

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 4, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 000-30877

Marvell Technology Group Ltd.

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction of
incorporation or organization)

77-0481679

(I.R.S. Employer
Identification No.)

Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda

(441) 296-6395

(Address of principal executive offices, Zip Code and registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.002 per share	MRVL	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of common shares of the registrant outstanding as of May 30, 2019 was 661.0 million shares.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1.	<u>Financial Statements:</u>
	<u>Unaudited Condensed Consolidated Balance Sheets as of May 4, 2019 and February 2, 2019</u>
	<u>2</u>
	<u>Unaudited Condensed Consolidated Statements of Operations for the three months ended May 4, 2019 and May 5, 2018</u>
	<u>3</u>
	<u>Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended May 4, 2019 and May 5, 2018</u>
	<u>4</u>
	<u>Unaudited Condensed Consolidated Statements of Shareholders' Equity for the three months ended May 4, 2019 and May 5, 2018</u>
	<u>5</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended May 4, 2019 and May 5, 2018</u>
	<u>6</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>
	<u>7</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>24</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	<u>32</u>
Item 4.	<u>Controls and Procedures</u>
	<u>32</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1.	<u>Legal Proceedings</u>
	<u>34</u>
Item 1A.	<u>Risk Factors</u>
	<u>34</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>52</u>
Item 6.	<u>Exhibits</u>
	<u>53</u>
	<u>Signatures</u>
	<u>54</u>

PART I: FINANCIAL INFORMATION
Item 1. Financial Statements

MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value per share)

	May 4, 2019	February 2, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 571,893	\$ 582,410
Accounts receivable, net	470,347	493,122
Inventories	260,981	276,005
Prepaid expenses and other current assets	39,711	43,721
Total current assets	1,342,932	1,395,258
Property and equipment, net	326,599	318,978
Goodwill	5,494,505	5,494,505
Acquired intangible assets, net	2,480,942	2,560,682
Other non-current assets	403,240	247,329
Total assets	\$ 10,048,218	\$ 10,016,752
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 191,249	\$ 185,362
Accrued liabilities	333,680	335,509
Accrued employee compensation	122,441	115,925
Total current liabilities	647,370	636,796
Long-term debt	1,684,281	1,732,699
Non-current income taxes payable	56,621	59,221
Deferred tax liabilities	250,137	246,252
Other non-current liabilities	179,677	35,374
Total liabilities	2,818,086	2,710,342
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Common shares, \$0.002 par value	1,323	1,317
Additional paid-in capital	6,200,231	6,188,598
Retained earnings	1,028,578	1,116,495
Total shareholders' equity	7,230,132	7,306,410
Total liabilities and shareholders' equity	\$ 10,048,218	\$ 10,016,752

See accompanying notes to unaudited condensed consolidated financial statements

MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended	
	May 4, 2019	May 5, 2018
Net revenue	\$ 662,452	\$ 604,631
Cost of goods sold	301,024	228,938
Gross profit	361,428	375,693
Operating expenses:		
Research and development	266,867	176,734
Selling, general and administrative	110,005	72,313
Restructuring related charges	5,682	1,567
Total operating expenses	382,554	250,614
Operating income (loss)	(21,126)	125,079
Interest income	1,268	6,069
Interest expense	(21,203)	(244)
Other income (loss), net	(116)	1,471
Interest and other income (loss), net	(20,051)	7,296
Income (loss) before income taxes	(41,177)	132,375
Provision for income taxes	7,273	3,763
Net income (loss)	(48,450)	128,612
Net income (loss) per share - Basic	\$ (0.07)	\$ 0.26
Net income (loss) per share - Diluted	\$ (0.07)	\$ 0.25
Weighted average shares:		
Basic	658,963	497,335
Diluted	658,963	508,716

See accompanying notes to unaudited condensed consolidated financial statements

MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Three Months Ended	
	May 4, 2019	May 5, 2018
Net income (loss)	\$ (48,450)	\$ 128,612
Other comprehensive income (loss), net of tax:		
Net change in unrealized gain (loss) on marketable securities	—	(82)
Other comprehensive income (loss), net of tax	—	(82)
Comprehensive income (loss), net of tax	<u>\$ (48,450)</u>	<u>\$ 128,530</u>

See accompanying notes to unaudited condensed consolidated financial statements

MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except per share amounts)

	Three-Month Period Ended May 4, 2019					
	Common Stock		Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount				
Balance at February 2, 2019	658,514	\$ 1,317	\$ 6,188,598	\$ —	\$ 1,116,495	\$ 7,306,410
Issuance of common shares in connection with equity incentive plans	5,120	11	30,985	—	—	30,996
Tax withholdings related to net share settlement of restricted stock units	—	—	(28,756)	—	—	(28,756)
Share-based compensation	—	—	59,422	—	—	59,422
Repurchase of common stock	(2,359)	(5)	(50,018)	—	—	(50,023)
Cash dividends declared and paid (cumulatively \$0.06 per share)	—	—	—	—	(39,467)	(39,467)
Net loss	—	\$ —	\$ —	—	(48,450)	(48,450)
Balance at May 4, 2019	<u>661,275</u>	<u>\$ 1,323</u>	<u>\$ 6,200,231</u>	<u>\$ —</u>	<u>\$ 1,028,578</u>	<u>\$ 7,230,132</u>

	Three-Month Period Ended May 5, 2018					
	Common Stock		Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount				
Balance at February 3, 2018	495,913	\$ 991	\$ 2,733,292	\$ (2,322)	\$ 1,409,452	\$ 4,141,413
Effect of revenue recognition accounting change	—	—	—	—	34,171	34,171
Issuance of common shares in connection with equity incentive plans	3,837	9	11,045	—	—	11,054
Tax withholdings related to net share settlement of restricted stock units	—	—	(23,892)	—	—	(23,892)
Share-based compensation	—	—	24,033	—	—	24,033
Cash dividends declared and paid (cumulatively \$0.06 per share)	—	—	—	—	(29,798)	(29,798)
Net income	—	—	—	—	128,612	128,612
Other comprehensive loss	—	—	—	(82)	—	(82)
Balance at May 5, 2018	<u>499,750</u>	<u>\$ 1,000</u>	<u>\$ 2,744,478</u>	<u>\$ (2,404)</u>	<u>\$ 1,542,437</u>	<u>\$ 4,285,511</u>

See accompanying notes to unaudited condensed consolidated financial statements

MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended	
	May 4, 2019	May 5, 2018
Cash flows from operating activities:		
Net income (loss)	\$ (48,450)	\$ 128,612
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	44,298	20,343
Share-based compensation	58,598	23,852
Amortization of acquired intangible assets	79,740	—
Amortization of deferred debt issuance costs and debt discounts	1,681	—
Other non-cash expense, net	5,252	891
Deferred income taxes	4,356	824
Changes in assets and liabilities:		
Accounts receivable	22,775	(47,393)
Inventories	15,848	2,680
Prepaid expenses and other assets	8,004	(14,108)
Accounts payable	(1,873)	14,744
Accrued liabilities and other non-current liabilities	(30,929)	20,439
Accrued employee compensation	6,516	(22,110)
Net cash provided by operating activities	165,816	128,774
Cash flows from investing activities:		
Purchases of available-for-sale securities	—	(13,457)
Sales of available-for-sale securities	—	70,273
Maturities of available-for-sale securities	—	128,820
Purchases of time deposits	—	(25,000)
Maturities of time deposits	—	75,000
Purchases of technology licenses	(1,484)	(360)
Purchases of property and equipment	(19,183)	(13,588)
Other	(342)	(4,989)
Net cash provided by (used in) investing activities	(21,009)	216,699
Cash flows from financing activities:		
Repurchases of common stock	(48,022)	—
Proceeds from employee stock plans	31,084	11,055
Tax withholding paid on behalf of employees for net share settlement	(28,758)	(23,893)
Dividend payments to shareholders	(39,467)	(29,798)
Payments on technology license obligations	(15,268)	(20,461)
Principal payments of debt	(50,000)	—
Payment of equity and debt financing costs	—	(3,600)
Other	(4,893)	—
Net cash used in financing activities	(155,324)	(66,697)
Net increase (decrease) in cash and cash equivalents	(10,517)	278,776
Cash and cash equivalents at beginning of period	582,410	888,482
Cash and cash equivalents at end of period	\$ 571,893	\$ 1,167,258

See accompanying notes to unaudited condensed consolidated financial statements

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The unaudited condensed consolidated financial statements of Marvell Technology Group Ltd., a Bermuda exempted company, and its wholly owned subsidiaries (the “Company”), as of and for the three months ended May 4, 2019, have been prepared as required by the U.S. Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been condensed or omitted as permitted by the SEC. These unaudited condensed consolidated financial statements and related notes should be read in conjunction with the Company's fiscal year 2019 audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2019. In the opinion of management, the financial statements include all adjustments, including normal recurring adjustments and other adjustments, that are considered necessary for fair presentation of the Company's financial position and results of operations. All inter-company accounts and transactions have been eliminated. Operating results for the periods presented herein are not necessarily indicative of the results that may be expected for the entire year. Certain prior year amounts have been reclassified to conform to current year presentation. These amounts were not material to any of the periods presented. These financial statements should also be read in conjunction with the Company's critical accounting policies included in the Company's Annual Report on Form 10-K for the year ended February 2, 2019 and those included in this Form 10-Q below.

