**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**



**FORM 8-K**



**CURRENT REPORT**

**Pursuant to Section 13 or 15(d)**

**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): September 6, 2016**



**MARVELL TECHNOLOGY GROUP LTD.**

**(Exact name of registrant as specified in its charter)**



**Bermuda**

**000-30877**

**77-0481679**

**(State or other jurisdiction**

**of incorporation)**

**(Commission**

**File Number)**

**(I.R.S. Employer**

**Identification No.)**

**22 Victoria Street**

**Hamilton HM 12**

**Bermuda**

**(Address of principal executive offices)**

**(441) 296-6395**

**(Registrant’s telephone number, including area code)**

**N/A**

**(Former name or former address, if changed since last report.)**



Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

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



**Item 2.02** **Results of Operations and Financial Condition.**

*The information in Item 2.02 of this Current Report, including the accompanying Exhibit 99.1, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of Section 18. The information in Item 2.02 of this Current Report shall not be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language contained in such filing.*

On September 6, 2016, Marvell Technology Group Ltd. (“Marvell”) issued a press release reporting its financial results for the second quarter of fiscal 2017 ended July 30, 2016. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated by reference herein.

Marvell will conduct a conference call on Tuesday, September 6, 2016 at 5:15 a.m. Pacific Time/8:15 a.m. Eastern time to discuss results for the second quarter of fiscal 2017. Interested parties may join the conference call by dialing 1-844-647-5488 or 1-615-247-0258, pass-code 63627351. The call will be webcast by Thomson Reuters and can be accessed at the Marvell Investor Relations website at http://investor.marvell.com/ with a replay available following the call until October 6, 2016.

**Item 9.01** **Financial Statements and Exhibits.**

1. Exhibits.

99.1 Press Release dated September 6, 2016

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 6, 2016

MARVELL TECHNOLOGY GROUP LTD.

By: /s/ Jean Hu

Jean Hu



*Chief Financial Officer*

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**EXHIBIT INDEX**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Exhibit No.** |  | **Description** | | |
|  |  |  |  |  |
| 99.1 |  | Press Release dated September 6, 2016 | | |

**Exhibit 99.1**



|  |  |  |  |
| --- | --- | --- | --- |
| **For further information, contact:** | |  |  |
| John Spencer Ahn | | Sue Kim | |
| Investor Relations | | Media Relations | |
| 408-222-7544 |  | 408-222-1942 | |
| johnahn@marvell.com |  | suekim@marvell.com | |
|  |  |  |  |

**Marvell Technology Group Ltd. Reports Second Quarter of Fiscal 2017 Financial Results**

* Revenue: $626 Million
* GAAP Gross Margin 54.1 percent; Non-GAAP Gross Margin 54.6 percent
* GAAP Net Income $51 Million; Non-GAAP Net Income: $92 Million
* GAAP Diluted EPS: $0.10; Non-GAAP Diluted EPS $0.18
* Cash and ST Investments: $1.6 Billion

**Santa Clara, Calif. (September 6, 2016)** —Marvell(NASDAQ:MRVL), a world leader in storage, cloud infrastructure, Internet of Things (IoT),connectivity and multimedia semiconductor solutions, today reported financial results for the second quarter of fiscal year 2017, ended July 30,

2016. Revenues for the second quarter of fiscal 2017 were $626 million, up approximately 16 percent from $541 million in the prior quarter and down approximately 12 percent from the same quarter of last year.

“We experienced a seasonally strong second quarter, driven by solid demand from customers across storage, networking, and wireless end markets,” said Matt Murphy, President and CEO. “We are also beginning to see the benefits of improved focus on product cost as well as a more disciplined approach to spending, which resulted in better than expected earnings per share.”

In the second quarter of fiscal 2017, storage revenue increased 13 percent sequentially, reflecting higher HDD and SSD demand. Networking revenue in the second quarter of fiscal 2017 grew 12 percent sequentially due to continued strength in enterprise networking demand. Mobile and wireless revenue grew 21 percent sequentially, mainly driven by seasonal game console production ramps. Mobile handset-related revenues in the second quarter of fiscal 2017 were $9 million, down from $22 million in the first quarter, reflecting the anticipated declines due to the restructuring actions announced on September 24, 2015.

Net income on a GAAP basis for the second quarter of fiscal 2017 was $51 million, or $0.10 per diluted share. On a non-GAAP basis, net income for the second fiscal quarter of 2017 was $92 million, or $0.18 per diluted share.

