax or other tax claims by tax agencies in jurisdictions in which it conducts business. In addition, the Company is a party to environmental matters including local, regional, state and federal government clean-up activities at or near locations where the Company currently or has in the past conducted business. The Company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of reasonably possible losses. A determination of the amount of reserves required for these commitments and contingencies that would be charged to earnings, if any, includes assessing the probability of adverse outcomes and estimating the amount of potential losses. The required reserves, if any, may change due to new developments in each matter or changes in circumstances such as a change in settlement strategy.

Income Taxes

The Company computes the provision for income taxes using the liability method and recognizes deferred tax assets and liabilities for temporary differences between financial statement and income tax bases of assets and liabilities, as well as for operating loss and tax credit carryforwards. The Company measures deferred tax assets and liabilities using tax rates applicable to taxable income in effect for the years in which those tax assets are expected to be realized or settled and provides a valuation allowance against deferred tax assets when it cannot conclude that it is more likely than not that some or all deferred tax assets will be realized. The assessment requires significant judgment and is performed in each of the applicable taxing jurisdictions. In addition, the Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that they will be sustained, based on the technical merits of the positions, on examination by the jurisdictional tax authority. Interest and penalties related to income taxes are recorded in the Income tax provision (benefit) line in the Consolidated Statements of Operations. The Company is subject to the Global Intangible Low Taxed Income (GILTI) tax in the U.S. and recognizes deferred taxes for temporary basis differences that are expected to reverse as GILTI tax in future years.

Recently Issued Accounting Standard Updates Not Yet adopted

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2023-07 Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures to enhance disclosures about significant segment expenses. This ASU is effective for the Company’s fiscal year 2024 and interim periods in fiscal year 2025. Early adoption is permitted. The Company is currently evaluating segment expense disclosures related to its annual report for fiscal year 2024.

In December 2023, the FASB issued ASU 2023-09 Income Taxes (Topic 740) Improvements to Income Tax Disclosures that requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation, and modifies other income tax-related disclosures. This ASU is effective for the Company’s fiscal year 2025. Early adoption is permitted. The Company is currently evaluating income tax disclosures related to its annual report for fiscal year 2025.

Although there are several other new accounting pronouncements issued by the FASB, the Company does not believe any of these accounting pronouncements had or will have a material impact on its Consolidated Financial Statements.

NOTE 3 – Supplemental Financial Statement Information

Accounts Receivable, net

As of December 30, 2023 and December 31, 2022, Accounts receivable, net included unbilled accounts receivable of $1.1 billion. Unbilled accounts receivables primarily represent work completed for development services and on custom products for which revenue has been recognized but not yet invoiced. All unbilled accounts receivable are expected to be billed and collected within 12 months.

Inventories		December 30, 2023		December 31, 2022
		(In millions)		
Raw materials	$	279	$	231
Work in process		3,260		2,648
Finished goods		812		892
Total inventories	$	4,351	$	3,771

Property and Equipment, net		December 30, 2023		December 31, 2022
		(In millions)		
Land, building and leasehold improvements	$	821	$	714
Equipment		2,346		2,163
Construction in progress		209		143
Property and equipment, gross		3,376		3,020
Accumulated depreciation		(1,787)		(1,507)
Total property and equipment, net	$	1,589	$	1,513

Depreciation expense for 2023, 2022 and 2021 was $441 million, $439 million and $296 million, respectively.

Accrued Liabilities		December 30, 2023		December 31, 2022
		(In millions)		
Accrued marketing programs	$	827	$	876
Accrued compensation and benefits		884		701
Customer program liabilities		544		859
Other accrued and current liabilities		827		641
Total accrued liabilities	$	3,082	$	3,077

Revenue

Revenue allocated to remaining performance obligations that are unsatisfied (or partially unsatisfied) include amounts received from customers and amounts that will be invoiced and recognized as revenue in future periods for development services, IP licensing and product revenue. As of December 30, 2023, the aggregate transaction price allocated to remaining performance obligations under contracts with an original expected duration of more than one year was $137 million, of which $85 million is expected to be recognized in the next 12 months. The revenue allocated to remaining performance obligations does not include amounts which have an original expected duration of one year or less.

Revenue recognized over time associated with custom products and development services accounted for approximately 25%, 24% and 23% of the Company’s revenue in 2023, 2022 and 2021, respectively.

NOTE 4 – Segment Reporting

Management, including the Chief Operating Decision Maker (CODM), who is the Company’s Chief Executive Officer, reviews and assesses operating performance using segment net revenue and operating income (loss). These performance measures include the allocation of expenses to the reportable segments based on management’s judgment.

The Company’s four reportable segments are:

- the Data Center segment, which primarily includes server microprocessors (CPUs), graphics processing units (GPUs), accelerated processing units (APUs), data processing units (DPUs), Field Programmable Gate Arrays (FPGAs), Smart Network Interface Cards (SmartNICs), Artificial Intelligence (AI) accelerators and Adaptive System-on-Chip (SoC) products for data centers;
- the Client segment, which primarily includes CPUs, APUs, and chipsets for desktop, notebook and handheld personal computers;
- the Gaming segment, which primarily includes discrete GPUs, and semi-custom SoC products and development services; and
- the Embedded segment, which primarily includes embedded CPUs, GPUs, APUs, FPGAs, System on Modules (SOMs), and Adaptive SoC products.

From time to time, the Company may also sell or license portions of its IP portfolio.

In addition to these reportable segments, the Company has an All Other category, which is not a reportable segment. This category primarily includes certain expenses and credits that are not allocated to any of the reportable segments because the CODM does not consider these expenses and credits in evaluating the performance of the reportable segments. This category primarily includes amortization of acquisition-related intangibles, employee stock-based compensation expense, acquisition-related and other costs, and licensing gain. Acquisition-related and other costs primarily include transaction costs, purchase price adjustments for inventory, certain compensation charges, contract termination and workforce rebalancing charges.

The following table provides a summary of net revenue and operating income (loss) by segment for 2023, 2022 and 2021.

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Net revenue:			
Data Center	$ 6,496	$ 6,043	$ 3,694
Client	4,651	6,201	6,887
Gaming	6,212	6,805	5,607
Embedded	5,321	4,552	246
Total net revenue	$ 22,680	$ 23,601	$ 16,434
Operating income (loss):			
Data Center	$ 1,267	$ 1,848	$ 991
Client	(46)	1,190	2,088
Gaming	971	953	934
Embedded	2,628	2,252	44
All Other	(4,419)	(4,979)	(409)
Total operating income	$ 401	$ 1,264	$ 3,648

The following table provides items included in All Other category:

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Operating loss:			
Stock-based compensation expense	$ 1,384	$ 1,081	$ 379
Acquisition-related and other costs	258	452	42
Amortization of acquisition-related intangibles	2,811	3,548	—
Licensing gain	(34)	(102)	(12)
Total operating loss	$ 4,419	$ 4,979	$ 409

The Company does not discretely allocate assets to its operating segments, nor does management evaluate operating segments using discrete asset information.

The following table summarizes sales to external customers by geographic regions based on billing location of the customer:

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
United States	$ 7,837	$ 8,049	$ 4,656
Japan	4,629	4,177	2,381
China (including Hong Kong)	3,417	5,207	4,096
Singapore	2,231	1,380	1,389
Europe	2,030	1,773	1,249
Taiwan	1,841	2,369	2,091
Other countries	695	646	572
Total sales to external customers	$ 22,680	$ 23,601	$ 16,434

The following table summarizes sales to major customers that accounted for at least 10% of the Company's consolidated net revenue for the respective years:

		Year Ended		
	Segment	December 30, 2023	December 31, 2022	December 25, 2021
Customer A	Gaming	18 %	16 %	14 %
Customer B	Client	*	*	11 %

* Less than 10%

The following table summarizes Property and equipment, net by geographic areas:

	December 30, 2023	December 31, 2022
	(In millions)	
United States	$ 1,143	$ 1,102
Singapore	144	132
India	86	67
Canada	84	80
Ireland	46	48
China	42	42
Other countries	44	42
Total property and equipment, net	$ 1,589	$ 1,513

NOTE 5 – Business Combinations

Fiscal Year 2023 Acquisitions

During the year ended December 30, 2023, the Company completed business acquisitions for a total consideration of $134 million that resulted in the recognition of $49 million of identifiable net assets and $85 million of goodwill. The financial results of these acquired businesses, which were not material, were included in the Company's Consolidated Statements of Operations from their respective dates of acquisition under the Data Center, Client and Embedded segments.

