AMD buys its own growth, and the price lands on revenue

5 November 2026 | Strategic Intelligence Division | Ownership

AMD's record $8.5 billion data centre quarter, up 97%, was reported on 3 November 2026. The Form 10-Q filed the next day names OpenAI OpCo., LLC and Meta Platforms, Inc. as holders of warrants for up to 320 million shares at $0.01, records $4.5 billion of grant-date value still to be taken as a reduction of revenue, and discloses $8.5 billion of maximum guarantee exposure.

KEY POINTS

1. $4.5 billion of grant-date value is still to be recorded as a reduction of revenue, so the growth line AMD reports will be reduced by it, and no warrant shares had vested at 26 September 2026.
2. The give-back is struck at $14.25 a share while the customers' claim is valued at $178.58, a 12.5-fold gap, and only the remeasurement at the later price touches earnings, in Other income.
3. 320 million warrantable shares against 1,640,087,251 outstanding is 19.5% of the company, and the filing excludes all of it from diluted earnings per share until the conditions are satisfied.
4. The guarantees are nearly twice the size of the equity leg: $8.5 billion of maximum potential payments, alongside $13.3 billion of data centre lease payments AMD expects to assign or sublease against $896 million of sublease payments contracted to be received.
5. AMD names both counterparties itself, OpenAI OpCo., LLC and Meta Platforms, Inc., so a buyer negotiating equity in place of a discount can cite the treatment of the instrument rather than argue about it.

AMD bought part of the growth it reported, and the price is booked against revenue. Data Center segment revenue was a record $8.5 billion in the quarter ended 26 September 2026, up 97% year over year, on the release of 3 November 2026. The Form 10-Q filed the next day records $4.5 billion of grant-date value still to be taken as a reduction of revenue, $8.5 billion of maximum guarantee exposure on commercial partners' leases and debt, and $13.3 billion of data centre lease payments AMD expects to assign or sublease to those partners. The $1.1 billion charge the quarter showed was the share price moving, not the customer being paid.

This reaches a CFO in two positions. The first is a multi-year accelerator commitment being negotiated now, where a vendor can offer equity participation, a lease backstop or a capacity buy-back in place of a discount on the invoice, and each of the three lands somewhere different in the accounts. The second is a revenue-quality comparison across chipmakers, where the growth rate is the number on the slide and the reduction of revenue sits in a note.

The customer payment is a reduction of revenue, and almost none of it has arrived

The mechanism is one paragraph of the note and it is not an expense. “Warrants to purchase the Company's common stock issued to customers represent consideration payable to a customer under ASC 606,” AMD writes, and “fair value on the grant date of the warrant shares probable of vesting is recorded as a reduction to revenue proportionally as qualifying customer revenues are recorded.” The warrants are measured and classified under ASC 718, Stock Compensation. Because the liability is remeasured each period, one instrument produces two numbers in two places: a reduction of revenue fixed at grant-date value, and a mark-to-market charge in Other income.

The two customers are named in the filing, in the risk factors rather than in the note: “the warrants we have issued to OpenAI OpCo., LLC and Meta Platforms, Inc. that are exercisable for up to a combined 320 million shares of our common stock, subject to certain vesting and exercise conditions.” The note gives the terms. Two grants, in October 2025 and February 2026, each for up to 160 million shares at $0.01. Vesting in tranches as the customers reach specified purchase milestones and as AMD's stock price meets specified targets, including for certain tranches performance relative to a market index. A five-year term and no cash settlement. And a further gate: each tranche becomes exercisable only after specified technical and commercial conditions are met. The filing does not say which grant belongs to which customer.

Almost none of the give-back has been taken. At 26 September 2026 the warrant liability was $1.2 billion, described as “the fair value of the warrants attributable to qualifying customer revenue recorded to date”. The Other income table in the same filing shows a $1,097 million change in fair value of warrant liability for the quarter, and shows the same figure in the nine-month column, so the whole of it arose in the quarter. The difference between the two, about $100 million, is what had accumulated against revenue before it. The grant-date value of 320 million shares at $14.25 is about $4.56 billion, which is consistent with the $4.5 billion the note says is still unrecognised: roughly one fiftieth of the give-back has been recorded, and no warrant shares had vested or become exercisable.

When the rest lands it will not appear in operating expenses. A reduction of revenue with no reduction in the related cost of sales comes out of gross profit, and the 54% gross margin in the release is struck before it. The amount taken is the grant-date value of the shares probable of vesting, so the base it is measured on can still move: AMD states that the fair value rests on “our estimates of the probability of the customers meeting the applicable technical and commercial conditions for vesting and exercisability”, and that those estimates are updated quarterly.