**Third Quarter of Fiscal 2017 Financial Outlook**

Marvell’s financial outlook does not include the potential impact of future share repurchases, pending litigation matters, business combinations, asset acquisitions or other investments that may be completed after September 5, 2016.

* Revenue is expected to be flat to down 4 percent from the second quarter.
* GAAP and Non-GAAP Gross Margins are expected to be in the range of 52 percent to 54 percent.
* GAAP and Non-GAAP Operating Expenses are expected to be approximately flat from the second quarter.
* GAAP Diluted EPS are expected to be in the range of $0.03 to $0.08.
* Non-GAAP Diluted EPS are expected to be in the range of $0.08 to $0.13.

**Adjustments to Reported Non-GAAP EPS for Q1 FY2017**

In the first quarter of fiscal 2017, Marvell reported Non-GAAP diluted net income per share of $0.01. Subsequent to our earnings release on July 27, 2016, the Company discovered an error in the calculation of reported Non-GAAP tax benefit for income tax for the first quarter of fiscal 2017 which resulted in an understatement of our Non-GAAP net income and Non-GAAP EPS (diluted). After correction of this error, Non-GAAP net income increased from $6.5 million, as reported, to $9.3 million, as adjusted, and Non-GAAP EPS (diluted) increased from $0.01 to $0.02 per share. This error had no effect on the Company’s reported GAAP results for the first quarter of fiscal 2017. Refer to the Reconciliation from GAAP to Non-GAAP table and related footnotes at the end of the press release for more details.

**Conference Call**

Marvell will conduct a conference call on Tuesday, September 6, 2016 at 8:15 a.m. Eastern Time (5:15 a.m. Pacific Time) to discuss results for the second quarter of fiscal year 2017. Interested parties may join the conference call by dialing 1-844-647-5488 or 1-615-247-0258, pass-code 63627351. The call will be webcast by Thomson Reuters and can be accessed at the Marvell Investor Relations website at http://investor.marvell.com/ with a replay available following the call until October 6, 2016.

**Discussion of Non-GAAP Financial Measures**

Non-GAAP financial measures exclude the effect of share-based compensation expense, amortization and write-off of acquired intangible assets, acquisition-related costs, restructuring and other related charges, litigation settlement, and certain expenses and benefits that are driven primarily by discrete events that management does not consider to be directly related to Marvell’s core operating performance. Non-GAAP diluted net income per share is calculated by dividing Non-GAAP net income by Non-GAAP weighted average shares outstanding (diluted). For purposes of calculating Non-GAAP diluted net income per share, the GAAP weighted average shares outstanding (diluted) is adjusted to exclude the potential benefits of share-based compensation expected to be incurred in future periods but not yet recognized in the financial statements and to also include the dilutive/anti-dilutive effects of common stock options and restricted stock units, as applicable. The expected compensation costs are treated as proceeds assumed to be used to repurchase shares under the GAAP treasury stock method.

Marvell believes that the presentation of Non-GAAP financial measures provides important supplemental information to management and investors regarding financial and business trends relating to Marvell’s financial condition and results of operations. While Marvell uses Non-GAAP financial measures as a tool to enhance its understanding of certain aspects of its financial performance, Marvell does not consider these measures to be a substitute for, or superior to, financial measures calculated in accordance with GAAP. Consistent with this approach, Marvell believes that disclosing Non-GAAP financial measures to the readers of its financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial measures, allows for greater transparency in the review of its financial and operational performance.

Externally, management believes that investors may find Marvell’s Non-GAAP financial measures useful in their assessment of Marvell’s operating performance and the valuation of Marvell. Internally, Marvell’s Non-GAAP financial measures are used in the following areas:

* Management’s evaluation of Marvell’s operating performance;
* Management’s establishment of internal operating budgets;
* Management’s performance comparisons with internal forecasts and targeted business models; and

* Management’s determination of the achievement and measurement of certain performance-based equity awards (adjustments may vary from award to award).