The Company's fiscal year is the 52- or 53-week period ending on the Saturday closest to January 31. Accordingly, every fifth or sixth fiscal year will have a 53-week period. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal 2019 had a 52-week year. Fiscal 2020 is a 52-week year.

Note 2. Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In February 2016, the Financial Accounting Standards Board (“FASB”) issued a new standard on the accounting for leases, which amends the existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligation created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. The Company adopted the new lease accounting standard on February 3, 2019, using the modified retrospective approach by applying the new standard to leases existing at the date of initial application and not restating comparative periods. See “Note 3 - Leases” for additional information.

Accounting Pronouncements Not Yet Effective

In June 2016, the FASB issued a new standard requiring financial assets measured at amortized cost be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The standard eliminates the threshold for initial recognition in current GAAP and reflects an entity's current estimate of all expected credit losses. The measurement of expected credit losses is based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the financial assets. The standard is effective for the Company beginning in the first quarter of fiscal year 2021. The Company does not expect the adoption of this guidance will have a material effect on its consolidated financial statements.

In August 2018, the FASB issued an accounting standards update to align the requirements for capitalizing implementation costs incurred in a software hosting arrangement that is a service contract and costs to develop or obtain internal-use software. The guidance is effective for the Company beginning in the first quarter of fiscal year 2021, with early adoption permitted. The Company is evaluating the effect this new guidance will have on its consolidated financial statements.

In August 2018, the FASB issued an accounting standards update that modifies the disclosure requirements on fair value measurements. The new guidance adds, modifies and removes certain fair value measurement disclosure requirements. The guidance is effective for the company beginning in the first quarter of fiscal year 2021, with early adoption permitted. The Company is evaluating the effect this new guidance will have on its consolidated financial statements.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In November 2018, the FASB issued an accounting standards update that clarifies when transactions between participants in a collaborative arrangement are within the scope of the new revenue recognition standard that the Company adopted at the beginning of fiscal 2019. The guidance is effective for the Company beginning in the first quarter of fiscal year 2021, with early adoption permitted. The guidance must be applied retrospectively as of the date of initial application of the revenue recognition standard. In addition, entities may elect to apply the guidance to all collaborative arrangements or only to collaborative arrangements that are not completed as of the date of initial application of the aforementioned revenue recognition standard. The Company is evaluating the effect this new guidance will have on its consolidated financial statements.

Note 3. Leases

Effective February 3, 2019, the Company adopted the new lease accounting standard using the modified retrospective approach. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows the Company to carry forward the historical lease classification. The Company elected to apply the short-term lease measurement and recognition exemption in which right-of use assets ("ROU") and lease liabilities are not recognized for short-term leases. Adoption of this standard resulted in the recording of net operating lease ROU assets and corresponding operating lease liabilities of \$125 million and \$149 million, respectively. The net ROU asset includes the effect of reclassifying a portion of facilities-related restructuring reserves as an offset in accordance with the transition guidance. The standard did not materially affect the condensed consolidated statements of operations and had no impact on cash flows.

The Company determines if an arrangement is a lease at inception. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Operating lease ROU assets also include any initial direct costs and prepayments less lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. As the Company's leases generally do not provide an implicit rate, the Company uses its collateralized incremental borrowing rate based on the information available at the lease commencement date, including lease term, in determining the present value of lease payments. Lease expense for these leases is recognized on a straight line basis over the lease term.

The Company's leases include facility leases and data center leases, which are all classified as operating leases. For data center leases, the Company elected the practical expedient to account for the lease and non-lease component as a single lease component.

Lease expense and supplemental cash flow information are as follows (in thousands):

	Three Months Ended May 4, 2019	
Operating lease expenses	\$	10,668
Cash paid for amounts included in the measurement of operating lease liabilities	\$	7,244
Right-of-use assets obtained in exchange for lease obligation	\$	1,137

Supplemental balance sheet information related to leases are as follows (in thousands):

	Classification on the Condensed Consolidated Balance Sheet	May 4, 2019
Right-of-use assets	Other non-current assets	\$ 118,624
Current portion of lease liabilities	Accrued liabilities	27,959
Non-current portion of lease liabilities	Other non-current liabilities	118,688
Total lease liabilities		\$ 146,647

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The aggregate future lease payments for operating leases as of May 4, 2019 are as follows (in thousands):

Fiscal Year	Operating Leases
Remainder of 2020	\$ 27,835
2021	32,637
2022	29,578
2023	22,716
2024	14,647
Thereafter	40,422
Total lease payments	167,835
Less: Interest	21,188
Present value of lease liabilities	\$ 146,647

The aggregate future lease payments for operating leases as of February 2, 2019 are as follows (in thousands):

Fiscal Year	Operating Leases
2020	\$ 43,286
2021	29,866
2022	26,612
2023	21,272
2024	13,690
Thereafter	40,100
Total	\$ 174,826

Average lease terms and discount rates were as follows:

	Three Months Ended May 4, 2019
Weighted-average remaining lease term (years)	5.90
Weighted-average discount rate	3.85%

Note 4. Business Combination

On July 6, 2018, the Company completed the acquisition of Cavium (the “Cavium acquisition”). Cavium is a provider of highly integrated semiconductor processors that enable intelligent processing for wired and wireless infrastructure and cloud for networking, communications, storage and security applications. The Cavium acquisition was primarily intended to create an opportunity for the combined company to emerge as a leader in infrastructure solutions. The total consideration paid to acquire Cavium, which consisted of cash, common stock of the Company and share based compensation awards was approximately \$6.2 billion. The merger consideration was funded with a combination of cash on hand, new debt financing and issuance of the Company’s common shares. See “Note 8 - Debt” for discussion of the debt financing.

The merger consideration allocation set forth herein is preliminary and may be revised as additional information becomes available during the measurement period which could be up to 12 months from the closing date of the acquisition. Any such revisions or changes may be material.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The purchase price allocation is as follows:

	Previously Reported February 2, 2019 (Provisional)
Cash and cash equivalents	\$ 180,989
Accounts receivable	112,270
Inventories	330,778
Prepaid expense and other current assets	19,890
Assets held for sale	483
Property and equipment	115,428
Acquired intangible assets	2,744,000
Other non-current assets	89,139
Goodwill	3,501,195
Accounts payable	(52,383)
Accrued liabilities	(126,007)
Accrued employee compensation	(34,813)
Deferred income	(2,466)
Current portion of long-term debt	(6,123)
Liabilities held for sale	(3,032)
Long-term debt	(600,005)
Non-current income taxes payable	(8,454)
Deferred tax liabilities	(82,994)
Other non-current liabilities	(16,099)
Total merger consideration	\$ 6,161,796

The provisional amounts presented in the table above pertained to the preliminary purchase price allocation reported in the Company's Form 10-K for the year ended February 2, 2019. There have been no measurement period adjustments during the three months ended May 4, 2019.

The Company incurred total acquisition related costs of \$53.7 million. The Company also incurred \$22.8 million of debt financing costs. As of May 4, 2019, \$0.4 million associated with the Revolving Credit Facility was classified in prepaid expenses and other current assets, \$1.2 million associated with the Revolving Credit Facility was classified in other non-current assets, and \$9.2 million associated with the term loan and senior notes was classified in long-term debt in the condensed consolidated balance sheet. See "Note 8. Debt" for additional information. Additionally, the Company incurred \$2.9 million of equity issuance costs, which were recorded in additional paid-in capital in the condensed consolidated balance sheet.

Unaudited Supplemental Pro Forma Information

The unaudited supplemental pro forma financial information presented below is for illustrative purposes only and is not necessarily indicative of the financial position or results of operations that would have been realized if the acquisition had been completed on the date indicated, does not reflect synergies that might have been achieved, nor is it indicative of future operating results or financial position. The pro forma adjustments are based upon currently available information and certain assumptions the Company believe are reasonable under the circumstances.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following unaudited supplemental pro forma information presents the combined results of operations for the period presented, as if Cavium had been acquired as of the beginning of fiscal year 2018. The unaudited supplemental pro forma information includes adjustments to amortization and depreciation for acquired intangible assets and property and equipment, adjustments to share-based compensation expense, the purchase accounting effect on inventories acquired, interest expense, and transaction costs. The unaudited supplemental pro forma information presented below is for informational purposes only and is not necessarily indicative of our consolidated results of operations of the combined business had the Cavium acquisition actually occurred at the beginning of fiscal year 2018 or of the results of our future operations of the combined business.