Fiscal Year 2022 Acquisitions

Pensando Acquisition

On May 26, 2022 (Pensando Acquisition Date), the Company completed the acquisition of all issued and outstanding shares of Pensando, a leader in next-generation distributed computing, for a transaction valued at approximately $1.9 billion. The recorded purchase consideration of $1.7 billion is net of deferred cash compensation requiring future services and other customary closing adjustments. The acquisition of Pensando and its leading distributed services platform expands the Company’s ability to offer leadership solutions for cloud, enterprise, and edge customers.

The purchase consideration was allocated as follows:

		(In millions)
Cash and cash equivalents	$	111
Accounts receivable		31
Inventory		66
Prepaid expenses and other current assets		43
Property and equipment		11
Deferred tax assets		22
Acquisition-related intangibles		349
Total Assets		**633**
Accounts payable		15
Accrued and other liabilities		61
Total Liabilities		**76**
Fair value of net assets acquired		557
Goodwill		1,098
Total purchase consideration	**$**	**1,655**

The Company allocated the purchase price to tangible and identified intangible assets acquired and liabilities assumed based on the estimates of their fair values, which were determined using generally accepted valuation techniques based on estimates and assumptions made by management. Goodwill arising from the Pensando acquisition was assigned to the Company’s Data Center segment. Goodwill was primarily attributed to expanded market opportunities expected to be achieved from the integration of Pensando. Goodwill is not expected to be deductible for income tax purposes.

Following are details of the purchase consideration allocated to acquired intangible assets:

	Fair Value	Weighted-average estimated useful life
	(In millions)	(In years)
Developed technology [1]	$ 60	4 years
Customer relationships [2]	34	3 years
Customer backlog [3]	16	1 year
Product trademarks [4]	19	5 years
Identified intangible assets subject to amortization	129	
In-process research and development (IPR&D) not subject to amortization [5]	220	N/A
Total identified intangible assets acquired	$ 349	

1. The fair value of developed technology was determined using the income approach, specifically the multi-period excess earnings method.
2. Customer relationships represent the fair value of existing contractual relationships and customer loyalty determined based on existing relationships using the income approach, specifically the with and without method.
3. Customer backlog represents the fair value of non-cancellable customer contract orders using the income approach, specifically the multi-period excess earnings method.
4. Product trademarks primarily relate to the Pensando product-related trademarks, and the fair value was determined by applying the income approach, specifically the relief from royalty method.
5. The fair value of IPR&D was determined using the income approach, specifically the multi-period excess earnings method.

The fair value of the identified intangible assets subject to amortization are amortized over the assets' estimated useful lives based on the pattern in which the economic benefits are expected to be received to cost of sales and operating expenses.

IPR&D consists of projects that have not yet reached technological feasibility as of the acquisition date. Accordingly, the Company recorded an indefinite-lived intangible asset of $220 million for the fair value of these projects, which will initially not be amortized. Instead, these projects will be tested for impairment annually and whenever events or changes in circumstances indicate that these projects may be impaired. Once the project reaches technological feasibility, the Company will begin to amortize the intangible assets over their estimated useful lives.

From the Pensando Acquisition Date to December 30, 2023, the Consolidated Statements of Operations include immaterial revenue and operating results attributable to Pensando, which are reported under the Data Center segment.

In 2023 and 2022, Pensando acquisition-related costs of $190 million and $102 million was recorded under Cost of sales, Research and development, and Marketing, general and administrative expenses on the Company's Consolidated Statements of Operations. Acquisition-related costs are primarily comprised of direct transaction costs, fair value adjustments for acquired inventory and certain compensation charges.

Xilinx Acquisition

On February 14, 2022 (Xilinx Acquisition Date), the Company completed the acquisition of all issued and outstanding shares of Xilinx, a leading provider of adaptive computing solutions, for a total purchase consideration of $48.8 billion ($46.4 billion, net of cash acquired of $2.4 billion). The acquisition of Xilinx expands the Company's product portfolio to include adaptable hardware platforms that enable hardware acceleration and rapid innovation across a variety of technologies. With the acquisition of Xilinx, the Company now offers FPGAs, Adaptive SoC products and ACAP products. The purchase consideration consisted of $48.5 billion of fair value of 429 million shares of the Company's common stock issued to Xilinx stockholders and $275 million of fair value of replacement equity awards attributable to services rendered pre-combination. As the transaction closed prior to the opening of markets on the Xilinx Acquisition Date, the fair value of the common stock issued to Xilinx stockholders was based on the closing price of the Company's common stock on February 11, 2022 of $113.18 per share.

The financial results of Xilinx are included in the Company's consolidated financial statements from the Xilinx Acquisition Date to December 30, 2023 and are reported under the Embedded and Data Center segments.

The purchase consideration was allocated as follows:

		(In millions)
Cash and cash equivalents	$	2,366
Short-term investments		1,582
Accounts receivable		299
Inventories		539
Prepaid expenses and other current assets		61
Property and equipment		692
Operating lease right-of-use assets		61
Acquisition-related intangibles		27,308
Deferred tax assets		15
Other non-current assets		418
Total Assets		**33,341**
Accounts payable		116
Accrued liabilities		634
Other current liabilities		185
Long-term debt		1,474
Long-term operating lease liabilities		45
Deferred tax liabilities		4,346
Other long-term liabilities		532
Total Liabilities		**7,332**
Fair value of net assets acquired		26,009
Goodwill		22,784
Total purchase consideration	**$**	**48,793**

The Company allocated the purchase price to tangible and identified intangible assets acquired and liabilities assumed based on the estimates of their fair values, which were determined using generally accepted valuation techniques based on estimates and assumptions made by management. Goodwill arising from the acquisition of Xilinx was assigned to the Embedded and Data Center segments. Goodwill was primarily attributed to increased synergies expected to be achieved from the integration of Xilinx. Goodwill is not expected to be deductible for income tax purposes.

Following are details of the purchase consideration allocated to acquired intangible assets:

	Fair Value	Weighted-average estimated useful life
	(In millions)	(In years)
Developed technology [1]	$ 12,295	16 years
Customer relationships [2]	12,290	14 years
Customer backlog [3]	793	1 year
Corporate trade name [4]	65	1 year
Product trademarks [4]	895	12 years
Identified intangible assets subject to amortization	26,338	
In-process research and development (IPR&D) not subject to amortization [5]	970	N/A
Total identified intangible assets acquired	$ 27,308	

1. The fair value of developed technology was determined using the income approach, specifically, the multi-period excess earnings method.
2. Customer relationships represent the fair value of existing contractual relationships and customer loyalty determined based on existing relationships using the income approach, specifically the with and without method.
3. Customer backlog represents the fair value of non-cancellable customer contract orders using the income approach, specifically the multi-period excess earnings method.
4. Corporate trade name and product trademarks primarily relate to the Xilinx brand and product-related trademarks, respectively, and the fair values were determined by applying the income approach, specifically the relief from royalty method.
5. The fair value of IPR&D was determined using the income approach, specifically the multi-period excess earnings method.

The fair value of the identified intangible assets subject to amortization are amortized over the assets' estimated useful lives based on the pattern in which the economic benefits are expected to be received to cost of sales and operating expenses.

IPR&D consists of projects that have not yet reached technological feasibility as of the acquisition date. Accordingly, the Company recorded an indefinite-lived intangible asset of $970 million for the fair value of these projects, which were initially not amortized. In the fourth quarter of 2023, these IPR&D assets reached technological feasibility and were reclassified as developed technology, and began amortization over their estimated useful lives of 15 years.