Non-GAAP financial measures have limitations in that they do not reflect all of the costs associated with the operations of Marvell’s business as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of Marvell’s results as reported under GAAP. Marvell expects to continue to incur expenses similar to the Non-GAAP adjustments described above, and exclusion of these items from Marvell’s Non-GAAP net income should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

**Forward-Looking Statements under the Private Securities Litigation Reform Act of 1995**

This press release contains forward-looking statements within the meaning of the federal securities laws that involve risks and uncertainties, including: Marvell’s expectations regarding its third quarter of fiscal 2017 financial outlook; and Marvell’s use of Non-GAAP financial measures as important supplemental information. Words such as “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “seeks,” “estimates,” “can,” “may,” “will,” “would” and similar expressions identify such forward-looking statements. These statements are not guarantees of results and should not be considered as an indication of future activity or future performance. Actual events or results may differ materially from those described in this press release due to a number of risks and uncertainties, including, but not limited to: actions that may be taken by Marvell as a result of the Audit Committee’s investigation; adverse impacts of litigation or regulatory activities; Marvell’s ability to hire a Chief Accounting Officer and Controller in a timely manner; Marvell’s ability to compete in products and prices in an intensely competitive industry; Marvell’s reliance on the hard disk drive and mobile and wireless markets, which are highly cyclical and intensely competitive; costs and liabilities relating to current and future litigation; Marvell’s reliance on a few customers for a significant portion of its revenue; Marvell’s ability to develop and introduce new and enhanced products in a timely and cost effective manner and the adoption of those products in the market; seasonality in sales of consumer devices in which Marvell’s products are incorporated; uncertainty in the worldwide economic conditions; risks associated with manufacturing and selling a majority of Marvell’s products and Marvell’s customers’ products outside of the United States; and other risks detailed in Marvell’s SEC filings from time to time. For other factors that could cause Marvell’s results to vary from expectations, please see the risk factors identified in Marvell’s Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2016 as filed with the SEC on August 10, 2016, and other factors detailed from time to time in Marvell’s filings with the SEC. Marvell undertakes no obligation to revise or update publicly any forward-looking statements.

**About Marvell**

Marvell (NASDAQ: MRVL) is a global leader in providing complete silicon solutions. From storage to cloud infrastructure, Internet of Things (IoT), connectivity and multimedia, Marvell’s diverse product portfolio aligns complete platform designs with industry-leading performance, security, reliability and efficiency. At the core of the world’s most powerful consumer, network and enterprise systems, Marvell empowers partners and their customers to always stand at the forefront of innovation, performance and mass appeal. By providing people around the world with mobility and ease of access to services, adding value to their social, personal and work lives, Marvell is committed to enhancing the human experience.

As used in this release, the term “Marvell” refers to Marvell Technology Group Ltd. and its subsidiaries. For more information, please visit www.Marvell.com.

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**Marvell Technology Group Ltd.**