The unaudited supplemental pro forma financial information for the period presented is as follows (in thousands):

	Three months ended	
	May 5, 2018	
Pro forma net revenue	\$	835,392
Pro forma net income	\$	52,065

Note 5. Supplemental Financial Information (in thousands)

Consolidated Balance Sheets

	May 4, 2019	February 2, 2019
Inventories:		
Work-in-process	\$ 171,695	\$ 162,384
Finished goods	89,286	113,621
Total inventories	<u>\$ 260,981</u>	<u>\$ 276,005</u>
	May 4, 2019	February 2, 2019
Property and equipment, net:		
Machinery and equipment	\$ 617,281	\$ 615,329
Land, buildings, and leasehold improvements	313,698	287,047
Computer software	105,059	105,539
Furniture and fixtures	25,398	23,924
	<u>1,061,436</u>	<u>1,031,839</u>
Less: Accumulated depreciation and amortization	<u>(734,837)</u>	<u>(712,861)</u>
Total property and equipment, net	<u>\$ 326,599</u>	<u>\$ 318,978</u>

Current accrued liabilities are comprised of the following at May 4, 2019 and February 2, 2019, respectively:

	May 4, 2019	February 2, 2019
Accrued liabilities:		
Contract liabilities	\$ 131,936	\$ 142,378
Technology license obligations	50,876	48,018
Accrued income tax payable	36,894	47,079
Other	113,974	98,034
Total accrued liabilities	<u>\$ 333,680</u>	<u>\$ 335,509</u>

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Accumulated Other Comprehensive Income (Loss)

As of May 4, 2019, there are no changes in accumulated other comprehensive income (loss) by components. The changes in accumulated other comprehensive income (loss) by components for the comparative period are presented in the following table:

	Unrealized Gain (Loss) on Marketable Securities (1)
Balance at February 3, 2018	\$ (2,322)
Other comprehensive income (loss) before reclassifications	(733)
Amounts reclassified from accumulated other comprehensive income (loss)	651
Net current-period other comprehensive income (loss), net of tax	(82)
Balance at May 5, 2018	\$ (2,404)

(1) The amounts of gains (losses) associated with the Company's marketable securities reclassified from accumulated other comprehensive income (loss) are recorded in interest and other income, net.

Share Repurchase Program

On November 17, 2016, the Company announced that its Board of Directors authorized a \$1.0 billion share repurchase plan. The newly authorized stock repurchase program replaced in its entirety the prior \$3.25 billion stock repurchase program. On October 16, 2018, the Company announced that its Board of Directors authorized a \$700 million addition to the balance of its existing share repurchase plan. As of May 4, 2019, there was \$904 million remaining available for future share repurchases. The Company intends to effect share repurchases in accordance with the conditions of Rule 10b-18 under the Exchange Act, but may also make repurchases in the open market outside of Rule 10b-18 or in privately negotiated transactions. The share repurchase program will be subject to market conditions and other factors, and does not obligate the Company to repurchase any dollar amount or number of its common shares and the repurchase program may be extended, modified, suspended or discontinued at any time.

The Company repurchased 2.4 million of its common shares for \$50.0 million during the three months ended May 4, 2019. The repurchased shares were retired immediately after the repurchases were completed. The Company records all repurchases, as well as investment purchases and sales, based on their trade date. The Company did not repurchase any common shares during the three months ended May 5, 2018.

As of May 4, 2019, a total of 294.8 million shares have been repurchased to date under the Company's share repurchase programs for a total \$3.9 billion in cash and there was \$904 million remaining available for future share repurchases.

Note 6. Fair Value Measurements

Fair value is an exit price representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1—Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.

Level 2—Other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The Company's Level 1 assets include institutional money-market funds that are classified as cash equivalents and which are valued primarily using quoted market prices. The Company's Level 2 assets include time deposits, as the market inputs used to value these instruments consist of market yields. In addition, the severance pay fund is classified as Level 2 assets as the valuation inputs are based on quoted prices and market observable data of similar instruments.

The tables below set forth, by level, the Company's assets and liabilities that are measured at fair value on a recurring basis. The tables do not include assets and liabilities that are measured at historical cost or any basis other than fair value (in thousands):

	Fair Value Measurements at May 4, 2019			
	Level 1	Level 2	Level 3	Total
Items measured at fair value on a recurring basis:				
Assets				
Cash equivalents:				
Money market funds	\$ 6,749	\$ —	\$ —	\$ 6,749
Time deposits	—	29,000	—	29,000
Other non-current assets:				
Severance pay fund	—	625	—	625
Total assets	<u>\$ 6,749</u>	<u>\$ 29,625</u>	<u>\$ —</u>	<u>\$ 36,374</u>

	Fair Value Measurements at February 2, 2019			
	Level 1	Level 2	Level 3	Total
Items measured at fair value on a recurring basis:				
Assets				
Cash equivalents:				
Money market funds	\$ 16,829	\$ —	\$ —	\$ 16,829
Time deposits	—	73,935	—	73,935
Other non-current assets:				
Severance pay fund	—	727	—	727
Total assets	<u>\$ 16,829</u>	<u>\$ 74,662</u>	<u>\$ —</u>	<u>\$ 91,491</u>

Fair Value of Debt

The Company classified the Term Loan, the 2023 Notes and 2028 Notes under Level 2 of the fair value measurement hierarchy. The carrying value of the Term Loan approximates its fair value as the Term Loan is carried at a market observable interest rate that resets periodically. The estimated aggregate fair value of the 2023 Notes and 2028 Notes was \$1 billion at May 4, 2019 and February 2, 2019, and were classified as Level 2 as there are quoted prices from less active markets for the notes.

Note 7. Goodwill and Acquired Intangible Assets, Net

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. The carrying value of goodwill as of May 4, 2019 and February 2, 2019 is \$5.5 billion. See "Note 4 - Business Combination" for further discussion of the acquisition.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Acquired Intangible Assets, Net

In connection with the Cavium acquisition on July 6, 2018, the Company acquired \$2.7 billion of intangible assets. As of May 4, 2019 and February 2, 2019, net carrying amounts are as follows (in thousands, except for weighted average remaining amortization period):

	May 4, 2019			
	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amounts	Weighted average remaining amortization period (years)
Developed technologies	\$ 1,868,000	\$ (194,073)	\$ 1,673,927	7.00
Customer contracts and related relationships	465,000	(64,395)	400,605	8.17
Trade names	23,000	(4,590)	18,410	3.62
Total acquired amortizable intangible assets	\$ 2,356,000	\$ (263,058)	\$ 2,092,942	7.19
IPR&D	388,000	—	388,000	n/a
Total acquired intangible assets	\$ 2,744,000	\$ (263,058)	\$ 2,480,942	

	February 2, 2019			
	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amounts	Weighted average remaining amortization period (years)
Developed technologies	\$ 1,743,000	\$ (134,167)	\$ 1,608,833	7.10
Customer contracts and related relationships	465,000	(45,939)	419,061	8.42
Trade names	23,000	(3,212)	19,788	3.85
Total acquired amortizable intangible assets	\$ 2,231,000	\$ (183,318)	\$ 2,047,682	7.34
IPR&D	513,000	—	513,000	n/a
Total acquired intangible assets	\$ 2,744,000	\$ (183,318)	\$ 2,560,682	

The intangible assets are amortized on a straight-line basis over the estimated useful lives, except for customer contracts and related relationships, which are amortized using an accelerated method of amortization over the expected customer lives, which more accurately reflects the pattern of realization of economic benefits expected to be obtained. The IPR&D will be accounted for as an indefinite-lived intangible asset and will not be amortized until the underlying projects reach technological feasibility and commercial production at which point the IPR&D will be amortized over the estimated useful life. Useful lives for these IPR&D projects are expected to range between 4 to 9 years. In the event the IPR&D is abandoned the related assets will be written off.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Amortization expense for acquired intangible assets for the three months ended May 4, 2019 was \$79.7 million. The following table presents the estimated future amortization expense of acquired amortizable intangible assets as of May 4, 2019 (in thousands):

Fiscal Year	Amount
Remainder of 2020	\$ 242,692
2021	315,469
2022	306,913
2023	299,485
2024	280,871
Thereafter	647,512
	<u>\$ 2,092,942</u>

Note 8. Debt

In connection with the acquisition of Cavium (see “Note 4 - Business Combination”), the Company executed debt agreements in June 2018 to obtain a \$900 million term loan, a \$500 million revolving credit facility and \$1.0 billion of senior unsecured notes. Upon completion of the offering of the senior unsecured notes in June 2018, the Company terminated an \$850 million bridge loan commitment. This bridge loan commitment was provided by the underwriting bankers at the time the Merger Agreement was executed in November 2017. The bridge loan was never drawn upon.

Term Loan and Revolving Credit Facility

On June 13, 2018, the Company entered into a credit agreement (“Credit Agreement”) with certain lenders and Goldman Sachs Bank USA, as the general administrative agent and the term facility agent, and Bank of America, N.A., as the revolving facility agent. The Credit Agreement provides for borrowings of: (i) up to \$500.0 million in the form of a revolving line of credit (“Revolving Credit Facility”) and (ii) \$900.0 million in the form of a term loan (“Term Loan”). The proceeds of the Term Loan were used to fund a portion of the cash consideration for the Cavium acquisition, repay Cavium’s debt, and pay transaction expenses in connection with the Cavium acquisition. The proceeds of the Revolving Credit Facility is intended for general corporate purposes of the Company and its subsidiaries, which may include, among other things, the financing of acquisitions, the refinancing of other indebtedness and the payment of transaction expenses related to the foregoing. As of May 4, 2019, the Revolving Credit Facility has not been drawn upon. Following is further detail of the terms of the various debt agreements.