The share price sets the charge, and the dilution is outside earnings per share

The per-share numbers carry the quarter. The weighted-average grant-date fair value of the warrants was $14.25. At 26 September 2026 the weighted-average fair value was $178.58, which the filing attributes to the updated probability of the customers meeting the conditions and “primarily on its closing stock price as most market conditions had been met”. That is a 12.5-fold gap between the value the revenue reduction is struck at and the value the customer holds, and the gap does not run through revenue: the remeasurement goes to Other income, which is why a quarter carrying a $1,097 million charge still reported operating income of $2.8 billion.

“Shares issuable upon the exercise of warrants issued to customers are considered contingently issuable and are excluded from the computation of basic

and diluted earnings per share until all the conditions for the warrants to become vested and exercisable have been satisfied.”

Advanced Micro Devices, Form 10-Q for the quarter ended 26 September 2026, filed 4 November 2026

So the dilution is absent from the number a reader looks for. 320 million shares against 1,640,087,251 outstanding at 28 October 2026 is 19.5%, and none of it enters the diluted share count until the conditions are satisfied. The only offset the filing discloses is a repurchase programme with $9.2 billion remaining of a $14 billion authorisation, which buys fewer shares as the price rises and a rising price is exactly what makes the warrants worth more.

$14.25
Weighted-average grant-date fair value of the warrants, per share

$178.58
Weighted-average fair value at 26 September 2026, per share

Source: Advanced Micro Devices, Form 10-Q for the quarter ended 26 September 2026, Note 14. The reduction of revenue is struck at the grant-date value; the remeasurement charge is struck at the later value and lands in Other income. Both are the filing's own weighted averages on the same instrument.

The equity is one of four instruments, and the guarantees are nearly twice its size

The same filing discloses three more ways AMD stands behind the demand it books. Guarantees first: $8.5 billion of maximum potential payments on commercial partners' lease and debt obligations over remaining terms of up to 15 years, split into $7.7 billion of data centre lease guarantees and $750 million of partner debt guarantees, carried as credit derivatives at Level 3 on unobservable inputs, with “no commercial partner was in default and no amounts had been paid under these guarantees” at 26 September 2026. Then the leases: $13.3 billion of aggregate future payments on data centre leases AMD entered into and expects to assign or sublease to commercial partners, over 10 to 15 years, commencing from the second quarter of fiscal 2027, against $896 million of future sublease payments contracted to be received, with AMD remaining “as the primary obligor under the original leases” on the space it subleases. Then capacity: a commitment to buy GPU compute capacity from cloud service providers “either to the extent it is not successfully placed with third-party customers, or for capacity we reserved and may sell or assign to third parties”. None of it is consolidated, because AMD states it is not the primary beneficiary of the variable interest entities that hold these interests.

Four instruments, four places in the accounts

Instrument	What AMD provides	How it is recorded	What AMD carries if the partner fails
Customer warrants	Up to 320 million shares at $0.01 to OpenAI OpCo., LLC and Meta Platforms, Inc., vesting on purchase milestones, stock-price targets and technical conditions, five-year term, no cash settlement	Grant-date value as a reduction of revenue as qualifying revenue is recorded; remeasurement in Other income; outside diluted earnings per share until vested	Dilution of up to 19.5% of the shares outstanding at 28 October 2026
Data centre lease guarantees	Credit support for commercial partners' lease obligations to third-party landlords, remaining terms up to 15 years	Credit derivative at fair value, Level 3, within other current and other long-term liabilities	Maximum gross exposure $7.7 billion; AMD may assume, assign or sublease the leases
Commercial partner debt guarantees	Credit support for partners' borrowings used to finance data centre infrastructure, remaining terms up to 6 months	Credit derivative at fair value, Level 3	Maximum gross exposure $750 million; AMD repays the borrowings

Instrument	What AMD provides	How it is recorded	What AMD carries if the partner fails
Data centre leases and subleases	Leases AMD took and expects to assign or sublease to commercial partners, $13.3 billion of future payments over 10 to 15 years from the second quarter of fiscal 2027	Operating leases; sublease income recorded as a reduction of lease expense	Primary obligor on subleased space, against $896 million of sublease payments contracted at 26 September 2026
Cloud compute capacity	Commitment to buy GPU capacity from cloud service providers to the extent it is not placed with third-party customers	Unconditional commitment; the vehicle holding the interest is not consolidated	The cost of capacity third-party customers do not take

Source: Advanced Micro Devices, Form 10-Q for the quarter ended 26 September 2026, Notes 8, 10, 11, 12 and 14, and Item 1A.