**Condensed Consolidated Statements of Operations**

**(Unaudited)**

**(In thousands, except per share amounts)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Three Months Ended** | | | | | |  |  |  |  | **Six Months Ended** | | | | | |  |
|  |  |  |  | **July 30,** | |  | **April 30,** | | |  |  | **August 1,** |  |  |  | **July 30,** | |  |  | **August 1,** |  |  |
|  |  |  |  | **2016** |  |  |  | **2016** |  |  |  | **2015** |  |  |  | **2016** |  |  |  | **2015** |  |  |
|  | Net revenue |  | $ | 626,404 |  |  | $ | 540,822 |  |  | $ | 710,492 |  |  | $ | 1,167,226 |  |  | $ | 1,434,780 |  |  |
|  | Cost of goods sold |  |  | 287,608 |  |  |  | 259,210 | |  |  | 461,719 | |  |  | 546,818 | |  |  | 812,872 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross profit |  |  | 338,796 |  |  |  | 281,612 | |  |  | 248,773 | |  |  | 620,408 | |  |  | 621,908 | |  |
|  | Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Research and development |  |  | 228,562 |  |  |  | 241,271 | |  |  | 297,321 | |  |  | 469,833 | |  |  | 577,435 | |  |
|  | Selling and marketing |  |  | 31,094 | |  |  | 31,379 | |  |  | 30,841 | |  |  | 62,473 | |  |  | 67,015 | |  |
|  | General and administrative |  |  | 37,173 | |  |  | 35,623 | |  |  | 691,230 | |  |  | 72,796 | |  |  | 732,257 | |  |
|  | Amortization of acquired intangible assets |  |  | 2,461 |  |  |  | 2,461 | |  |  | 2,568 | |  |  | 4,922 | |  |  | 5,136 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total operating expenses |  |  | 299,290 |  |  |  | 310,734 | |  |  | 1,021,960 |  |  |  | 610,024 | |  |  | 1,381,843 | |  |
| Operating income (loss) | |  |  | 39,506 |  |  |  | (29,122) |  |  |  | (773,187) |  |  |  | 10,384 |  |  |  | (759,935) |  |  |
|  | Interest and other income, net |  |  | 6,284 |  |  |  | 1,488 | |  |  | 6,790 | |  |  | 7,772 | |  |  | 11,957 | |  |
| Income (loss) before income taxes | |  |  | 45,790 |  |  |  | (27,634) |  |  |  | (766,397) |  |  |  | 18,156 |  |  |  | (747,978) |  |  |
|  | Provision (benefit) for income taxes |  |  | (5,515) | |  |  | (4,955) | |  |  | 5,543 | |  |  | (10,470) | |  |  | 9,872 | |  |
| Net income (loss) | |  | $ | 51,305 |  |  | $ | (22,679 | ) |  | $ | (771,940 | ) |  | $ | 28,626 |  |  | $ | (757,850 | ) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Basic net income (loss) per share |  | $ | 0.10 | | $ | | (0.04) | | $ | | (1.49) | | $ | | 0.06 | | $ | | (1.47) | |  |
| Diluted net income (loss) per share | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $ | 0.10 |  |  | $ | (0.04 | ) |  | $ | (1.49) |  |  | $ | 0.06 |  |  | $ | (1.47) |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Shares used in computing basic earnings (loss) per share |  |  | 511,235 | |  |  | 508,794 | |  |  | 516,368 | |  |  | 510,014 | |  |  | 516,298 | |  |
|  | Shares used in computing diluted earnings (loss) per share |  |  | 514,314 |  |  |  | 508,794 | |  |  | 516,368 | |  |  | 513,669 | |  |  | 516,298 | |  |

**Marvell Technology Group Ltd.**

**Condensed Consolidated Balance Sheets**

**(Unaudited)**

**(In thousands)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **July 30,** | |  | **January 30,** | | |
|  |  |  | **2016** |  |  |  | **2016** |  |
| **Assets** |  |  |  |  |  |  |  |  |
| Current assets: |  |  |  |  |  |  |  |  |
| Cash, cash equivalents and short-term investments | $ | | 1,624,009 |  | $ | | 2,282,749 | |
| Accounts receivable, net |  |  | 348,683 | |  |  | 323,300 | |
| Inventories |  |  | 202,717 | |  |  | 210,017 | |
| Prepaid expenses and other current assets |  |  | 54,870 |  |  |  | 102,560 |  |
| Total current assets |  |  | 2,230,279 |  |  |  | 2,918,626 | |
| Property and equipment, net |  |  | 274,774 | |  |  | 299,540 | |
| Long-term investments |  |  | 8,974 | |  |  | 11,296 | |
| Goodwill and acquired intangible assets, net |  |  | 2,042,063 |  |  |  | 2,047,955 | |
| Other non-current assets |  |  | 160,586 | |  |  | 164,710 | |
| Total assets |  | $ | 4,716,676 |  |  | $ | 5,442,127 |  |
|  |  |  |  |  |  |  |  |  |
| **Liabilities and Shareholders’ Equity** |  |  |  |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |  |  |  |
| Accounts payable | $ | | 212,950 | | $ | | 180,372 | |
| Accrued liabilities |  |  | 219,489 | |  |  | 253,691 | |
| Carnige Mellon University accrued litigation settlement |  |  | — | |  |  | 736,000 | |
| Deferred income |  |  | 72,049 |  |  |  | 55,722 |  |
| Total current liabilities |  |  | 504,488 | |  |  | 1,225,785 | |
| Other non-current liabilities |  |  | 53,100 |  |  |  | 76,219 |  |
| Total liabilities |  |  | 557,588 | |  |  | 1,302,004 | |
| Shareholders’ equity: |  |  |  |  |  |  |  |  |
| Common stock |  |  | 1,022 | |  |  | 1,015 | |
| Additional paid-in capital |  |  | 3,075,579 |  |  |  | 3,028,921 | |
| Accumulated other comprehensive income |  |  | 4,015 | |  |  | (795) | |
| Retained earnings |  |  | 1,078,472 |  |  |  | 1,110,982 |  |
| Total shareholders’ equity |  |  | 4,159,088 |  |  |  | 4,140,123 | |
| Total liabilities and shareholders’ equity |  | $ | 4,716,676 |  |  | $ | 5,442,127 |  |
|  |  |  |  |  |  |  |  |  |