The Term Loan has a three year term which matures on July 6, 2021 and has a stated floating interest rate which equates to reserve-adjusted LIBOR + 137.5 bps. The effective interest rate for the Term Loan was 4.334% as of May 4, 2019. The Term Loan does not require any scheduled principal payments prior to final maturity but does permit the Company to make early principal payments without premium or penalty. During the three months ended May 4, 2019, the Company repaid \$50 million of the principal outstanding, and wrote off \$0.5 million of associated unamortized debt issuance costs. The Revolving Credit Facility has a five year term and has a stated floating interest rate which equates to reserve-adjusted LIBOR + 150.0 bps. As of May 4, 2019, the full amount of the Revolving Credit Facility of \$500 million was undrawn and will be available for draw down through June 13, 2023. An unused commitment fee is payable quarterly based on unused balances at a rate that is based on the ratings of the Company’s senior unsecured long-term indebtedness. This rate was 0.175% at May 4, 2019.

The Credit Agreement requires that the Company and its subsidiaries comply, subject to certain exceptions, with covenants relating to customary matters such as creating or permitting certain liens, entering into sale and leaseback transactions, consolidating, merging, liquidating or dissolving, and entering into restrictive agreements. It also prohibits subsidiaries of the Company from incurring additional indebtedness, and requires the Company to comply with a leverage ratio financial covenant not to exceed 3 to 1 as of the end of any fiscal quarter. As of May 4, 2019, the Company was in compliance with all of its debt covenants.

Senior Unsecured Notes

On June 22, 2018, the Company completed a public offering of (i) \$500.0 million aggregate principal amount of the Company’s 4.200% Senior Notes due 2023 (the “2023 Notes”) and (ii) \$500.0 million aggregate principal amount of the Company’s 4.875% Senior Notes due 2028 (the “2028 Notes” and, together with the 2023 Notes, the “Senior Notes”).

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The 2023 Notes mature on June 22, 2023 and the 2028 Notes mature on June 22, 2028. The stated and effective interest rates for the 2023 Notes are 4.200% and 4.423%, respectively. The stated and effective interest rates for the 2028 Notes are 4.875% and 5.012%, respectively. The Company may redeem the Senior Notes, in whole or in part, at any time prior to their maturity at the redemption prices set forth in Senior Notes. In addition, upon the occurrence of a change of control repurchase event (which involves the occurrence of both a change of control and a ratings event involving the Senior Notes being rated below investment grade), the Company will be required to make an offer to repurchase the Senior Notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest to, but excluding, the repurchase date. The indenture governing the Senior Notes also contains certain limited covenants restricting the Company's ability to incur certain liens, enter into certain sale and leaseback transactions and merge or consolidate with any other entity or convey, transfer or lease all or substantially all of the Company's properties or assets to another person, which, in each case, are subject to certain qualifications and exceptions.

Summary of Borrowings and Outstanding Debt

The following table summarizes the Company's outstanding debt at May 4, 2019 and February 2, 2019 (in thousands):

	May 4, 2019	February 2, 2019
Face Value Outstanding:		
Term Loan	\$ 700,000	\$ 750,000
2023 Notes	500,000	500,000
2028 Notes	500,000	500,000
Total borrowings	\$ 1,700,000	\$ 1,750,000
Less: Unamortized debt discount and issuance cost	(15,719)	(17,301)
Net carrying amount of debt	\$ 1,684,281	\$ 1,732,699
Less: Current portion	—	—
Non-current portion	\$ 1,684,281	\$ 1,732,699

During the three months ended May 4, 2019, the Company recognized \$19.3 million of interest expense in its condensed consolidated statements of operations related to interest, amortization of debt issuance costs and accretion of discount associated with the outstanding Term Loan and Senior Notes, respectively.

As of May 4, 2019, the aggregate future contractual maturities of the Company's outstanding debt, at face value, were as follows (in thousands):

Fiscal year	Amount
Remainder of 2020	\$ —
2021	—
2022	700,000
2023	—
2024	500,000
Thereafter	500,000
Total	\$ 1,700,000

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Note 9. Restructuring and Other Related Charges

The following table presents details related to the restructuring related charges as presented in the condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended	
	May 4, 2019	May 5, 2018
Severance and related costs	\$ 1,488	\$ 1,451
Facilities and related costs	478	28
Other exit-related costs	191	88
	2,157	1,567
Release of reserves:		
Facilities and related costs	(188)	—
Other exit-related costs	(127)	—
Other restructuring charges		
Impairment of equipment and other	633	—
Right-of-use asset amortization and impairment	3,207	—
	\$ 5,682	\$ 1,567

The Company continuously evaluates its existing operations to increase operational efficiency, decrease costs and increase profitability. The Company recorded restructuring and other related charges of \$5.7 million for the three months ended May 4, 2019. These restructuring costs consist of approximately \$3.2 million in right-of-use asset amortization and impairment related to certain restructured leases, \$1.5 million in severance and related costs, \$0.6 million in asset write off costs, \$0.3 million in facilities and related costs, and \$0.1 million in other exit-related costs. The Company expects to complete these restructuring actions by the end of fiscal 2020.

The Company recorded restructuring and other related charges of \$1.6 million for the three months ended May 5, 2018. These restructuring costs consist of approximately \$1.5 million in severance and related costs, and \$0.1 million in other exit-related costs.

The following table sets forth a reconciliation of the beginning and ending restructuring liability balances by each major type of cost associated with the restructuring charges (in thousands):

	Severance and related costs	Facilities and related costs	Other exit-related costs	Total
Balance at February 2, 2019	\$ 12,403	\$ 26,904	\$ 1,049	\$ 40,356
Restructuring charges	1,488	478	191	2,157
Net cash payments	(9,009)	(579)	(887)	(10,475)
Release of reserves	—	(188)	(127)	(315)
Effect of adoption of ASC 842	—	(25,893)	—	(25,893)
Balance at May 4, 2019	4,882	722	226	5,830
Less: non-current portion	—	658	—	658
Current portion	\$ 4,882	\$ 64	\$ 226	\$ 5,172

Upon adoption of the new lease accounting standard (see Note 3 - “Leases”), certain restructuring liabilities were required to be recognized as a reduction of the ROU asset.

The remaining accrued severance and related costs and the other exit-related costs are expected to be paid in fiscal 2020.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Note 10. Commitments and Contingencies***Purchase Commitments***

Under the Company's manufacturing relationships with its foundry partners, cancellation of outstanding purchase orders is allowed but requires payment of all costs and expenses incurred through the date of cancellation. As of May 4, 2019, these foundries had incurred approximately \$152.4 million of manufacturing costs and expenses relating to the Company's outstanding purchase orders.

Contingencies and Legal Proceedings

The Company may from time to time be a party to claims, lawsuits, governmental inquiries, inspections or investigations and other legal proceedings (collectively, "Legal Matters") arising in the course of its business. Such Legal Matters, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

In 2015 the Securities and Exchange Commission (the "SEC") and Department of Justice commenced an investigation regarding disclosures relating to certain revenue recognized in the first and second quarters of fiscal 2016 and the fourth quarter of fiscal 2015, including transactions that would have, in the normal course of events and but for action by certain Marvell employees, been completed and recognized in a subsequent quarter (referred to internally as "pull-ins"). The Company has been fully cooperating with the investigation.

The Company is currently unable to predict the final outcome of its Legal Matters and therefore cannot determine the likelihood of loss or estimate a range of possible loss, except with respect to amounts where it has determined a loss is both probable and estimable and has made an accrual. The Company evaluates, at least on a quarterly basis, developments in its Legal Matters that could affect the amount of any accrual, as well as any developments that would result in a loss contingency to become both probable and reasonably estimable. The ultimate outcome of any Legal Matter involves judgments, estimates and inherent uncertainties. An unfavorable outcome in a Legal Matter, particularly in a patent dispute, could require the Company to pay damages or could prevent the Company from selling some of its products in certain jurisdictions. While the Company cannot predict with certainty the results of the Legal Matters in which it is currently involved, the Company does not expect that the ultimate costs to resolve these Legal Matters will individually or in the aggregate have a material adverse effect on its financial condition, however, there can be no assurance that the current or any future Legal Matters will be resolved in a manner that is not adverse to the Company's business, financial condition, results of operations or cash flows.

Indemnities, Commitments and Guarantees

During its normal course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities may include indemnities for general commercial obligations, indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnities to directors and officers of the Company to the maximum extent permitted under the laws of Bermuda. In addition, the Company has contractual commitments to various customers, which could require the Company to incur costs to repair an epidemic defect with respect to its products outside of the normal warranty period if such defect were to occur. The duration of these indemnities, commitments and guarantees varies, and in certain cases, is indefinite. Some of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments that the Company could be obligated to make. In general, the Company does not record any liability for these indemnities, commitments and guarantees in the accompanying condensed consolidated balance sheets as the amounts cannot be reasonably estimated and are not considered probable. The Company does, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Intellectual Property Indemnification

In addition to the above indemnities, the Company has agreed to indemnify certain customers for claims made against the Company's products where such claims allege infringement of third-party intellectual property rights, including, but not limited to, patents, registered trademarks, and/or copyrights. Under the aforementioned indemnification clauses, the Company may be obligated to defend the customer and pay for the damages awarded against the customer as well as the attorneys' fees and costs under an infringement claim. The Company's indemnification obligations generally do not expire after termination or expiration of the agreement containing the indemnification obligation. Generally, there are limits on and exceptions to the Company's potential liability for indemnification. Although historically the Company has not made significant payments under these indemnification obligations, the Company cannot estimate the amount of potential future payments, if any, that it might be required to make as a result of these agreements. The maximum potential amount of any future payments that the Company could be required to make under these indemnification obligations could be significant.

