

AMD: How Much Capacity Should AMD Commit Before Demand Is Certain?

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Decision scope: Hypothetical gates for future incremental supply and cloud-capacity commitments

Case convention: This is a teaching exercise, not a scheduled AMD management decision. It does not imply a current bottleneck, a funding shortage, or that suppliers offer the options discussed below.

The decision

Advanced Micro Devices (AMD) enters the fall of 2026 with accelerating data-center demand, several large customer deployment announcements and substantial existing supply commitments. The company has signed an agreement to acquire AI research company World Labs, pending closing and regulatory/customary conditions. AMD has described its financial resources as sufficient for operations, capital spending, commitments and strategic activity. Its filings do not identify a binding funding constraint or a current supply shortage.

For this exercise, assume you advise a hypothetical AMD supply-and-product review. Decide what evidence and contractual terms should be required before any **additional discretionary** wafer, substrate, component or cloud-capacity commitments are made, and when such commitments should be released or expanded as demand information changes. Existing obligations are part of the baseline; your assignment does not reopen them.

Three policies are available for analysis. They are hypothetical and need not be mutually exclusive:

1. **Commit early:** add fixed or firm capacity reservations to protect product launches and customer service if demand rises.
2. **Seek flexibility:** negotiate staged reservations, options or other volume-adjustment rights, if suppliers offer them, accepting any premium or less favorable base terms.
3. **Gate additional increments:** hold to the disclosed baseline until customer, supply, forecast and product-readiness evidence supports more commitment, while tracking the cost of delay.

Recommend a policy or combination and define the evidence that would trigger the next increment. Do not assume that “up to” customer deployments are firm orders or that AMD’s suppliers offer Intel-style flexible-capacity contracts.

Growth and commitments

AMD reported \$11.5 billion of second-quarter 2026 revenue, up 50% year over year. Data Center revenue was \$6.718 billion, with segment operating income of \$2.103 billion. Management attributed growth to demand for EPYC processors and MI350 GPUs, among other products. Data Center revenue includes multiple product types; it is not a GPU-only measure. [S1, S2]

The company also reported \$13.1 billion of cash, cash equivalents and short-term investments, \$5.3 billion of first-half operating cash flow, \$3.3 billion of debt and undrawn revolving and commercial-paper facilities at June 27. Management said available resources should support operations, capital spending, commitments and strategic activity over the next 12 months and beyond. [S1]

At June 27, AMD disclosed \$30.3 billion of unconditional commitments, including \$17.4 billion for the remainder of 2026. The categories include wafers, substrates, components, multi-year cloud-provider capacity, software and technology licenses. These are not one interchangeable pool. For cloud-compute capacity arrangements, the filing describes noncancellable orders or contracts with minimums and significant cancellation penalties, while also saying providers may reduce, terminate or resell capacity, reducing AMD's related commitments. The filing does not establish identical rights or terms across the other commitment categories. [S1]

AMD's filing also describes reliance on third-party foundries and packaging partners, long lead times, and the risk that forecast changes can leave the company short of supply or with excess inventory. These are disclosed risks; they do not establish that AMD is currently unable to obtain supply. [S1]

Demand signals at different stages

AMD said OpenAI and Meta each intend to deploy up to 6 gigawatts of AMD data-center GPUs under multi-year arrangements; the first gigawatt for each would use MI450. "Intend" and "up to" describe maximum announced plans, not minimum purchases, firm shipment schedules or take-or-pay guarantees. The related warrants have multiple purchase, share-price and technical or commercial conditions; none had vested or become exercisable by June 27. [S1]

In July, AMD and Anthropic announced plans for up to 2 gigawatts of MI450 deployment, with the first gigawatt planned to begin in the first half of 2027. The release also described a future strategic equity investment of up to \$5 billion and expressly identified deployment, timing and investment as forward-looking. [S8]

An August announcement with Cisco and HUMAIN described a different status. The companies said MI355X systems were live and serving customers in Saudi Arabia. They described a future phase of up to 250 megawatts beginning in 2027 and a joint-venture target of up to 1 gigawatt by 2030. "Live and serving" is an issuer-and-partner report; the later scale remains planned. The releases do not state AMD's recognized revenue, utilized capacity, shipment count or customer economics for these deployments. None of the announcements by itself establishes an AMD supplier purchase obligation. [S9]

The signals vary in timing and firmness. Product demand, customer schedules, supplier commitments and revenue recognition are related but not equivalent. A useful policy must distinguish them rather than add announced gigawatts together as if they were guaranteed orders.