The customer wins, the shareholder carries it, and the competitor is priced against it

The winner is the two customers. They hold a claim to 320 million shares at $0.01 which, on AMD's own valuation, is 12.5 times the price at which that claim was struck, and the milestones that earn it are purchases of AMD product. The party carrying it is AMD's public shareholder: 19.5% potential dilution, outside the diluted share count, against a buyback with $9.2 billion left. The second loser is the competitor whose share of a customer's order book is now bid for with the vendor's own equity rather than with a lower price, because a discount is a cost a rival can match and a warrant is not. And the third is a buyer treating 97% as clean demand, which is a number the filing already knows will be reduced by up to $4.5 billion.

What the buyer gives up when it takes the equity

A discount is cash and it is certain. A warrant is a claim on the vendor's share price, it arrives as an equity position in a supplier, and it is earned against purchase milestones, so the commitment that earns it is the commitment signed. It also breaks the comparison a buyer runs between bidders, because a bid carrying equity is not comparable on list price to one without it. And because the vendor's reported revenue is reduced by what it pays its customers, a growth rate is a weaker guide to a vendor's price than the invoice in front of you.

What to decide, and by when

Four seats, four decisions, and the dates they fall due

Seat	What to do	By when	Why this one
CFO	Re-base the chipmaker growth comparison on revenue after any disclosed give-back, and ask each vendor at the next meeting for the unrecognised balance of any customer warrants	31 December 2026, when the FY27 comparison is set	$4.5 billion of AMD's future revenue is already promised back to two customers, so the growth rate is not what the commitment is being priced against
Chief procurement officer	Put equity, lease backstop and capacity buy-back into the bid comparison as three separately valued price terms, and refuse a bid that bundles them into one relationship discount	31 December 2026, before the next multi-year accelerator commitment is signed	The vendor offering them is the party that would carry the guarantee, and AMD discloses the four instruments separately for that reason
General Counsel	Read the milestone, stock-price and technical conditions before signature, and establish what holding a supplier's equity obliges the company to disclose or approve	Before signature, and no later than 31 December 2026	The shares are earned against purchase milestones and stock-price targets on a five-year term with no cash settlement, so the purchase commitment is the consideration
Audit committee chair	Add maximum guarantee exposure and unrecognised consideration payable to a customer to the contingent liability review, and ask how the Level 3 inputs were set	At the meeting that reviews the third quarter, and before 31 December 2026	AMD carries $8.5 billion of maximum guarantee exposure against $896 million of contracted sublease receipts, and values the credit derivatives on unobservable inputs

Source: Mosaic Singularity analysis, November 2026, against the dates and figures disclosed in the documents listed at the end of this article.

The questions a board should put to management

· Which of our supplier commitments are backed by that supplier's own guarantee, what is the maximum exposure it discloses, and did we price it?

· What is the unrecognised balance of any consideration payable to a customer in the contracts we are being offered, and how much of it is stated as taken against revenue in the latest filing?

· If we hold or will hold equity in a supplier, who approves the position, how is it valued, and what does it oblige us to disclose?

· Does the growth rate we are underwriting survive the reduction of revenue the vendor discloses in its notes, and what is our evidence for that beyond the headline?

· For every multi-year commitment, what does the vendor get if we miss the milestones, and what do we get if the vendor misses its?

What to watch, and when

· The first recognition. If AMD's filings to 30 April 2027 report the unrecognised value still at approximately $4.5 billion and state no amount taken against revenue, the reading that the give-back is running against reported growth fails.

· Fiscal 2027. ASU 2025-04, Clarifications to Share-Based Consideration Payable to a Customer, becomes effective for AMD, which states it is still evaluating the impact. A change in measurement changes the size of the give-back.

· The second quarter of fiscal 2027. The data centre leases AMD expects to assign or sublease begin to commence, which is when the $13.3 billion starts to reach the income statement.

· By 31 December 2026. The Taalas and World Labs acquisitions are expected to close by the end of 2026, subject to regulatory approvals, and the World Labs consideration is all stock, so the share count moves again.

· The fourth quarter of 2027. Phased delivery of the TensorWave lease begins and the credit support AMD signed starts once construction is complete and rent starts; Fermi's fact sheet states the support ends early if the tenant or its guarantor holds an investment-grade rating for 12 consecutive months.

· Before 31 December 2026. A second issuer disclosing share-based consideration payable to a customer booked against revenue. Without one, this is a single company's structure and not yet how the layer buys demand.

The documents

· Advanced Micro Devices, Form 10-Q for the quarter ended 26 September 2026, filed 4 November 2026, accession 0000002488-26-000191.

· Advanced Micro Devices, Form 8-K filed 3 November 2026, accession 0000002488-26-000188, Exhibit 99.1.

· Fermi Inc., Form 8-K filed 14 October 2026, accession 0001213900-26-109227, Exhibit 99.1, the TensorWave fact sheet dated 14 October 2026.