Note 11. Revenue

The majority of the Company's revenue is generated from sales of the Company's products. The following table summarizes net revenue disaggregated by product group (in thousands, except percentages):

	Three Months Ended		Three Months Ended	
	May 4, 2019	% of Total	May 5, 2018	% of Total
Net revenue by product group:				
Storage (1)	\$ 278,667	42%	\$ 317,069	52%
Networking (2)	341,344	52%	244,228	41%
Other (3)	42,441	6%	43,334	7%
	<u>\$ 662,452</u>		<u>\$ 604,631</u>	

- 1) Storage products are comprised primarily of HDD, SSD Controllers, Fibre Channel Adapters and Data Center Storage Solutions.
- 2) Networking products are comprised primarily of Ethernet Switches, Ethernet Transceivers, Ethernet NICs, Embedded Communications and Infrastructure Processors, Automotive Ethernet, Security Adapters and Processors as well as Connectivity products. In addition, this grouping includes a few legacy product lines in which the Company no longer invests, but will generate revenue for several years.
- 3) Other products are comprised of primarily Printer Solutions, Application Processors and others.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table summarizes net revenue disaggregated by primary geographical market (in thousands, except percentages):

	Three Months Ended		Three Months Ended	
	May 4, 2019	% of Total	May 5, 2018	% of Total
Net revenue based on destination of shipment:				
China	\$ 246,134	37%	\$ 276,622	46%
United States	73,005	11%	16,030	3%
Malaysia	63,320	10%	90,623	15%
Philippines	62,488	9%	57,767	9%
Thailand	46,666	7%	41,534	7%
Other	170,839	26%	122,055	20%
	<u>\$ 662,452</u>		<u>\$ 604,631</u>	

The following table summarizes net revenue disaggregated by customer type (in thousands, except percentages):

	Three Months Ended		Three Months Ended	
	May 4, 2019	% of Total	May 5, 2018	% of Total
Net revenue by customer type:				
Direct customers	\$ 514,558	78%	\$ 470,476	78%
Distributors	147,894	22%	134,155	22%
	<u>\$ 662,452</u>		<u>\$ 604,631</u>	

Contract Liabilities

Contract liabilities consist of the Company's obligation to transfer goods or services to a customer for which the Company has received consideration or the amount is due from the customer. As of May 4, 2019, contract liability balances are comprised of variable consideration estimated based on a portfolio basis using the expected value methodology based on analysis of historical data, current economic conditions, and contractual terms. Variable consideration estimates consist of the estimated returns, price discounts, price protection, rebates, and stock rotation programs. As of the end of a reporting period, some of the performance obligations associated with contracts will have been unsatisfied or only partially satisfied. In accordance with the practical expedients available in the guidance, the Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less. Contract liabilities are included in accrued liabilities in the condensed consolidated balance sheets.

The opening balance of contract liabilities at the beginning of the first quarter of fiscal year 2020 was \$142.4 million. During the three months ended May 4, 2019, contract liabilities increased by \$129.5 million associated with variable consideration estimates, offset by \$138.9 million decrease in such reserves primarily due to credit memos issued to customers. The ending balance of contract liabilities as of the first quarter of fiscal year 2020 was \$133.0 million. The amount of revenue recognized during the three months ended May 4, 2019 that was included in the contract liabilities balance at February 2, 2019 was not material.

Sales Commissions

The Company has elected to apply the practical expedient to expense commissions when incurred as the amortization period is typically one year or less. These costs are recorded in selling, general and administrative expenses in the condensed consolidated statements of operations.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Note 12. Income Tax

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period. The Company's quarterly tax provision, and estimate of its annual effective tax rate, is subject to variation due to several factors, including variability in accurately predicting our pre-tax income or loss and the mix of jurisdictions to which they relate, intercompany transactions, the applicability of special tax regimes, changes in how we do business, and acquisitions, as well as the integration of such acquisitions.

The Company's estimated effective tax rate for the year differs from the U.S. statutory rate of 21% primarily due to the benefit of a substantial portion of its earnings being taxed at rates lower than the U.S. statutory rate. The Company estimates that its effective tax rate could be adversely affected by pre-tax losses incurred in certain non-U.S. jurisdictions subject to tax rates lower than 21% for which it does not realize a tax benefit. These losses reduce the Company's pre-tax income without a corresponding reduction in its tax expense, and therefore increase its effective tax rate.

The income tax expense of \$7.3 million for the three months ended May 4, 2019 included a tax benefit from a net reduction in unrecognized tax benefits of \$3.2 million, offset by \$9.9 million in tax due on amounts that were previously considered indefinitely reinvested.

It is reasonably possible that the amount of unrecognized tax benefits could increase or decrease significantly due to changes in tax law in various jurisdictions, new tax audits and changes in the U.S. dollar as compared to foreign currencies within the next 12 months. Excluding these factors, uncertain tax positions may decrease by as much as \$15.3 million from the lapse of statutes of limitation in various jurisdictions during the next 12 months. Government tax authorities from several non-U.S. jurisdictions are also examining the Company's tax returns. The Company believes that it has adequately provided for any reasonably foreseeable outcomes related to its tax audits and that any settlement will not have a material effect on its results at this time.

The Company operates under tax incentives in certain countries that may be extended if certain additional requirements are satisfied. The tax incentives are conditional upon meeting certain employment and investment thresholds. The impact of these tax incentives decreased foreign taxes by \$0.1 million for the three months ended May 4, 2019, and \$0.7 million for the three months ended May 5, 2018, respectively. The benefit of the tax incentives on net income per share was less than \$0.01 per share for both the three months ended May 4, 2019 and May 5, 2018.

The Company's principal source of liquidity as of May 4, 2019 consisted of approximately \$572 million of cash, cash equivalents and short-term investments, of which approximately \$543 million was held by subsidiaries outside of Bermuda. The Company has not recognized a deferred tax liability on \$138 million of these assets as those amounts are deemed to be indefinitely reinvested. The Company plans to use such amounts to fund various activities outside of Bermuda, including working capital requirements, capital expenditures for expansion, funding of future acquisitions or other financing activities.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Note 13. Net Income Per Share

The Company reports both basic net income per share, which is based on the weighted average number of common shares outstanding during the period, and diluted net income per share, which is based on the weighted average number of common shares outstanding and potentially dilutive shares outstanding during the period.

The computations of basic and diluted net income per share are presented in the following table (in thousands, except per share amounts):

	Three Months Ended	
	May 4, 2019	May 5, 2018
Numerator:		
Net income (loss)	\$ (48,450)	\$ 128,612
Denominator:		
Weighted average shares — basic	658,963	497,335
Effect of dilutive securities:		
Share-based awards	—	11,381
Weighted average shares — diluted	658,963	508,716
Net income per share:		
Basic	\$ (0.07)	\$ 0.26
Diluted	\$ (0.07)	\$ 0.25

Potential dilutive securities include dilutive common shares from share-based awards attributable to the assumed exercise of stock options, restricted stock units and employee stock purchase plan shares using the treasury stock method. Under the treasury stock method, potential common shares outstanding are not included in the computation of diluted net income per share if their effect is anti-dilutive.

Anti-dilutive potential shares are presented in the following table (in thousands):

	Three Months Ended	
	May 4, 2019	May 5, 2018
Weighted average shares outstanding:		
Share-based awards	13,969	5,237

Anti-dilutive potential shares from share-based awards are excluded from the calculation of diluted earnings per share for all periods reported above because either their exercise price exceeded the average market price during the period or the share-based awards were determined to be anti-dilutive based on applying the treasury stock method. Anti-dilutive potential shares are also excluded from the calculation of diluted earnings per share for the three months ended May 4, 2019 due to the net loss reported in that period.

Note 14. Subsequent Events

Subsequent to quarter end, on May 6, 2019, the Company announced its intent to acquire Aquantia, Corp. (“Aquantia”), a publicly traded company. It is a manufacturer of high speed transceivers which includes copper and optical physical layer products. The Company will pay Aquantia's stockholders \$13.25 per share in cash. This represents approximately \$452 million in transaction value after adjusting for net cash on Aquantia's balance sheet. The transaction is expected to close by December 2019, subject to regulatory approval as well as other customary closing conditions, including the approval by Aquantia's stockholders of the merger agreement.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Subsequent to quarter end, on May 20, 2019, the Company announced its intent to acquire Avera Semiconductor (“Avera”), the application specific integrated circuit (“ASIC”) business of GlobalFoundries Inc. (“GlobalFoundries”). The Company will pay GlobalFoundries \$650 million in cash at closing plus an additional \$90 million in cash if certain business conditions are satisfied within the next 15 months. The transaction is expected to close by January 2020 pending receipt of regulatory approvals and other customary closing conditions.

Subsequent to quarter end, on May 29, 2019, the Company announced its intent to sell its wi-fi connectivity business to NXP for \$1.76 billion in cash. The divestiture encompasses the Company's wi-fi and bluetooth technology portfolios and related assets. The business employs approximately 550 people worldwide and generated approximately \$300 million in revenue in the Company's fiscal 2019. This transaction has been approved by the boards of directors of NXP and the Company and is expected to close by March 2020, subject to customary closing conditions and regulatory approvals.