**Marvell Technology Group Ltd.**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

**(In thousands)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Three Months Ended** | | | | | | |  |  | **Six Months Ended** | | | | | |
|  |  |  |  | **July 30,** | | |  |  | **August 1,** |  |  |  | **July 30,** | |  |  | **August 1,** |  |
|  |  |  |  | **2016** |  |  |  |  | **2015** |  |  |  | **2016** |  |  |  | **2015** |  |
|  | Cash flows from operating activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net income (loss) | $ | | 51,305 | | | $ | | (771,940) | | $ | | 28,626 | | $ | | (757,850) | |
|  | Adjustments to reconcile net income (loss) to net cash provided by operating activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Depreciation and amortization |  |  | 26,866 | | |  |  | 25,191 | |  |  | 53,980 | |  |  | 51,811 | |
|  | Share-based compensation |  |  | 37,196 | | |  |  | 36,674 | |  |  | 61,649 | |  |  | 69,895 | |
|  | Amortization of acquired intangible assets |  |  | 2,946 | |  |  |  | 3,053 | |  |  | 5,892 | |  |  | 6,106 | |
|  | Non-cash restructuring and other related charges |  |  | 129 | | |  |  | 900 | |  |  | 1,025 | |  |  | 1,473 | |
|  | Other non-cash expense, net |  |  | 589 | | |  |  | 2,282 | |  |  | 1,950 | |  |  | 1,721 | |
|  | Excess tax benefits from share-based compensation |  |  | (5) | | |  |  | (7) | |  |  | (5) | |  |  | (25) | |
|  | Changes in assets and liabilities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Accounts receivable |  |  | (68,025) | | |  |  | (23,907) | |  |  | (25,383) | |  |  | 3,234 | |
|  | Inventories |  |  | (6,364) | | |  |  | 12,903 | |  |  | 7,234 | |  |  | (18,415) | |
|  | Prepaid expenses and other assets *(a)* |  |  | 6,658 | |  |  |  | 9,359 | |  |  | (9,035) | |  |  | 11,328 | |
|  | Accounts payable |  |  | 20,437 | | |  |  | (5,167) | |  |  | 40,359 | |  |  | 11,958 | |
|  | Accrued liabilities and other non-current liabilities *(a)* |  |  | (7,741) | | |  |  | 753,191 | |  |  | (766,243) | |  |  | 741,615 | |
|  | Accrued employee compensation |  |  | (22,270) | | |  |  | (14,507) | |  |  | (15,118) | |  |  | (28,931) | |
|  | Deferred income |  |  | 17,561 | | |  |  | (1,441) | |  |  | 16,327 | |  |  | (8,468) | |
|  | Net cash provided by (used in) operating activities |  |  | 59,282 |  |  |  |  | 26,584 |  |  |  | (598,742) |  |  |  | 85,452 |  |
|  | Cash flows from investing activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Purchases of available-for-sale securities |  |  | (110,358) | | |  |  | (173,465) | |  |  | (203,723) | |  |  | (566,365) | |
|  | Sales and maturities of available-for-sale securities |  |  | 116,506 | | |  |  | 222,295 | |  |  | 486,565 | |  |  | 469,790 | |
|  | Purchase of time deposits |  |  | (75,000) | | |  |  | — | |  |  | (125,000) | |  |  | — | |
|  | Distribution from (investments in) privately-held companies |  |  | — | | |  |  | 208 | |  |  | — | |  |  | 208 | |
|  | Purchases of technology licenses |  |  | (3,995) | | |  |  | (2,071) | |  |  | (8,045) | |  |  | (5,677) | |
|  | Purchases of property and equipment |  |  | (12,509) | | |  |  | (16,986) | |  |  | (24,377) | |  |  | (24,320) | |
|  | Purchase of equipment previously leased |  |  | — |  | |  |  | — |  |  |  | — |  |  |  | (10,240) | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net cash provided by (used in) investing activities |  |  | (85,356) | | |  |  | 29,981 | |  |  | 125,420 | |  |  | (136,604) | |
|  | Cash flows from financing activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Repurchase of common stock *(b)* |  |  | — | | |  |  | (175,311) | |  |  | — | |  |  | (195,584) | |
|  | Proceeds from employee stock plans |  |  | 244 | | |  |  | 44,161 | |  |  | 559 | |  |  | 57,174 | |
|  | Minimum tax withholding paid on behalf of employees for net share settlement |  |  | (112) | | |  |  | (697) | |  |  | (15,382) | |  |  | (23,007) | |
|  | Dividend payments to shareholders |  |  | (30,675) | | |  |  | (31,194) | |  |  | (61,136) | |  |  | (62,104) | |
|  | Payments on technology license obligations |  |  | (4,858) | | |  |  | (4,732) | |  |  | (10,152) | |  |  | (8,799) | |
|  | Excess tax benefits from share-based compensation |  |  | 5 | | |  |  | 7 | |  |  | 5 | |  |  | 25 | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net cash used in financing activities |  |  | (35,396) | | |  |  | (167,766) | |  |  | (86,106) | |  |  | (232,295) | |
| Net increase (decrease) in cash and cash equivalents | |  |  | (61,470) |  |  |  |  | (111,201) |  |  |  | (559,428) |  |  |  | (283,447) |  |
|  | Cash and cash equivalents at beginning of period |  |  | 780,222 | |  |  |  | 1,038,731 |  |  |  | 1,278,180 |  |  |  | 1,210,977 | |
| Cash and cash equivalents at end of period | |  | $ | 718,752 |  |  |  | $ | 927,530 |  |  | $ | 718,752 |  |  | $ | 927,530 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. In the six months ended July 30, 2016, the Company paid a total of $750.0 million to CMU in connection with the settlement agreement that was reached in February 2016. Of this settlement, the Company recognized a charge of $736.0 million in fiscal 2016. The remaining $14.0 million was recorded in prepaid expenses and other assets, to be recognized in cost of good sold over the remaining term of the license from February 2016 through April 2018. For further detail of the accounting for the settlement, see “Note 13 – Carnegie Mellon University Settlement” in the Notes to the Unaudited Condensed Consolidated Financial Statements included in the Company’s Quarterly Report on Form 10-Q for the quarter ended April 30, 2016.
2. Marvell records all repurchases of common stock consistent with the way it records investment purchases and sales, based on trade date in accordance with U.S. GAAP. In the three and six months ended August 1, 2015, cash paid for repurchase of Marvell common shares was adjusted for repurchases of $19.7 million made within the final three days of the quarter that are accrued but not yet paid due to the standard settlement period that normally takes up to three days.