The Company also assumed unvested restricted stock units with estimated fair value of $1.2 billion, of which $275 million was included as a component of the purchase consideration and $951 million will be recognized as expense subsequent to the acquisition.

The Consolidated Statements of Operations include the following revenue and operating income attributable to Xilinx in 2022:

	2022
	(In millions)
Net revenue	$ 4,612
Operating income	$ 2,247

Operating income attributable to Xilinx recorded under the Embedded and Data Center segments does not include $4.2 billion of amortization of acquisition-related intangibles, employee stock-based compensation expense and acquisition-related costs, which are recorded under the "All Other" segment.

In 2023 and 2022, Xilinx acquisition-related costs of $26 million and $350 million were recorded under Cost of sales, Research and development, and Marketing, general and administrative expenses on the Company's Consolidated Statements of Operations. Acquisition-related costs are primarily comprised of direct transaction costs, fair value adjustments for acquired inventory and certain compensation charges.

Supplemental Unaudited Pro Forma Information

Following are the supplemental consolidated financial results of the Company, Xilinx and Pensando on an unaudited pro forma basis, as if the acquisitions had been consummated as of the beginning of the fiscal year 2021 (i.e., December 27, 2020).

	December 31, 2022	December 25, 2021
	(in millions)	
Net revenue	$ 24,117	$ 20,150
Net income	$ 2,311	$ 8

The Company's fiscal year ends on the last Saturday in December of each year, Xilinx's fiscal year ended on the Saturday nearest March 31 of each year and Pensando's fiscal year ended on January 31 of each year. The unaudited pro forma information above is presented on the basis of the Company's fiscal year and combines the historical results of the fiscal periods of the Company with the following historical results of Xilinx and Pensando: the twelve months ended December 31, 2022 includes Xilinx results for the twelve-month period beginning January 2, 2022 through December 31, 2022 and Pensando results for the twelve-month period beginning January 1, 2022 through December 31, 2022; and the twelve months ended December 25, 2021 includes Xilinx results for the twelve months ended January 1, 2022 and Pensando results for the twelve months ended December 31, 2021.

The unaudited pro forma financial information presented is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the Xilinx and Pensando acquisitions were completed at the beginning of fiscal year 2021 and are not indicative of the future operating results of the combined company. The pro forma results include adjustments related to purchase accounting, primarily amortization of acquisition-related intangible assets, fixed asset depreciation expense and expense from assumed stock-based compensation awards. The pro forma results also include amortization expense of acquired Xilinx inventory fair value step-up of $184 million in fiscal year 2021 and no Xilinx inventory fair value step-up expense in fiscal year 2022.

NOTE 6 – Acquisition-related Intangible Assets and Goodwill

Acquisition-related Intangible Assets

Acquisition-related intangibles as of December 30, 2023 and December 31, 2022 were as follows:

	December 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In millions)			(In millions)	
Developed technology	$ 13,390	$ (1,583)	$ 11,807	$ 12,360	$ (738)	$ 11,622
Customer relationships	12,324	(3,755)	8,569	12,324	(1,973)	10,351
Customer backlog	809	(809)	—	809	(712)	97
Corporate trade name	65	(65)	—	65	(57)	8
Product trademarks	914	(147)	767	914	(68)	846
Identified intangible assets subject to amortization	27,502	(6,359)	21,143	26,472	(3,548)	22,924
IPR&D not subject to amortization	220	—	220	1,194	—	1,194
Total acquisition-related intangible assets	$ 27,722	$ (6,359)	$ 21,363	$ 27,666	$ (3,548)	$ 24,118

Acquisition-related intangible amortization expense was $2.8 billion and $3.5 billion in fiscal year 2023 and 2022, respectively. In the fourth quarter of 2023, $970 million of IPR&D intangible assets acquired from Xilinx reached technological feasibility and were reclassified as developed technology, and began amortization over their estimated useful lives.

Based on the carrying value of acquisition-related intangibles recorded as of December 30, 2023, and assuming no subsequent impairment of the underlying assets, the estimated annual amortization expense for acquisition-related intangibles is expected to be as follows:

Fiscal Year	(In millions)
2024	$ 2,371
2025	2,145
2026	2,034
2027	1,922
2028	1,846
2029 and thereafter	10,825
Total	$ 21,143

Goodwill

The carrying amount of goodwill as of December 30, 2023 and December 31, 2022 was $24.3 billion and $24.2 billion, respectively, and was assigned to reporting units within the following reportable segments:

	December 25, 2021	Acquisitions	Adjustments and Reassignment due to segment change*	December 31, 2022	Acquisitions	December 30, 2023
		(In millions)			(In millions)	
Reportable segments before segment change:						
Enterprise, Embedded and Semi-Custom	$ 289	$ —	$ (289)	$ —	$ —	$ —
Xilinx	—	22,794	(22,794)	—	—	—
Reportable segments after segment change:						
Data Center	—	1,094	1,790	2,884	58	2,942
Client	—	—	—	—	18	18
Gaming	—	—	238	238	—	238
Embedded	—	—	21,055	21,055	9	21,064
Total	$ 289	$ 23,888	$ —	$ 24,177	$ 85	$ 24,262

*In the second quarter of fiscal year 2022, the Company reassigned goodwill balances among the updated reportable segments to reflect changes in its segment reporting structure.

During the fourth quarter of fiscal years 2023 and 2022, the Company conducted its annual qualitative impairment tests of goodwill and concluded that there was no goodwill impairment with respect to its reporting units.

NOTE 7 – Related Parties—Equity Joint Ventures

ATMP Joint Ventures

The Company holds a 15% equity interest in two joint ventures (collectively, the ATMP JV) with affiliates of Tongfu Microelectronics Co., Ltd, a Chinese joint stock company. The Company has no obligation to fund the ATMP JV. The Company accounts for its equity interests in the ATMP JV under the equity method of accounting due to its significant influence over the ATMP JV.

The ATMP JV provides assembly, test, mark and packaging (ATMP) services to the Company. The Company assists the ATMP JV in its management of certain raw material inventory. The purchases from and resales to the ATMP JV of inventory under the Company's inventory management program are reported within purchases and resales with the ATMP JV and do not impact the Company's consolidated statement of operations.

The Company's purchases from the ATMP JV during 2023 and 2022 both amounted to $1.7 billion. As of December 30, 2023 and December 31, 2022, the amounts payable to the ATMP JV were $363 million and $463 million, respectively, and are included in Payables to related parties on the Company's consolidated balance sheets. The Company's resales to the ATMP JV during 2023 and 2022 amounted to $14 million and $15 million, respectively. As of December 30, 2023 and December 31, 2022, the Company had receivables from ATMP JV of $9 million and $2 million, respectively, included in Receivables from related parties on the Company's consolidated balance sheets.

During 2023, 2022 and 2021, the Company recorded gains of $16 million, $14 million and $6 million in Equity income in investee on its consolidated statement of operations, respectively. As of December 30, 2023 and December 31, 2022, the carrying value of the Company's investment in the ATMP JV was approximately $99 million and $83 million, respectively.

THATIC Joint Ventures

The Company holds equity interests in two joint ventures (collectively, the THATIC JV) with Higon Information Technology Co., Ltd. (THATIC), a third-party Chinese entity. As of December 30, 2023 and December 31, 2022, the carrying value of the investment was zero.

In February 2016, the Company licensed certain of its intellectual property (Licensed IP) to the THATIC JV, payable over several years upon achievement of certain milestones. The Company also receives a royalty based on the sales of the THATIC JV's products developed on the basis of such Licensed IP. The Company classifies Licensed IP and royalty income associated with the February 2016 agreement as Licensing gain within operating income. During 2023 and 2022, the Company recognized $34 million of licensing gain from royalty income and $102 million of licensing gain from a milestone achievement and royalty income under the agreement, respectively. As of December 30, 2023 and December 31, 2022, the Company had no receivables from the THATIC JV.