Subsequent to quarter end, in June 2019, the Company executed a funded research and development agreement with a business partner. In conjunction with the agreement, the Company issued a warrant to purchase 9 million of the Company's common shares, subject to certain vesting and exercise conditions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the "safe harbor" created by those sections. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results to differ materially from those implied by the forward-looking statements. Words such as "anticipates," "expects," "intends," "plans," "projects," "believes," "seeks," "estimates," "may," "can," "will," "would" and similar expressions identify such forward-looking statements.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Factors that could cause actual results to differ materially from those predicted, include, but are not limited to:

- our ability to successfully integrate acquired businesses with our business;
- our ability to realize anticipated synergies in connection with acquired businesses;
- our dependence on a small number of customers;
- severe financial hardship or bankruptcy of one or more of our major customers;
- the effects of any potential future acquisitions, strategic investments, divestitures, mergers or joint ventures;
- risks associated with acquisition and consolidation activity in the semiconductor industry;
- our ability and the ability of our customers to successfully compete in the markets in which we serve;
- our dependence upon the storage market, which is highly cyclical and intensely competitive;
- our ability and our customers' ability to develop new and enhanced products and the adoption of those products in the market;
- our ability to define, design and develop products for the infrastructure and 5G market and market and sell those products to infrastructure customers;
- decreases in our gross margin and results of operations in the future due to a number of factors;
- our reliance on independent foundries and subcontractors for the manufacture, assembly and testing of our products;
- the risks associated with manufacturing and selling a majority of our products and our customers' products outside of the United States;
- the effects of transitioning to smaller geometry process technologies;
- our ability to scale our operations in response to changes in demand for existing or new products and services;
- our ability to limit costs related to defective products;
- our ability to recruit and retain experienced executive management as well as highly skilled engineering and sales and marketing personnel;
- our ability to mitigate risks related to our information technology systems;
- our ability to protect our intellectual property;
- our ability to estimate customer demand and future sales accurately;
- our reliance on third-party distributors and manufacturers' representatives to sell our products;
- the impact of international conflict and continued economic volatility in either domestic or foreign markets;
- the impact and costs associated with changes in international financial and regulatory conditions;
- the impact of any changes in our application of the United States federal income tax laws and the loss of any beneficial treatment that we currently enjoy;
- our maintenance of an effective system of internal controls; and
- the outcome of pending or future litigation and legal and regulatory proceedings.

Additional factors which could cause actual results to differ materially include those set forth in the following discussion, as well as the risks discussed in Part II, Item 1A, "Risk Factors," and other sections of this Quarterly Report on Form 10-Q. These forward-looking statements speak only as of the date hereof. Unless required by law, we undertake no obligation to update any forward-looking statements.

Overview

We are a leading supplier of infrastructure semiconductor solutions, spanning the data center core to network edge. We are a fabless semiconductor supplier of high-performance standard and semi-custom products with core strengths in developing and scaling complex System-on-a-Chip architectures integrating analog, mixed-signal and digital signal processing functionality. Leveraging leading intellectual property and deep system-level expertise as well as highly innovative security firmware, our solutions are empowering the data economy and enabling virtually instantaneous communications across 5G, cloud, automotive, industrial and artificial intelligence applications.

In the first quarter of fiscal 2020, our net revenue increased year over year by 9.6% from \$604.6 million net revenue in the first quarter fiscal 2019 compared with \$662.5 million in the first quarter of fiscal 2020. The increase was primarily due to increased sales of our networking products by 40% with sales benefiting from our acquisition of Cavium. This increase was partially offset by a decrease in our storage product sales and other product sales, which decreased by 12% and 2%, respectively, in relation to the three months ended May 5, 2018.

As we enter the second quarter of fiscal year 2020, we are monitoring the near term geopolitical uncertainty and the recent ban on shipments to Huawei Technologies Co., Ltd. ("Huawei"). The following discussion reflects our current assessment of the near term impact of this uncertainty.

Subsequent to quarter end, on May 6, 2019, we announced our intent to acquire Aquantia, Corp. ("Aquantia"), a publicly traded company. It is a manufacturer of high speed transceivers which includes copper and optical physical layer products. Under the terms of the purchase agreement, we will pay Aquantia's stockholders \$13.25 per share in cash. This represents approximately \$452 million in transaction value after adjusting for net cash on Aquantia's balance sheet. We intend to finance the transaction with cash on hand and borrowings from our revolving credit facility. The transaction is expected to close by the end of December 2019, subject to regulatory approval as well as other customary closing conditions, including the adoption by Aquantia's stockholders of the merger agreement.

The acquisition of Aquantia complements our portfolio of copper and optical physical layer product offerings and extends our position in the Multi-Gig 2.5G/5G/10G Ethernet segments. In particular, Aquantia's multi-gig automotive PHYs, coupled with our industry-leading gigabit PHY and secure switch products, creates an advanced range of high-speed in-car networking solutions to enable automotive networking with speeds necessary to enable level 4 and 5 autonomous driving.

Subsequent to quarter end, on May 20, 2019, we announced our intent to acquire Avera Semiconductor ("Avera"), the application specific integrated circuit ("ASIC") business of GlobalFoundries Inc. ("GlobalFoundries"). This acquisition brings together Avera's leading custom design capabilities with our advanced technology platform and scale, creating a leading ASIC supplier for wired and wireless infrastructure. The agreements include transfer of Avera's revenue base, strategic design wins with leading infrastructure original equipment manufacturers, and a new long-term wafer supply agreement between GlobalFoundries and us. We will pay GlobalFoundries \$650 million in cash at closing plus an additional \$90 million in cash if certain business conditions are satisfied within the next 15 months. The transaction is expected to close by January 2020 pending receipt of regulatory approvals and other customary closing conditions.

Subsequent to the quarter end, on May 29, 2019, we announced our intent to sell our wi-fi connectivity business to NXP for \$1.76 billion in cash. The divestiture encompasses our wi-fi and bluetooth technology portfolios and related assets. The business employs approximately 550 people worldwide and generated approximately \$300 million in revenue in our fiscal 2019. This transaction has been approved by the board of directors of NXP and our board of directors and is expected to close by March 2020, subject to customary closing conditions and regulatory approvals.

Capital Return Program. We remain committed to delivering shareholder value through our share repurchase and dividend programs. On October 16, 2018, we announced that our Board of Directors authorized a \$700 million addition to the balance of our existing share repurchase plan. Under the program authorized by our Board of Directors, we may repurchase shares in the open-market or through privately negotiated transactions. The extent to which we repurchase our shares and the timing of such repurchases will depend upon market conditions and other corporate considerations, as determined by our management team. The repurchase program may be suspended or discontinued at any time. As of May 4, 2019, there was \$904 million remaining available for future share repurchases.

For the three months ended May 4, 2019, we repurchased 2.4 million shares of our common stock for \$50.0 million. As of May 4, 2019, a total of 294.8 million shares have been repurchased to date under the Company's share repurchase programs for a total \$3.9 billion in cash. We returned \$89.5 million to stockholders in the three months ended May 4, 2019, including our repurchases of common stock and \$39.5 million of cash dividends.

Cash and Short Term Investments. Our cash, cash equivalents and short-term investments were \$571.9 million at May 4, 2019, which was slightly lower than our balance at our fiscal year ended February 2, 2019 of \$582.4 million.

Sales and Customer Composition. Historically, a relatively small number of customers have accounted for a significant portion of our net revenue. Net revenue attributable to significant customers whose revenue as a percentage of net revenue was 10% or greater of total net revenue is presented in the following table:

	Three Months Ended	
	May 4, 2019	May 5, 2018
End Customer:		
Western Digital	11%	17%
Toshiba	11%	14%
Cisco Systems	11%	*
Seagate	*	11%
Distributor:		
Wintech	*	10%

* Less than 10% of net revenue

We continuously monitor the creditworthiness of our major customers and distributors and believe the distributors' sales to diverse end customers and geographies further serve to mitigate our exposure to credit risk.