More strategic activity

On September 28, AMD announced a signed agreement to acquire World Labs for approximately \$8.2 billion in AMD shares. The share count would be set by a formula near closing; the transaction remained subject to customary and regulatory conditions, with closing expected by year-end. World Labs was expected to retain a research focus. Its separate announcement described prior work optimizing model training and inference on AMD GPUs. The acquisition had not closed by the cutoff, and the public materials do not identify a supply allocation or integration bottleneck tied to it. [S3, S4, S5]

AMD also disclosed post-quarter investment commitments of up to \$5 billion, subject to conditions, but did not identify the counterparty in the filing. The amount matches the separately announced potential Anthropic investment, but the filing does not expressly link the two. This case does not assume they are the same obligation or add them as two separate commitments. AMD separately reported future data-center lease payments; those are not the same as its June 27 commitment balance. [S1, S8]

Exhibit 1. Selected operating and commitment facts

Measure	Reported position	Decision use and limit
Q2 2026 revenue	\$11.536bn; +50% year over year	Company-wide result; growth is not a supply forecast.
Data Center Q2 revenue	\$6.718bn	Includes CPUs, GPUs, accelerators and related products; not GPU-only.
Data Center segment operating income	\$2.103bn	Segment measure; does not disclose contribution by product or constrained supply unit.
Cash, cash equivalents and short-term investments	\$13.1bn at June 27	Liquidity snapshot, not all uncommitted cash.
First-half operating cash flow	\$5.321bn	Historical cash flow, not an incremental-capacity return.
Unconditional commitments	\$30.276bn at June 27; \$17.386bn for remainder of FY26	Aggregates different categories and terms; not all wafer spend or freely adjustable.
Later data-center lease payments	\$9.5bn expected over up to 16 years, commencement expected 2027-28	Future lease payments, separate from the June 27 commitment total.

Source note: S1, Q2 2026 Form 10-Q, segment table and MD&A; liquidity, debt and commitments; Note 10 and commitment schedule. S2, Q2 earnings release. Amounts rounded except commitment schedule. The filing's subsequent investment commitment of up to \$5bn is not assumed to be identical or additive to the separately announced Anthropic investment.

Exhibit 2. Evidence to request before another increment

Evidence area	Questions for the hypothetical review
Demand quality	Which customer schedules are binding, cancelable or “up to” plans? What evidence supports timing and product mix?
Supply terms	Which supplier or cloud contracts permit changes? What are minimum quantities, lead times, reservation costs and cancellation or rescheduling charges?
Product readiness	What milestones must be met for yields, packaging, software, qualification and customer deployment?
Economics	What contribution is earned by each product and customer after supply, support, incentives and deployment costs? What is the cost of unused or late capacity?
Flexibility and delay	What options are contractually available, what do they cost, and what customer or competitive opportunity could be lost by waiting?
Strategic portfolio	How should the pending World Labs transaction and other commitments affect the review, without presuming a particular supply demand or integration burden?

The public sources do not answer these questions at supplier, customer or product level. They are diligence requirements, not values students should invent.

Assignment

Prepare a short recommendation for the hypothetical review:

1. Which of the three commitment policies-or combination-should guide the next discretionary increment?
2. What information and contract terms should be required before commitment, and what should be monitored afterward?
3. What evidence would cause you to accelerate, stage, pause or change the next increment?
4. Which important facts remain unknown, and how should that uncertainty affect the recommendation?

The choice

AMD's public disclosures describe rapid growth, large customer plans, existing commitments and meaningful liquidity. They do not establish whether additional commitments should be fixed, flexible or gated, nor whether the relevant suppliers would offer adjustment rights. Your recommendation should distinguish the disclosed baseline from genuinely discretionary increments, specify what information arrives before each commitment date, and state what evidence would change your decision.

Sources

- **S1.** AMD, Q2 2026 Form 10-Q, filed August 5, 2026. [SEC filing](#). Relevant sections: segment results; growth and margin discussion; liquidity and commitments; Note 10; supply risks and customer order terms.
- **S2.** AMD, Q2 2026 results release, August 4, 2026. [AMD IR release](#). GAAP results and separate non-GAAP reconciliation.
- **S3.** AMD, Form 8-K filed September 28, 2026, announcing World Labs agreement. [SEC/AMD filing](#).
- **S4.** AMD, World Labs acquisition release, September 28, 2026. [AMD IR release](#).
- **S5.** World Labs, announcement of joining AMD, September 28, 2026. [World Labs post](#). Target's account of prior collaboration.
- **S8.** AMD and Anthropic, partnership announcement, July 22, 2026. [AMD IR release](#).
- **S9.** AMD, Cisco and HUMAIN, deployment announcement, August 31, 2026. [AMD IR release](#).