In June 2019, the Bureau of Industry and Security of the United States Department of Commerce added certain Chinese entities to the Entity List, including THATIC and the THATIC JV. The Company is complying with U.S. law pertaining to the Entity List designation.

NOTE 8 – Debt and Revolving Credit Facility

Debt

The Company's total debt as of December 30, 2023 and December 31, 2022 consisted of:

	December 30, 2023	December 31, 2022
	(In millions)	
2.950% Senior Notes Due 2024 (2.950% Notes)	$ 750	$ 750
2.125% Convertible Senior Notes Due 2026 (2.125% Notes)	—	1
2.375% Senior Notes Due 2030 (2.375% Notes)	750	750
3.924% Senior Notes Due 2032 (3.924% Notes)	500	500
4.393% Senior Notes Due 2052 (4.393% Notes)	500	500
Total debt (principal amount)	2,500	2,501
Unamortized debt premium, discount and issuance costs, net	(32)	(34)
Total debt (net)	2,468	2,467
Less: current portion of long-term debt and related unamortized debt premium and issuance costs	751	—
Total long-term debt	$ 1,717	$ 2,467

Assumed Xilinx Notes

In connection with the acquisition of Xilinx, the Company assumed $1.5 billion in aggregate principal of Xilinx's 2.950% Notes and 2.375% Notes (together, the *Assumed Xilinx Notes*) which were recorded at fair value as of the Xilinx Acquisition Date. The Assumed Xilinx Notes are general unsecured senior obligations of the Company with semi-annual fixed interest payments due on June 1 and December 1.

3.924% Senior Notes Due 2032 and 4.393% Senior Notes Due 2052

On June 9, 2022, the Company issued $1.0 billion in aggregate principal amount of 3.924% Notes and 4.393% Notes. The 3.924% Notes and 4.393% Notes are general unsecured senior obligations of the Company. The interest is payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2022. The 3.924% and 4.393% Notes are governed by the terms of an indenture dated June 9, 2022 between the Company and US Bank Trust Company, National Association as trustee.

The Company may redeem some or all of the 3.924% Notes and 4.393% Notes prior to March 1, 2032 and December 1, 2051, respectively, at a price equal to the greater of the present value of the principal amount and future interest through the maturity of the 3.924% Notes or 4.393% Notes or 100% of the principal amount plus accrued and unpaid interest. Holders have the right to require the Company to repurchase all or a portion of the 3.924% Notes or 4.393% Notes in the event that the Company undergoes a change of control as defined in the indenture, at a repurchase price of 101% of the principal amount plus accrued and unpaid interest. Additionally, an event of default may result in the acceleration of the maturity of the 3.924% Notes and 4.393% Notes.

Future Payments on Total Debt

As of December 30, 2023, the Company’s future debt payment obligations were as follows:

Year	Term Debt (Principal only) (In millions)
2024	$ 750
2025 - 2028	—
2029 and thereafter	1,750
Total	$ 2,500

Revolving Credit Facility

The Company has $3.0 billion available under a revolving credit agreement, as amended, that expires on April 29, 2027 (Revolving Credit Agreement). As of December 30, 2023 and December 31, 2022, the Company had no outstanding borrowings under the Revolving Credit Agreement. Revolving loans under the Revolving Credit Agreement can be either Secure Overnight Financing Rate (SOFR) Loans or Base Rate Loans (each as defined in the Revolving Credit Agreement) at the Company's option. Each SOFR Loan will bear interest at a rate per annum equal to the applicable SOFR plus a margin between 0.575% and 1.20%. Each Base Rate Loan will bear interest equal to the Base Rate plus a margin between 0.000% and 0.20%. The Revolving Credit Agreement also contains a sustainability-linked pricing component which provides for interest rate and facility fee reductions or increases based on the Company meeting or missing targets related to environmental sustainability, specifically greenhouse gas emissions. The Revolving Credit Agreement contains customary representations and warranties, affirmative and negative covenants, and events of default applicable to the Company and its subsidiaries. As of December 30, 2023, the Company was in compliance with these covenants.

Commercial Paper

On November 3, 2022, the Company established a commercial paper program, under which the Company may issue unsecured commercial paper notes up to a maximum principal amount outstanding at any time of $3 billion with a maturity of up to 397 days from the date of issue. The commercial paper will be sold at a discount from par or, alternatively, will be sold at par and bear interest at rates that will vary based on market conditions at the time of issuance. During 2023 and 2022, the Company did not issue any commercial paper under the program and as of December 30, 2023, the Company had no commercial paper outstanding.

NOTE 9 – Financial Instruments

Financial Instruments Recorded at Fair Value on a Recurring Basis

(In millions)	December 30, 2023 Level 1	December 30, 2023 Level 2	December 30, 2023 Total	December 31, 2022 Level 1	December 31, 2022 Level 2	December 31, 2022 Total
Cash equivalents						
Money market funds	$ 969	$ —	$ 969	$ 3,017	$ —	$ 3,017
Corporate debt securities	—	753	753	—	224	224
U.S. government and agency securities	1,252	—	1,252	—	—	—
Non-U.S. government and agency securities	—	135	135	—	—	—
Time deposits and certificates of deposits	—	205	205	—	158	158
Short-term investments						
Corporate debt securities	—	506	506	—	441	441
Time deposits and certificates of deposits	—	9	9	—	—	—
Asset-backed and mortgage-backed securities	—	34	34	—	39	39
U.S. government and agency securities	1,209	28	1,237	466	—	466
Non-U.S. government and agency securities	—	54	54	—	74	74
Other non-current assets						
Time deposits and certificates of deposits	—	1	1	—	9	9
Equity investments	—	—	—	8	—	8
Deferred compensation plan investments	133	—	133	90	—	90
Total assets measured at fair value	$ 3,563	$ 1,725	$ 5,288	$ 3,581	$ 945	$ 4,526

The Company did not have any financial instruments measured at fair value on a recurring basis within Level 3 fair value measurements as of December 30, 2023 or December 31, 2022.

Deferred compensation plan investments are primarily mutual fund investments held in a Rabbi trust established to maintain the Company's executive deferred compensation plan.

The following is a summary of cash equivalents and short-term investments:

	December 30, 2023 Cost/ Amortized Cost	December 30, 2023 Gross Unrealized Gains	December 30, 2023 Gross Unrealized Losses	December 30, 2023 Estimated Fair Value	December 31, 2022 Cost/ Amortized Cost	December 31, 2022 Gross Unrealized Gains	December 31, 2022 Gross Unrealized Losses	December 31, 2022 Estimated Fair Value
	(in millions)				(in millions)			
Asset-backed and mortgage-backed securities	$ 35	$ —	$ (2)	$ 33	$ 42	$ —	$ (3)	$ 39
Corporate debt securities	1,259	—	—	1,259	669	—	(4)	665
Money market funds	969	—	—	969	3,017	—	—	3,017
Time deposits and certificates of deposits	214	—	—	214	159	—	—	159
U.S. government and agency securities	2,487	3	—	2,490	471	—	(5)	466
Non-U.S. government and agency securities	189	—	—	189	74	—	—	74
	$ 5,153	$ 3	$ (2)	$ 5,154	$ 4,432	$ —	$ (12)	$ 4,420

As of December 30, 2023 and December 31, 2022, the Company did not have material available-for-sale debt securities which had been in a continuous unrealized loss position of more than twelve months.

The contractual maturities of investments classified as available-for-sale are as follows:

	December 30, 2023		December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In millions)		(In millions)	
Due within 1 year	$ 3,792	$ 3,792	$ 1,224	$ 1,218
Due in 1 year through 5 years	361	364	159	156
Due in 5 years and later	32	30	41	38
	$ 4,185	$ 4,186	$ 1,424	$ 1,412

Financial Instruments Measured at Fair Value on a Non-Recurring Basis

As of December 30, 2023 and December 31, 2022, the Company had non-marketable securities in privately-held companies of $155 million and $137 million, respectively.