Most of our sales are made to customers located outside of the United States, primarily in Asia, and all of our products are manufactured outside the United States. Sales shipped to customers with operations in Asia represented approximately 80% of our net revenue in the three months ended May 4, 2019, and approximately 94% of net revenue in the three months ended May 5, 2018, respectively. Because many manufacturers and manufacturing subcontractors of our customers are located in Asia, we expect that most of our net revenue will continue to be represented by sales to our customers in that region. For risks related to our global operations, see Part II, Item 1A, "Risk Factors," including but not limited to the risk detailed under the caption *"We face additional risks due to the extent of our global operations since a majority of our products, and those of our customers, are manufactured and sold outside of the United States. The occurrence of any or a combination of the additional risks described below would significantly and negatively impact our business and results of operations."*

Historically, a relatively large portion of our sales have been made on the basis of purchase orders rather than long-term agreements. Customers can generally cancel or defer purchase orders on short notice without incurring a significant penalty. In addition, the development process for our products is long, which may cause us to experience a delay between the time we incur expenses and the time revenue is generated from these expenditures. We anticipate that the rate of new orders may vary significantly from quarter to quarter. For risks related to our sales cycles, see Part II, Item 1A, "Risk Factors," including but not limited to the risk detailed under the caption *"We are subject to order and shipment uncertainties. If we are unable to accurately predict customer demand, we may hold excess or obsolete inventory, which would reduce our gross margin. Conversely, we may have insufficient inventory, which would result in lost revenue opportunities and potential loss of market share as well as damaged customer relationships."*

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in the "Critical Accounting Policies and Estimates" section of our Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

Results of Operations

The following table sets forth information derived from our unaudited condensed consolidated statements of operations expressed as a percentage of net revenue:

	Three Months Ended	
	May 4, 2019	May 5, 2018
Net revenue	100.0 %	100.0 %
Cost of goods sold	45.4	37.9
Gross profit	54.6	62.1
Operating expenses:		
Research and development	40.3	29.2
Selling, general and administrative	16.6	12.0
Restructuring related charges	0.9	0.2
Total operating expenses	57.8	41.4
Operating income (loss)	(3.2)	20.7
Interest income	0.2	1.0
Interest expense	(3.2)	—
Other income (loss), net	—	0.2
Income (loss) before income taxes	(6.2)	21.9
Provision for income taxes	1.1	0.6
Income (loss), net of tax	(7.3)%	21.3 %

Three months ended May 4, 2019 and May 5, 2018

Net Revenue

	Three Months Ended		% Change
	May 4, 2019	May 5, 2018	
	(in thousands, except percentage)		
Net revenue	\$ 662,452	\$ 604,631	9.6%

Our net revenue for the three months ended May 4, 2019 increased by \$57.8 million compared to net revenue for the three months ended May 5, 2018. This was primarily due to increased sales of our networking products by 40% with sales benefiting from our acquisition of Cavium. This increase was partially offset by decreased sales of our storage products and other products, which were down 12% and 2% respectively, compared to the three months ended May 5, 2018.

In the three months ended May 4, 2019, unit shipments were 50% lower and average selling prices increased 41% compared to the three months ended May 5, 2018.

The US government export restrictions on Huawei were implemented in the second week of our second quarter of fiscal year 2020, limiting revenue from that customer to shipments during a short period during the second quarter of fiscal year 2020. In addition, there may be indirect impacts to our business which we cannot easily quantify such as the fact that some of our other customer's products which use our solutions, such as hard disk drives, may also be impacted by the export restrictions.

Cost of Goods Sold and Gross Profit

	Three Months Ended		% Change
	May 4, 2019	May 5, 2018	
	(in thousands, except percentage)		
Cost of goods sold	\$ 301,024	\$ 228,938	31.5 %
% of net revenue	45.4%	37.9%	
Gross profit	\$ 361,428	\$ 375,693	(3.8)%
% of net revenue	54.6%	62.1%	

Cost of goods sold as a percentage of net revenue was higher for the three months ended May 4, 2019 compared to the three months ended May 5, 2018. The increase primarily consisted of \$60 million of amortization costs related to acquired intangible assets from our acquisition of Cavium. As a result, gross margin for the three months ended May 4, 2019 decreased 7.5 percentage points compared to the three months ended May 5, 2018.

Research and Development

	Three Months Ended		% Change
	May 4, 2019	May 5, 2018	
	(in thousands, except percentage)		
Research and development	\$ 266,867	\$ 176,734	51.0%
% of net revenue	40.3%	29.2%	

Research and development expenses increased by \$90.1 million in the three months ended May 4, 2019 compared to the three months ended May 5, 2018. The increase was primarily due to additional costs from our acquisition of Cavium, including \$78.1 million of higher employee personnel-related costs, \$6.2 million of higher computer-aided design software related amortization costs and \$6.2 million of higher other personnel-related costs.

Selling, general and administrative

	Three Months Ended		% Change
	May 4, 2019	May 5, 2018	
	(in thousands, except percentage)		
Selling, general and administrative	\$ 110,005	\$ 72,313	52.1%
% of net revenue	16.6%	12%	

Selling, general and administrative expense increased by \$37.7 million in the three months ended May 4, 2019 compared to the three months ended May 5, 2018. The increase was primarily due to additional costs from our acquisition of Cavium, including \$19.8 million of intangibles amortization expense, \$18.2 million of higher employee personnel-related costs, \$3.3 million of higher depreciation and amortization expense, \$3.0 million of higher facility-related expenses, partially offset by a decrease of \$5.6 million of lower merger-related costs.

Restructuring Related Charges

	Three Months Ended		% Change
	May 4, 2019	May 5, 2018	
	(in thousands, except percentage)		
Restructuring related charges	\$ 5,682	\$ 1,567	262.6%
% of net revenue	0.9%	0.2%	

We recognized \$5.7 million of total restructuring related charges in the three months ended May 4, 2019 as the Company continues to evaluate its existing operations to increase operational efficiency, decrease costs and increase profitability. See “Note 9 - Restructuring and Other Related Charges” for further information.

Interest Income

	Three Months Ended		
	May 4, 2019	May 5, 2018	% Change
	(in thousands, except percentage)		
Interest income	\$ 1,268	\$ 6,069	(79.1)%
% of net revenue	0.2%	1.0%	

Interest income decreased by \$4.8 million in the three months ended May 4, 2019, compared to the three months ended May 5, 2018. The decrease is primarily due to the sale of investments in fiscal 2019.

Interest Expense

	Three Months Ended		
	May 4, 2019	May 5, 2018	% Change
	(in thousands, except percentage)		
Interest expense	\$ (21,203)	\$ (244)	8,589.8%
% of net revenue	(3.2)%	— %	

Interest expense increased by \$21.0 million in the three months ended May 4, 2019, compared to the three months ended May 5, 2018. The increase is primarily due to interest expense incurred resulting from the issuance of our 2023 Notes, 2028 Notes and amounts borrowed under our credit agreement.

Other Income (Loss), Net

	Three Months Ended		
	May 4, 2019	May 5, 2018	% Change
	(in thousands, except percentage)		
Other income (loss), net	\$ (116)	\$ 1,471	(107.9)%
% of net revenue	— %	0.2%	

Other income (loss), net, was a loss of \$0.1 million in the three months ended May 4, 2019, compared to a gain of \$1.5 million in the three months ended May 5, 2018. This was primarily due to the foreign currency gain related to the revaluation of foreign currency denominated tax liabilities in the three months ended May 5, 2018.

Provision (benefit) for Income Taxes

	Three Months Ended		
	May 4, 2019	May 5, 2018	% Change
	(in thousands, except percentage)		
Provision (benefit) for income taxes	\$ 7,273	\$ 3,763	93.3%

Our income tax expense for the three months ended May 4, 2019 was \$7.3 million compared to tax expense of \$3.8 million for the three months ended May 5, 2018. Our income tax expense for the three months ended May 4, 2019 differs from the same period in the prior year primarily due to tax expense associated with amounts that were previously considered indefinitely reinvested, foreign income taxable in the U.S., partially offset by the tax benefit from a net reduction in unrecognized tax benefits. The effective tax rate for the three months ended May 4, 2019 and May 5, 2018 differs from the statutory Federal rate of 21% and 35%, respectively, primarily due to non-U.S. earnings that are taxed at a substantially lower tax rate.

Our provision for income taxes may be affected by changes in the geographic mix of earnings with different applicable tax rates, accruals related to contingent tax liabilities and period-to-period changes in such accruals, the results of income tax audits, the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, settlements with tax authorities and changes in tax laws. It is possible that significant negative evidence may become available to reach a conclusion that a valuation allowance will be needed, and as such, we may recognize a valuation allowance in the next 12 months. Additionally, please see the information in “Item 1A: Risk Factors” under the caption “Changes in existing taxation benefits, rules or practices may adversely affect our financial results.”

Liquidity and Capital Resources

Our principal source of liquidity as of May 4, 2019 consisted of approximately \$572 million of cash, cash equivalents and short-term investments, of which approximately \$543 million was held by subsidiaries outside of Bermuda. We plan to use such amounts to fund various activities outside of Bermuda, including working capital requirements, capital expenditures for expansion, funding of future acquisitions or other financing activities.

In June 2018, we executed debt agreements to obtain a \$900 million term loan and \$1.0 billion of senior unsecured notes in order to fund the Cavium acquisition. In addition, we executed a debt agreement in June 2018 to obtain a \$500 million Revolving Credit Facility, which was undrawn as of May 4, 2019. See “Note 8 - Debt” for further information.

We believe that our existing cash, cash equivalents and short-term investments, together with cash generated from operations, and funds from our Revolving Credit Facility will be sufficient to cover our working capital needs, capital expenditures, investment requirements and any declared dividends, repurchase of our common stock and commitments for at least the next twelve months. Our capital requirements will depend on many factors, including our rate of sales growth, market acceptance of our products, costs of securing access to adequate manufacturing capacity, the timing and extent of research and development projects and increases in operating expenses, which are all subject to uncertainty. For a discussion of litigation related risks, see Part II, Item 1A, “Risk Factors,” including the risk detailed under the caption *“We have been named as a party to several legal proceedings and may be named in additional ones in the future, including litigation involving our patents and other intellectual property, which could subject us to liability, require us to indemnify our customers, require us to obtain or renew licenses, require us to stop selling our products or force us to redesign our products.”*

To the extent that our existing cash, cash equivalents and short-term investments together with cash generated by operations, and funds available under our Revolving Credit Facility are insufficient to fund our future activities, we may need to raise additional funds through public or private debt or equity financing. We may also acquire additional businesses, purchase assets or enter into other strategic arrangements in the future, which could also require us to seek debt or equity financing. Additional equity financing or convertible debt financing may be dilutive to our current shareholders. If we elect to raise additional funds, we may not be able to obtain such funds on a timely basis or on acceptable terms, if at all. In addition, the equity or debt securities that we issue may have rights, preferences or privileges senior to our common shares.