**Marvell Technology Group Ltd.**

**Reconciliations from GAAP to Non-GAAP**

**(Unaudited)**

**(In thousands, except per share amounts)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended** | | | | |  |  |  |  | **Six Months Ended** | | | | |  |
|  |  |  |  | **July 30,** | | **April 30,** | | | | **August 1,** | |  |  | **July 30,** | | **August 1,** | |  |  |
|  |  |  |  | **2016** |  |  | **2016 *(d)*** | | |  | **2015** |  |  | **2016** |  |  | **2015** |  |  |
|  | GAAP net income (loss) |  | $ | 51,305 |  | $ | (22,679) |  | | $ | (771,940) |  | $ | 28,626 |  | $ | (757,850) |  |  |
|  | Share-based compensation |  |  | 37,196 | |  | 24,453 | | |  | 36,674 | |  | 61,649 | |  | 69,895 | |  |
|  | Restructuring and other related charges *(a)* |  |  | 721 | |  | 4,441 | | |  | 13,000 | |  | 5,162 | |  | 13,592 | |  |
|  | Amortization of acquired intangible assets |  |  | 2,946 | |  | 2,946 | | |  | 3,346 | |  | 5,892 | |  | 6,839 | |  |
|  | Litigation matters *(b)* |  |  | (115) | |  | 100 | | |  | 748,117 | |  | (15) | |  | 746,417 | |  |
|  | Other *(c)* |  |  | 103 | |  | (2,743) | | |  | 10,205 | |  | 173 | |  | 31,587 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-GAAP net income, as reported | $ | | 92,156 | | $ | 6,518 | | | $ | 39,402 | | $ | 101,487 | | $ | 110,480 | |  |
| Non-GAAP net income, as adjusted *(d)* | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | $ | 9,331 |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | GAAP weighted average shares - diluted |  |  | 514,314 | |  | 508,794 | | |  | 516,368 | |  | 513,669 | |  | 516,298 | |  |
|  | Non-GAAP adjustment |  |  | 12,139 | |  | 13,569 | | |  | 16,574 | |  | 10,739 | |  | 17,753 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-GAAP weighted average shares diluted *(e)* |  |  | 526,453 | |  | 522,363 | | |  | 532,942 | |  | 524,408 | |  | 534,051 | |  |
| GAAP diluted net income per share | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $ | 0.10 |  | $ | (0.04 | ) | | $ | (1.49 | ) | $ | 0.06 |  | $ | (1.47 | ) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Non-GAAP diluted net income per share, as reported | $ | | 0.18 | | $ | 0.01 | | | $ | 0.07 | | $ | 0.19 | | $ | 0.21 | |  |
| Non-GAAP diluted net income per share, as adjusted *(d)* | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | $ | 0.02 |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | GAAP gross profit: | $ | | 338,796 | | $ | 281,612 | | | $ | 248,773 | | $ | 620,408 | | $ | 621,908 | |  |
|  | Share-based compensation |  |  | 2,832 | |  | 1,802 | | |  | 2,012 | |  | 4,634 | |  | 3,559 | |  |
|  | Restructuring and other related charges *(a)* |  |  | — | |  | — | | |  | — | |  | — | |  | — | |  |
|  | Amortization of acquired intangible assets |  |  | 485 | |  | 485 | | |  | 778 | |  | 970 | |  | 1,703 | |  |
|  | Litigation matters *(b)* |  |  | — | |  | — | | |  | 81,390 | |  | — | |  | 79,690 | |  |
| Non-GAAP gross profit | |  | $ | 342,113 |  | $ | 283,899 |  |  | $ | 332,953 |  | $ | 626,012 |  | $ | 706,860 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | GAAP gross margin |  |  | 54.1% | |  | 52.1% | | |  | 35.0% | |  | 53.2% | |  | 43.3% | |  |
|  | Share-based compensation |  |  | 0.4% | |  | 0.3% | | |  | 0.3% | |  | 0.3% | |  | 0.3% | |  |
|  | Restructuring and other related charges *(a)* |  |  | 0.0% | |  | 0.0% | | |  | 0.0% | |  | 0.0% | |  | 0.0% | |  |
|  | Amortization of acquired intangible assets |  |  | 0.1% | |  | 0.1% | | |  | 0.1% | |  | 0.1% | |  | 0.1% | |  |
|  | Litigation matters *(b)* |  |  | 0.0% | |  | 0.0% | | |  | 11.5% | |  | 0.0% | |  | 5.6% | |  |