Financial Instruments Not Recorded at Fair Value

The carrying amounts and estimated fair values of the Company's long-term debt are as follows:

	December 30, 2023		December 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In millions)		(In millions)	
Current portion of long-term debt, net	$ 751	$ 741	$ —	$ —
Long-term debt, net of current portion	$ 1,717	$ 1,630	$ 2,467	$ 2,281

The estimated fair value of the Company's long-term debt is based on Level 2 inputs of quoted prices for the Company's debt and comparable instruments in inactive markets.

The fair value of the Company's accounts receivable, accounts payable and other short-term obligations approximate their carrying value based on existing terms.

Hedging Transactions and Derivative Financial Instruments

Foreign Currency Forward Contracts Designated as Accounting Hedges

The Company enters into foreign currency forward contracts to hedge its exposure to foreign currency exchange rate risk related to future forecasted transactions denominated in currencies other than the U.S. Dollar. These contracts generally mature within 24 months and are designated as accounting hedges. As of December 30, 2023 and December 31, 2022, the notional value of the Company's outstanding foreign currency forward contracts designated as cash flow hedges was $2.4 billion and $1.9 billion, respectively. The fair value of these contracts was recorded as an asset of $6 million as of December 30, 2023 and as a liability of $27 million as of December 31, 2022.

Foreign Currency Forward Contracts Not Designated as Accounting Hedges

The Company also enters into foreign currency forward contracts to reduce the short-term effects of foreign currency fluctuations on certain receivables or payables denominated in currencies other than the U.S. Dollar. These forward contracts generally mature within 3 months and are not designated as accounting hedges. As of December 30, 2023 and December 31, 2022, the notional value of these outstanding contracts was $568 million and $485 million, respectively. The fair value of these contracts was not material as of December 30, 2023 and December 31, 2022.

The cash flows associated with derivative instruments as cash flow hedging instruments are classified in the same category in the Consolidated Statement of Cash Flows as the cash flows of the related items.

NOTE 10 – Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of investments in time deposits, available-for-sale debt securities, equity investments and trade receivables.

The Company places its investments with high credit quality financial institutions. At the time an investment is made, investments in commercial paper of industrial firms and financial institutions are rated A1, P1, F1 or better. The Company invests in bonds that are rated A, A2 or better and repurchase agreements, each of which have securities of the type and quality listed above as collateral.

The Company believes that concentrations of credit risk with respect to trade receivables are limited because a large number of geographically diverse customers make up the Company's customer base, thus diluting the trade credit risk. One customer accounted for approximately 13% and 18% of the total consolidated accounts receivable balance as of December 30, 2023 and December 31, 2022, respectively. However, the Company does not believe the receivable balance from this customer represents a significant credit risk based on past collection experience and review of their current credit quality.

The Company is exposed to credit losses from nonperformance by counterparties on foreign currency hedge contracts. These counterparties are large global institutions, and to date, no such counterparty has failed to meet its financial obligations to the Company.

NOTE 11 – Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of shares outstanding.

Diluted earnings per share is computed based on the weighted-average number of shares outstanding plus potentially dilutive shares outstanding during the period. Potentially dilutive shares are determined by applying the treasury stock method to the Company's stock options, RSUs (including PRSUs), common stock to be issued under the ESPP and warrants.

The following table sets forth the components of basic and diluted earnings per share:

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions, except per share amounts)		
Numerator			
Net income for basic earnings per share	$ 854	$ 1,320	$ 3,162
Denominator			
Basic weighted-average shares	1,614	1,561	1,213
Effect of potentially dilutive shares from employee equity plans and warrants	11	10	16
Diluted weighted-average shares	1,625	1,571	1,229
Earnings per share:			
Basic	$ 0.53	$ 0.85	$ 2.61
Diluted	$ 0.53	$ 0.84	$ 2.57

Potential shares from employee equity plans totaling 6 million, 16 million and 2 million weighted-average shares for 2023, 2022 and 2021, respectively, were not included in the earnings per share calculation because their inclusion would have been anti-dilutive.

NOTE 12 – Common Stock and Stock-Based Compensation

Common Stock

Shares of common stock outstanding were as follows:

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Balance, beginning of period	1,612	1,207	1,211
Common stock issued in the acquisition of Xilinx	—	429	—
Common stock issued under employee equity plans	17	17	12
Repurchases of common stock	(10)	(36)	(17)
Common stock repurchases for tax withholding on equity awards	(4)	(5)	(2)
Issuance of common stock upon warrant exercise	1	—	—
Issuance of common stock to settle convertible debt	—	—	3
Balance, end of period	1,616	1,612	1,207

Stock Repurchase Program

The Company has an approved stock repurchase program authorizing repurchases of up to $12 billion of the Company's common stock (Repurchase Program). During the year ended December 30, 2023, the Company repurchased 9.7 million shares of its common stock under the Repurchase Program for $985 million. As of December 30, 2023, $5.6 billion remained available for future stock repurchases under this program. This Repurchase Program does not obligate the Company to acquire any common stock, has no termination date and may be suspended or discontinued at any time.

Stock-Based Compensation

The Company's employee equity programs are intended to attract, retain and motivate highly qualified employees. On May 18, 2023, the Company's stockholders approved the AMD 2023 Equity Incentive Plan (the 2023 Plan), which supersedes the AMD 2004 Equity Incentive Plan and the Xilinx, Inc. 2007 Equity Incentive Plan (the Prior Plans). Outstanding awards granted under the Prior Plans will continue to be governed by the terms of the Prior Plans but no awards may be made under the Prior Plans on or after May 18, 2023. Under the 2023 Plan, 87,645,874 shares of the Company's common stock are reserved and available for delivery pursuant to awards granted under the 2023 Plan. Generally, stock options granted under the 2023 Plan vest and become exercisable over a four-year period from the date of grant and expire within seven years after the grant date. Unvested shares from the 2023 Plan that are reacquired by the Company from forfeited outstanding equity awards become available for grant and may be reissued as new awards. Under the 2023 Plan, the Company can grant (i) stock options, and (ii) RSUs, including time-based RSUs and PRSUs.

Stock Options. Under the 2023 Plan, nonstatutory and incentive stock options may be granted. The exercise price of the shares subject to each nonstatutory stock option and incentive stock option cannot be less than 100% of the fair market value of the Company's common stock on the date of the grant. The exercise price of each option granted under the 2023 Plan must be paid in full at the time of the exercise.

Time-based RSUs. Time-based RSUs are awards that can be granted to any employee, director or consultant and that obligate the Company to issue a specific number of shares of the Company's common stock in the future if the vesting terms and conditions are satisfied.

PRSUs. PRSUs can be granted to certain of the Company's senior executives. The performance metrics can be financial performance, non-financial performance and/or market conditions. Each PRSU award reflects a target number of shares (Target Shares) that may be issued to an award recipient before adjusting based on the Company's financial performance, non-financial performance and/or market conditions. The actual number of shares that a grant recipient receives at the end of the period may range from 0% to 250% of the Target Shares granted, depending upon the degree of achievement of the performance target designated by each individual award.

ESPP. Under the 2017 Plan, eligible employees who participate in an offering period may have up to 15% of their eligible earnings withheld, up to certain limitations, to purchase shares of common stock at 85% of the lower of the fair market value on the first or the last business day of the six-month offering period. The offering periods commence in May and November each year.

As of December 30, 2023, the Company had 74 million shares of common stock that were available for future grants and 37 million shares reserved for issuance upon the exercise of outstanding stock options or the vesting of unvested RSUs, including PRSUs, under the 2023 Plan and the Prior Plans.