| Non-GAAP gross margin | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 54.6% | |  | 52.5% | | |  | 46.9% | |  | 53.6% | |  | 49.3% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | GAAP research and development: | $ | | 228,562 | | $ | 241,271 | | | $ | 297,321 | | $ | 469,833 | | $ | 577,435 | |  |
|  | Share-based compensation |  |  | (28,581) | |  | (24,396) | | |  | (27,807) | |  | (52,977) | |  | (52,588) | |  |
|  | Restructuring and other related charges *(a)* |  |  | 329 | |  | (813) | | |  | (11,680) | |  | (484) | |  | (11,680) | |  |
|  | Litigation matters *(b)* |  |  | — | |  | — | | |  | (5,000) | |  | — | |  | (5,000) | |  |
|  | Other *(c)* |  |  | (174) | |  | 49 |  |  |  | (134) | |  | (125) | |  | (134) | |  |
| Non-GAAP research and development | |  | $ | 200,136 |  | $ | 216,111 |  |  | $ | 252,700 |  | $ | 416,247 |  | $ | 508,033 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | GAAP selling and marketing: | $ | | 31,094 | | $ | 31,379 | | | $ | 30,841 | | $ | 62,473 | | $ | 67,015 | |  |
|  | Share-based compensation |  |  | (3,315) | |  | (2,942) | | |  | (2,707) | |  | (6,257) | |  | (5,284) | |  |
|  | Restructuring and other related charges *(a)* |  |  | (27) | |  | 1 | | |  | — | |  | (26) | |  | — | |  |
|  | Other *(c)* |  |  | 71 |  |  | (304) | | |  | — | |  | (233) | |  | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-GAAP selling and marketing | $ | | 27,823 | | $ | 28,134 | | | $ | 28,134 | | $ | 55,957 | | $ | 61,731 | |  |
| GAAP general and administrative: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $ | 37,173 |  | $ | 35,623 |  |  | $ | 36,563 |  | $ | 72,796 |  | $ | 77,590 |  |  |
|  | Share-based compensation |  |  | (2,468) | |  | 4,687 | | |  | (4,148) | |  | 2,219 | |  | (8,464) | |  |
|  | Restructuring and other related charges *(a)* |  |  | (1,023) | |  | (3,629) | | |  | (1,320) | |  | (4,652) | |  | (1,912) | |  |
|  | Litigation matters *(b)* |  |  | 115 | |  | (100) | | |  | (7,060) | |  | 15 | |  | (7,060) | |  |
|  | Other *(c)* |  |  | — |  |  | (886) | | |  | (2,748) | |  | (886) | |  | (21,050) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-GAAP general and administrative | $ | | 33,797 | | $ | 35,695 | | | $ | 21,287 | | $ | 69,492 | | $ | 39,104 | |  |
| GAAP Carnegie Mellon University litigation settlement | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $ | — |  | $ | — |  |  | $ | 654,667 |  | $ | — |  | $ | 654,667 |  |  |
|  | Litigation matters *(b)* |  |  | — | |  | — | | |  | (654,667) | |  | — | |  | (654,667) | |  |
| Non-GAAP Carnegie Mellon University litigation settlement | |  | $ | — |  | $ | — |  |  | $ | — |  | $ | — |  | $ | — |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | GAAP provision (benefit) for income taxes | $ | | (5,515) | | $ | (4,955) | | | $ | 5,543 | | $ | (10,470) | | $ | 9,872 | |  |
|  | Other *(c)* |  |  | — |  |  | 3,884 | | |  | (7,323) | |  | 1,071 | |  | (10,403) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-GAAP provision (benefit) for income taxes, as reported | $ | | (5,515) | | $ | (1,071) | | | $ | (1,780) | | $ | (9,399) | | $ | (531) | |  |
| Non-GAAP provision (benefit) for income taxes, as adjusted *(d)* | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | $ | (3,884 | ) | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. Restructuring and other related charges include costs that qualify under U.S. GAAP as restructuring costs and other incremental charges that are a direct result of restructuring. Examples of other incremental charges include impairment of equipment specifically identified as part of the restructuring action.

1. The amounts recorded represent charges recognized for pending litigation proceedings.
2. Other costs for each of the three months ended July 30, 2016, April 30, 2016 and August 1, 2015, and the six months ended July 30, 2016 and August 1, 2015 include expenses related to retention bonuses offered to employees expected to remain through the ramp down of certain operations related to the mobile business, as well as the closure of certain design center operations in Europe. Other costs for the three months ended April 30, 2016 and August 1, 2015, and the six months ended July 30, 2016 and August 1, 2015 also include costs for the surety bonds related to the litigation with CMU that was settled in February 2016. In addition, other costs for the six months ended August 1, 2015 include a payment of $15.4 million due to Dr. Sehat Sutardja, the Company’s former Chief Executive Officer (see “Note 14 – Related Party Transactions” in the Notes to the Consolidated Financial Statements set forth in the Company’s Annual Report on Form 10-K for fiscal 2016). The related tax effect of the payment to Dr. Sutardja is also included in other costs for the three months ended April 30, 2016, and the six months ended July 30, 2016 and August 1, 2015. The tax effect of certain restructuring charges in the three and six months ended August 1, 2015 is also included in other costs for those periods.
3. For the three months ended April 30, 2016, the Company made a correction to the non-GAAP benefit for income taxes of $1,071 thousand that it previously reported in its fiscal 2017 first quarter earnings announcement on Wednesday, July 27, 2016. As a result, the Company now reports non-GAAP net income, as adjusted of $9,331 thousand, non-GAAP earnings per share, as adjusted of $0.02 per share, and non-GAAP benefit for income taxes, as adjusted of $3,884 thousand for the three months ended April 30, 2016.
4. For purposes of calculating non-GAAP diluted net income per share, the GAAP diluted weighted average shares outstanding is adjusted to exclude the potential benefits of share-based compensation costs expected to be incurred in future periods but not yet recognized in the financial statements and to also include the dilutive/anti-dilutive effects of common stock options and restricted stock units, as applicable. The expected compensation costs are treated as proceeds assumed to be used to repurchase shares under the GAAP treasury stock method.