Valuation and Expense

Stock-based compensation expense was allocated in the consolidated statements of operations as follows:

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Cost of sales	$ 30	$ 29	$ 5
Research and development	1,002	697	246
Marketing, general, and administrative	352	355	128
Total stock-based compensation expense before income taxes	1,384	1,081	379
Income tax benefit	(249)	(179)	(58)
Total stock-based compensation expense, net of income taxes	$ 1,135	$ 902	$ 321

Stock Options. The weighted-average estimated fair value of employee stock options granted during 2023, 2022 and 2021 was $53.72, $44.35 and $46.07 per share, respectively, using the following assumptions:

	December 30, 2023	December 31, 2022	December 25, 2021
Expected volatility	52.36% - 52.42%	51.28 %	51.77 %
Risk-free interest rate	3.93% - 4.11%	3.00 %	0.69 %
Expected dividends	— %	— %	— %
Expected life (in years)	4.96 - 5.04	4.75	4.55

The Company uses a combination of the historical volatility of its common stock and the implied volatility for publicly traded options on the Company's common stock as the expected volatility assumption. The risk-free interest rate is based on the rate for a U.S. Treasury zero-coupon yield curve with a term that approximates the expected life of the option grant at the date closest to the option grant date. The expected dividend yield is zero as the Company does not expect to pay dividends in the near future. The expected term of employee stock options represents the weighted-average period the stock options are expected to remain outstanding.

The following table summarizes stock option activity and related information:

	Outstanding Number of Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life (in years)
	(In millions, except share price)			
Balance as of December 31, 2022	4	$ 42.35		
Granted	1	$ 108.19		
Canceled	—	$ 98.54		
Exercised	(2)	$ 18.22		
Balance as of December 30, 2023	3	$ 68.33	$ 205	3.87
Exercisable December 30, 2023	2	$ 49.54	$ 164	2.73

The total intrinsic value of stock options exercised for 2023, 2022 and 2021 was $173 million, $139 million and $277 million, respectively. As of December 30, 2023, the Company had $38 million of total unrecognized compensation expense related to stock options, which will be recognized over the weighted-average period of 2.87 years.

Time-based RSUs. The weighted-average grant date fair values of time-based RSUs granted during 2023, 2022 and 2021 were $106.28, $92.92 and $78.59 per share, respectively.

The following table summarizes time-based RSU activity and related information:

	Number of Shares	Weighted- Average Grant Date Fair Value
	(In millions)	
Unvested shares as of December 31, 2022	28	$ 95.49
Granted	16	$ 106.28
Forfeited	(2)	$ 99.48
Vested	(10)	$ 99.83
Unvested shares as of December 30, 2023	32	$ 100.65

The total fair value of time-based RSUs vested during 2023, 2022 and 2021 was $1.1 billion, $889 million and $678 million, respectively. As of December 30, 2023, the Company had $2.3 billion of total unrecognized compensation expense related to time-based RSUs, which will be recognized over the weighted-average period of 2.59 years.

PRSUs. The weighted-average grant date fair values of PRSUs granted during 2023, 2022 and 2021 were $134.87, $121.12 and $153.89, respectively, using the following assumptions:

	December 30, 2023	December 31, 2022	December 25, 2021
Expected volatility	51.12% - 56.22%	50.65% - 53.51%	57.75 %
Risk-free interest rate	4.30% - 4.36%	1.14% - 3.17%	0.43 %
Expected dividends	— %	— %	— %
Expected term (in years)	2.17 - 3.00	2.07 - 3.07	3.00

The Company uses the historical volatility of its common stock and risk-free interest rate based on the rate for a U.S. Treasury zero-coupon yield curve with a term that approximates the expected life of the PRSUs grant at the date closest to the grant date. The expected dividend yield is zero as the Company does not expect to pay dividends in the near future. The expected term of PRSUs represents the requisite service periods of these PRSUs.

The following table summarizes PRSU activity and related information:

	Number of Shares	Weighted-Average Grant Date Fair Value
	(In millions)	
Unvested shares as of December 31, 2022	2	$ 110.31
Granted	1	$ 134.87
Forfeited	—	$ 134.53
Vested	(1)	$ 129.78
Unvested shares as of December 30, 2023	2	$ 117.65

The total fair value of PRSUs vested during 2023, 2022 and 2021 was $100 million, $254 million and $98 million, respectively. As of December 30, 2023, the Company had $162 million of total unrecognized compensation expense related to PRSUs, which will be recognized over the weighted-average period of 1.64 years.

ESPP. The weighted-average grant date fair value for the ESPP during 2023, 2022 and 2021 was $31.11, $24.71 and $27.27 per share, respectively, using the following assumptions:

	December 30, 2023	December 31, 2022	December 25, 2021
Expected volatility	45.74% - 49.40%	58.15% - 63.76%	36.90% - 39.39%
Risk-free interest rate	5.13% - 5.46%	1.43% - 4.52%	0.04% - 0.07%
Expected dividends	— %	— %	— %
Expected term (in years)	0.50	0.50	0.50

The Company uses the historical volatility of its common stock and the risk-free interest rate based on the rate for a U.S. Treasury zero-coupon yield curve with a term that approximates the expected life of the ESPP grant at the date closest to the ESPP grant date. The expected dividend yield is zero as the Company does not expect to pay dividends in the near future. The expected term of the ESPP represents the six-month offering period.

During 2023, 4 million shares of common stock were purchased under the ESPP at a purchase price of $67.13 resulting in aggregate cash proceeds of $240 million. As of December 30, 2023, the Company had $36 million of total unrecognized compensation expense related to the ESPP, which will be recognized over the weighted-average period of 0.36 years.

Xilinx Replacement Awards

In connection with the acquisition of Xilinx, the Company issued equity awards as replacement for assumed equity awards to Xilinx employees. The replacement awards include restricted stock units of approximately 12 million shares with a weighted average fair value of $103.35 per share and have terms that are substantially the same as the assumed Xilinx awards. The fair value of replacement awards related to services rendered up to the Xilinx Acquisition Date was recognized as a component of the total purchase consideration while the remaining fair value of replacement awards attributable to post-combination services is being recognized as stock-based compensation expense over the remaining post-acquisition vesting period.

NOTE 13 – Retirement Benefit Plans

The Company provides retirement benefit plans in the United States and certain foreign countries. The Company has a 401(k) retirement plan that allows participating employees in the United States to contribute as defined by the plan and subject to Internal Revenue Service limitations. The Company matches 75% of employees' contributions up to 6% of their eligible compensation. The Company's contributions to the 401(k) plan for 2023, 2022 and 2021 were approximately $70 million, $47 million and $35 million, respectively.

NOTE 14 – Income Taxes

Income before income taxes consists of the following:

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
U.S.	$ 454	$ 2,093	$ 3,528
Non-U.S.	54	(895)	147
Total pre-tax income including equity income in investee	$ 508	$ 1,198	$ 3,675

The income tax provision (benefit) consists of:

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Current:			
U.S. federal	$ 496	$ 1,191	$ 112
U.S. state and local	27	31	11
Non-U.S.	150	161	82
Total	673	1,383	205
Deferred:			
U.S. federal	(860)	(1,365)	320
U.S. state and local	(29)	(26)	(7)
Non-U.S.	(130)	(114)	(5)
Total	(1,019)	(1,505)	308
Income tax provision (benefit)	$ (346)	$ (122)	$ 513

The table below displays the reconciliation between statutory federal income taxes and the total income tax provision (benefit).

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Statutory federal income tax expense at 21%	$ 107	$ 252	$ 772
GILTI and other foreign inclusion	(138)	(96)	—
Foreign-Derived Intangible Income (FDII) deduction	(185)	(261)	(147)
Research credits	(169)	(241)	(78)
Interest and penalty	53	33	35
Foreign rate detriment (benefit)	(11)	195	71
Stock-based and non-deductible compensation	1	10	(125)
Other	(4)	(14)	(15)
Income tax provision (benefit)	$ (346)	$ (122)	$ 513

The Company recorded an income tax benefit of $346 million and $122 million in 2023 and 2022, respectively, representing effective tax rates of (68%) and (10%), respectively. The increase in income tax benefit in 2023 was primarily due to the lower pre-tax income coupled with a $185 million FDII tax benefit and $169 million of research and development (R&D) tax credits.

Beginning in 2022, provisions in the U.S. Tax Cuts and Jobs Act of 2017 require the Company to capitalize and amortize R&D expenditures rather than deducting the costs as incurred. The capitalization resulted in an increase in 2023 and 2022 taxable income which also increased the income eligible for the FDII tax benefit.

As a part of the Xilinx acquisition and as a result of certain employment and operational commitments the Company has made in Singapore, the Company has been granted a Development and Expansion Incentive (DEI) that is effective through 2031. The DEI reduces the local tax on Singapore income from a statutory rate of 17% to 5% through 2031. Due to the current year pre-tax loss in Singapore, the Company did not receive any income tax or earnings per share benefit.

Deferred income taxes reflect the net tax effects of tax carryovers and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the balances for income tax purposes. Significant components of the Company’s deferred tax assets and liabilities as of December 30, 2023 and December 31, 2022 were as follows:

	December 30, 2023	December 31, 2022
	(In millions)	
Deferred tax assets:		
Net operating loss carryovers	$ 992	$ 1,031
Accruals and reserves not currently deductible	574	835
Employee benefits not currently deductible	302	214
Federal and state tax credit carryovers	660	631
Foreign R&D and investment tax credits	597	578
Foreign tax credits	71	46
Lease liability	181	161
Capitalized R&D	1,753	943
Other	96	104
Total deferred tax assets	5,226	4,543
Less: valuation allowance	(2,124)	(2,078)
Total deferred tax assets, net of valuation allowance	3,102	2,465
Deferred tax liabilities:		
Acquired intangibles	(3,104)	(3,430)
Right-of-use assets	(175)	(151)
GILTI	(524)	(633)
Other	(135)	(127)
Total deferred tax liabilities	(3,938)	(4,341)
Net deferred tax assets (liabilities)	$ (836)	$ (1,876)

As a result of the R&D capitalization tax law that became effective in 2022, the capitalization of R&D expense amounts resulted in increased taxable income in 2023 and 2022. The capitalized R&D will be amortized and become deductible in future periods. Therefore, the Company has recorded a deferred tax asset for the capitalized R&D expenditures.

As a result of the acquisition of Xilinx in 2022, the Company recorded $4.3 billion of net deferred tax liabilities primarily on the excess of book basis over the tax basis of the acquired intangible assets, including $857 million of GILTI net deferred tax liability.

The movement in the deferred tax valuation allowance was as follows:

	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Balance at beginning of year	$ 2,078	$ 1,735	$ 1,576
Charges to income tax expense and other accounts	41	112	3
Acquisition-related	5	231	—
Net recoveries+	—	—	156
Balance at end of year	$ 2,124	$ 2,078	$ 1,735

\+ The net recoveries in 2021 were primarily related to net originating deferred tax assets and newly generated tax credits.

Through the end of fiscal year 2023, the Company continued to maintain a valuation allowance of approximately $2.1 billion for certain federal, state, and foreign tax attributes. The federal valuation allowance maintained is due to limitations under Internal Revenue Code Section 382 or 383, separate return loss year rules, or dual consolidated loss rules. Certain state and foreign valuation allowance maintained is due to lack of sufficient sources of future taxable income.

The Company's U.S. federal and state net operating losses (NOLs) carryforwards as of December 30, 2023, were $295 million and $343 million, respectively. NOLs may be subject to limitations by the Internal Revenue Code and similar provisions. $46 million of U.S. federal NOLs will expire between 2024 and 2037, and $249 million of federal NOLs have no expiration date. State NOLs will expire at various dates through 2042. The difference between the amount of federal NOLs which are recorded on the Company's balance sheet as deferred tax assets and their related valuation allowance, and the amounts reported on the Company's tax returns are the result of uncertain tax positions the Company has taken during the current year and for which an income tax reserve has been recorded. The federal tax credits of $12 million will expire at various dates between 2037 and 2042. The state tax return credits of $757 million will expire at various dates between 2024 and 2039, except for the California R&D credit, which does not expire. The Company also has $624 million of credit carryforward in Canada that will expire between 2027 and 2042.

In 2022, the Company also recorded $142 million of current tax payable as of the Xilinx acquisition date. Additionally, the Company assumed $203 million of long-term liabilities for uncertain tax positions, including $12 million of interest, as well as $321 million of long-term liabilities for transition tax payable over three years. Included in the assumed liabilities for uncertain tax positions is a tax position with respect to whether stock-based compensation from Xilinx's cost sharing arrangement should be shared among cost share participants. The Company has concluded that the law was unsettled and believes the current uncertain tax position liability is sufficient and will continue to monitor developments in relevant tax court cases.

A reconciliation of the Company's gross unrecognized tax benefits was as follows:

	December 30, 2023	December 31, 2022	December 25, 2021
		(In millions)	
Balance at beginning of year	$ 1,361	$ 275	$ 119
Increases for tax positions taken in the current year	53	748	156
Increases for tax positions taken in prior years	57	104	14
Decreases for tax positions taken in prior years	(8)	(12)	(9)
Increases to tax positions taken in prior years through acquisitions	—	252	—
Decreases for settlements with taxing authorities and statute of limitation lapses	—	(6)	(5)
Balance at end of year	$ 1,463	$ 1,361	$ 275

The amount of unrecognized tax benefits that would impact the effective tax rate if recognized was $1.3 billion, $1.2 billion and $215 million as of December 30, 2023, December 31, 2022 and December 25, 2021, respectively. The Company had $142 million, $81 million and $35 million of accrued penalties and interest related to unrecognized tax benefits as of December 30, 2023, December 31, 2022 and December 25, 2021, respectively. As of December 30, 2023 and December 31, 2022, the Company had long-term income tax liabilities related to unrecognized tax benefits of $1.4 billion and $1.3 billion, respectively, recorded under Other long-term liabilities in the Consolidated Balance Sheets.

The Company is subject to taxation in the U.S. and foreign jurisdictions. Earnings from non-U.S. activities are subject to local country income tax. The material jurisdiction in which the Company is subject to potential examination by the taxing authority is the United States, where tax years from 2008 are open for audit. Pre-acquisition Xilinx U.S. tax returns for fiscal years 2018 and 2019 are currently under audit by the IRS. It is possible the Company may have tax audits close in the next 12 months that could materially change the balance of the uncertain tax benefits; however, the timing of tax audit closures and settlements are highly uncertain.

Under current U.S. tax law, the impact of future distributions of undistributed earnings that are indefinitely reinvested are anticipated to be subject to withholding taxes from local jurisdictions and non-conforming U.S. state jurisdictions. There were no cumulative undistributed earnings that are indefinitely reinvested that could be subject to withholding taxes as of December 30, 2023.

NOTE 15 – Other Income (Expense), Net

The following table summarizes the components of Other income (expense), net:

	Year Ended		
	December 30, 2023	December 31, 2022	December 25, 2021
	(In millions)		
Interest income	$ 206	$ 65	$ 8
Loss on debt redemption, repurchase and conversion	—	—	(7)
Gains (losses) on equity investments, net	(1)	(62)	56
Other income (expense)	(8)	5	(2)
Other income (expense), net	$ 197	$ 8	$ 55

NOTE 16 – Commitments and Guarantees

Operating Leases

The Company has entered into operating and finance leases for its corporate offices, data centers, research and development facilities and certain equipment. The leases expire at various dates through 2038, some of which include options to extend the lease for up to ten years.

For 2023, 2022 and 2021, the Company recorded $127 million, $118 million and $71 million, respectively, of operating lease expense, including short-term lease expense. For 2023 and 2022, the Company recorded $46 million and $40 million, respectively, of variable lease expense, which primarily included operating expenses and property taxes associated with the usage of facilities under the operating leases. For 2023 and 2022, cash paid for operating leases included in operating cash flows was $147 million and $108 million, respectively. The Company's finance and short-term leases are immaterial to the Company's consolidated financial statements.

Supplemental information related to leases is as follows:

	December 30, 2023
Weighted-average remaining lease term in years – operating leases	8.08
Weighted-average discount rate – operating leases	4.57 %

Future minimum lease payments under non-cancellable operating lease liabilities as of December 30, 2023 are as follows:

Year	(In millions)
2024	$ 132
2025	107
2026	108
2027	87
2028	61
2029 and thereafter	283
Total minimum lease payments	778
Less: interest	(137)
Present value of net minimum lease payments	641
Less: current portion	(106)
Total long-term operating lease liabilities	$ 535

Certain other operating leases contain provisions for escalating lease payments subject to changes in the consumer price index.

Commitments

The Company's purchase commitments primarily include the Company's obligations to purchase wafers and substrates from third parties and future payments related to certain software and technology licenses and IP licenses. Purchase commitments include obligations made under noncancellable purchase orders and contractual obligations requiring minimum purchases or for which cancellation would lead to significant penalties.

Total future unconditional purchase commitments as of December 30, 2023 were as follows:

Year		(In millions)
2024	$	3,858
2025		351
2026		186
2027		51
2028		49
2029 and thereafter		99
Total unconditional purchase commitments	$	4,594

On an ongoing basis, the Company works with suppliers on the timing of payments and deliveries of purchase commitments, taking into account business conditions.

Warranties and Indemnities

The Company generally warrants that its products sold to its customers will conform to its approved specifications and be free from defects in material and workmanship under normal use and conditions for one year. The Company may also offer one to three-year limited warranties based on product type and negotiated warranty terms with certain customers. The Company accrues warranty costs to Cost of sales at the time of sale of warranted products.

Changes in the Company's estimated liability for product warranty during 2023 and 2022 are as follows:

		December 30, 2023		December 31, 2022
		(In millions)		
Beginning balance	$	65	$	51
Provisions during the period		126		115
Settlements during the period		(106)		(101)
Ending balance	$	85	$	65

In addition to product warranties, the Company from time to time in its normal course of business indemnifies other parties with whom it enters into contractual relationships, including customers, lessors and parties to other transactions with the Company, with respect to certain matters. In these limited matters, the Company has agreed to hold certain third parties harmless against specific types of claims or losses such as those arising from a breach of representations or covenants, third-party claims that the Company's products when used for their intended purpose(s) and under specific conditions infringe the intellectual property rights of a third party, or other specified claims made against the indemnified party. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Historically, payments made by the Company under these obligations have not been material. In addition, the impact from changes in estimates for pre-existing warranties has been immaterial.

NOTE 17 – Contingencies

Litigation and Other Legal Matters

As of December 30, 2023, there were no material legal proceedings.

The Company is a defendant or plaintiff in various actions that arose in the normal course of business. With respect to these matters, based on management's current knowledge, the Company believes that the amount or range of reasonably possible loss, if any, will not, either individually or in the aggregate, have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Environmental Matters

The Company is named as a responsible party on Superfund clean-up orders for three sites in Sunnyvale, California that are on the National Priorities List. Since 1981, the Company has discovered hazardous material releases to the groundwater from former underground tanks and proceeded to investigate and conduct remediation at these three sites. The chemicals released into the groundwater were commonly used in the semiconductor industry in the United States in the wafer fabrication process prior to 1979.

In 1991, the Company received Final Site Clean-up Requirements Orders from the California Regional Water Quality Control Board relating to the three sites. The Company has entered into settlement agreements with other responsible parties on two of the orders. During the term of such agreements, other parties have agreed to assume most of the foreseeable costs as well as the primary role in conducting remediation activities under the orders. The Company remains responsible for additional costs beyond the scope of the agreements as well as all remaining costs in the event that the other parties do not fulfill their obligations under the settlement agreements.

To address anticipated future remediation costs under the orders, the Company has computed and recorded an estimated environmental liability of approximately $4.8 million and has not recorded any potential insurance recoveries in determining the estimated costs of the cleanup. The progress of future remediation efforts cannot be predicted with certainty and these costs may change. The Company believes that any amount in addition to what has already been accrued would not be material.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Advanced Micro Devices, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Advanced Micro Devices, Inc. (the Company) as of December 30, 2023 and December 31, 2022, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 30, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 30, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated January 31, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

	Inventory Valuation
Description of the Matter	At December 30, 2023, the Company's net inventory balance was $4,351 million. As discussed in Note 2 to the consolidated financial statements, the Company adjusts the inventory carrying value to the lower of actual cost or the estimated net realizable value after completing ongoing reviews of on-hand inventory quantities exceeding forecasted demand, and by considering recent historical activity as well as anticipated demand. Auditing management's inventory excess and obsolescence reserves involved significant judgment because the estimates are based on several factors that are affected by market, industry, and competitive conditions outside the Company's control. In estimating excess and obsolescence reserves, management developed certain assumptions, including forecasted demand which are sensitive to the competitiveness of product offerings, customer requirements, and product life cycles. These significant assumptions are forward-looking and could be affected by future economic and market conditions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the Company's inventory excess and obsolescence reserves estimation process, including the basis for developing the above-described assumptions and management's judgments. Our audit procedures included, among others, testing the reasonableness of management's key assumptions and judgments and testing the accuracy and completeness of the underlying data used to determine the amount of excess and obsolescence reserves. We compared the quantities and carrying value of on-hand inventories to related unit sales, both historical and forecasted, and evaluated the appropriateness and adequacy of management's adjustments to such sales forecasts by analyzing potential technological changes in line with product life cycles. We also assessed the accuracy of forecasts underlying management's estimates by comparing management's historical forecasts to actual results, evaluated industry and market factors and performed sensitivity analyses over the forecasted demand used by management to determine necessary changes in the inventory excess and obsolescence reserves.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1970.

San Jose, California

January 31, 2024

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Advanced Micro Devices, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Advanced Micro Devices, Inc.'s internal control over financial reporting as of December 30, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Advanced Micro Devices, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 30, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 30, 2023 and December 31, 2022, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 30, 2023, and the related notes and our report dated January 31, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California

January 31, 2024

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed with the objective of providing reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of December 30, 2023, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e). This type of evaluation is performed on a quarterly basis so that conclusions of management, including our Chief Executive Officer and Chief Financial Officer, concerning the effectiveness of the disclosure controls can be reported in our periodic reports on Form 10-Q and Form 10-K. The overall goals of these evaluation activities are to monitor our disclosure controls and to modify them as necessary. We intend to maintain the disclosure controls as dynamic systems that we adjust as circumstances merit. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, and includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations.

Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Management has used the 2013 framework set forth in the report entitled “Internal Control—Integrated Framework” published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company’s internal control over financial reporting. Management has concluded that the Company’s internal control over financial reporting was effective as of December 30, 2023 at the reasonable assurance level. Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company’s internal control over financial reporting as of December 30, 2023, which is included in Part II, Item 8, above.

Changes in Internal Control over Financial Reporting

During the year ended December 30, 2023, we completed the implementation of our new enterprise resource planning (ERP) system to help us manage our operations and financial reporting. In connection with this implementation, we modified the design and documentation of our internal control processes and procedures relating to the new system. Following the implementation, the changes to our control environment were validated according to our established processes and our internal controls over financial reporting continued to operate as designed. There were no other changes in our internal controls over financial reporting during our most recently completed fiscal year that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

During the quarterly period ended December 30, 2023, the following directors and officers adopted, modified or terminated 10b5-1 plans:

Name	Title of Director or Officer	Action	Date	Trading Arrangement		Total Shares to be Sold	Expiration Date
				Rule 10b5-1*	Non-Rule 10b5-1**		
Lisa Su	Chair, President and Chief Executive Officer	Adopt	November 20, 2023	X		834,226	December 5, 2024
Mark Papermaster	Executive Vice President, Chief Technology Officer	Adopt	November 15, 2023	X		97,756	November 15, 2024

* Intended to satisfy the affirmative defense of Rule 10b5-1(c)
** Not intended to satisfy the affirmative defense of Rule 10b5-1(c)

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.