Future payment of a regular quarterly cash dividend on our common shares and our planned repurchases of common stock will be subject to, among other things, the best interests of the Company and our shareholders, our results of operations, cash balances and future cash requirements, financial condition, developments in ongoing litigation, statutory requirements under Bermuda law, market conditions and other factors that our board of directors may deem relevant. Our dividend payments and repurchases of common stock may change from time to time, and we cannot provide assurance that we will continue to declare dividends or repurchase shares at all or in any particular amounts.

Cash Flows from Operating Activities

Net cash flow provided by operating activities for the three months ended May 4, 2019 was \$165.8 million. We had a net loss of \$48.5 million adjusted for the following non-cash items: share-based compensation expense of \$58.6 million, amortization of acquired intangible assets of \$79.7 million, depreciation and amortization of \$44.3 million, deferred income tax expense of \$4.4 million, amortization of deferred debt issuance costs and debt discounts of \$1.7 million, and \$5.3 million net loss from other non-cash items. Cash inflow from working capital of \$20.3 million for the three months ended May 4, 2019 was primarily driven by a decrease in accounts receivable and inventories and an increase in accrued employee compensation, slightly offset by a decrease in accrued liabilities and other non-current liabilities. The decrease in accounts receivable and inventories was driven primarily by collection of payments during the quarter as well as lower inventory in response to lower sales. The increase in accrued employee compensation is due to increases in employee stock purchase plan accruals and accrued salaries. The decrease in accrued liabilities and other non-current liabilities is due to decreases in accrued rebates and income tax payable, as well as decreases due to severance payments.

Net cash flow provided by operating activities for the three months ended May 5, 2018 was \$128.8 million. We had net income of \$128.6 million, adjusted for the following non-cash items: depreciation and amortization of \$20.3 million, share-based compensation expense of \$23.9 million and \$1.7 million net loss from other non-cash items. Cash outflow from working capital of \$45.7 million for the three months ended May 5, 2018 was primarily driven by an increase in accounts receivable and a decrease in accrued compensation. This outflow was offset by an increase in accrued liabilities. The increase in accounts receivable was driven primarily by an increase in DSO from 45 to 50 days. The decrease in accrued compensation was mainly driven by a decrease in our bonus accrual due to our annual bonus payout during the three months ended May 5, 2018. The increase in accrued liabilities was driven by an increase in variable consideration as a result of our adoption of the new revenue recognition standard.

Cash Flows from Investing Activities

Net cash used in investing activities was \$21.0 million for the three months ended May 4, 2019 compared to net cash provided by investing activities of \$216.7 million for the three months ended May 5, 2018. For the three months ended May 4, 2019, net cash used in investing activities was primarily driven by purchases of property and equipment of \$19.2 million and purchases of technology licenses of \$1.5 million.

For the three months ended May 5, 2018, net cash provided by investing activities of \$216.7 million was primarily driven by net proceeds for sales and maturities of available-for-sale securities and time deposits of \$274.1 million, offset by purchases of available-for-sale securities and time deposits of \$38.5 million and purchases of property and equipment of \$13.6 million.

Cash Flows from Financing Activities

For the three months ended May 4, 2019, net cash used in financing activities of \$155.3 million was primarily attributable to \$50.0 million repayment of debt, \$48.0 million for repurchases of our common stock, \$39.5 million for payment of our quarterly dividends, \$28.8 million tax withholding payments on behalf of employees for net share settlements, and \$15.3 million payments for technology license obligations. These outflows were partially offset by proceeds of \$31.1 million from employee stock plans.

For the three months ended May 5, 2018, net cash used in financing activities of \$66.7 million was primarily attributable to \$29.8 million for payment of our quarterly dividends, \$23.9 million tax withholding payments on behalf of employees for net share settlements, and \$20.5 million payments on technology license obligations. These outflows were partially offset by proceeds of \$11.1 million from employee stock plans.

Contractual Obligations and Commitments

We presented our contractual obligations at February 2, 2019 in our Annual Report on Form 10-K for the fiscal year then ended. There have been no material changes outside the ordinary course of business in those obligations during the three months ended May 4, 2019.

Indemnification Obligations

See “Note 10 – Commitments and Contingencies” in the Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. With our outstanding debt following our acquisition of Cavium, we are exposed to various forms of market risk, including the potential losses arising from adverse changes in interest rates on our outstanding Term Loan. See “Note 8 - Debt” for further information. A hypothetical increase or decrease in the interest rate by 1% would result in an increase or decrease in annual interest expense by approximately \$3.0 million to \$7.2 million.

We maintain an investment policy that requires minimum credit ratings, diversification of credit risk and limits the long-term interest rate risk by requiring effective maturities of generally less than five years. We invest our excess cash in highly liquid and highly rated debt instruments of the U.S. government and its agencies, money market mutual funds, asset backed securities, corporate debt securities and municipal debt securities that are classified as available-for-sale and time deposits. These investments are recorded on our consolidated balance sheets at fair market value with their related unrealized gain or loss reflected as a component of accumulated other comprehensive income (loss) in the consolidated statements of shareholders’ equity. Investments in both fixed rate and floating rate interest earning securities carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall. At May 4, 2019, our investment portfolio balance was \$0.

Foreign Currency Exchange Risk. All of our sales and the majority of our expenses are denominated in U.S. dollars. Since we operate in many countries, a percentage of our international operational expenses are denominated in foreign currencies and exchange volatility could positively or negatively impact those operating costs. Increases in the value of the U.S. dollar relative to other currencies could make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the U.S. dollar relative to other currencies could result in our suppliers raising their prices to continue doing business with us. Additionally, we may hold certain assets and liabilities, including potential tax liabilities, in local currency on our consolidated balance sheet. These tax liabilities would be settled in local currency. Therefore, foreign exchange gains and losses from remeasuring the tax liabilities are recorded to interest and other income, net. We do not believe that foreign exchange volatility has a material impact on our current business or results of operations. However, fluctuations in currency exchange rates could have a greater effect on our business or results of operations in the future to the extent our expenses increasingly become denominated in foreign currencies.

We may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions, forecasted future cash flows and net investments in foreign subsidiaries. However, we may choose not to hedge certain foreign exchange exposures for a variety of reasons, including, but not limited to, accounting considerations and the prohibitive economic cost of hedging particular exposures.

To provide an assessment of the foreign currency exchange risk associated with our foreign currency exposures within operating expense, we performed a sensitivity analysis to determine the impact that an adverse change in exchange rates would have on our financial statements. If the U.S. dollar weakened by 10%, our operating expense could increase by approximately 2%.

Item 4. Controls and Procedures**Management’s Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Our disclosure controls and procedures are designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and our principal financial officer concluded that, as of May 4, 2019, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended May 4, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitation on Effectiveness of Controls

Our management, including our principal executive officer and our principal financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information under the caption “Contingencies” as set forth in “Note 10 – Commitments and Contingencies” of our Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1, is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, see Part II, Item 1A, “Risk Factors,” immediately below.

Item 1A. Risk Factors

Investing in our common shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below and all information contained in this report before you decide to purchase our common shares. Many of these risks and uncertainties are beyond our control, including business cycles and seasonal trends of the computing, infrastructure, semiconductor and related industries and end markets. If any of the possible adverse events described below actually occurs, we may be unable to conduct our business as currently planned and our financial condition and operating results could be harmed. In addition, the trading price of our common shares could decline due to the occurrence of any of these risks, and you could lose all or part of your investment.

Factors That May Affect Our Future Results

Our financial condition and results of operations may vary from quarter to quarter, which may cause the price of our common shares to decline.

Our quarterly results of operations have fluctuated in the past and could do so in the future. Because our results of operations are difficult to predict, you should not rely on quarterly comparisons of our results of operations as an indication of our future performance.

Fluctuations in our results of operations may be due to a number of factors, including, but not limited to, those listed below and those identified throughout this “Risk Factors” section:

- our ability to realize anticipated synergies in connection with our acquisitions;
- changes in general economic and political conditions and specific conditions in the end markets we address, including the continuing volatility in the technology sector and semiconductor industry;
- the effects of any acquisitions, divestitures or significant investments;
- the highly competitive nature of the end markets we serve, particularly within the semiconductor industry;
- our dependence on a few customers for a significant portion of our revenue;
- severe financial hardship or bankruptcy of one or more of our major customers;
- our ability to maintain a competitive cost structure for our manufacturing and assembly and test processes and our reliance on third parties to produce our products;
- any current and future litigation that could result in substantial costs and a diversion of management’s attention and resources that are needed to successfully maintain and grow our business;
- cancellations, rescheduling or deferrals of significant customer orders or shipments, as well as the ability of our customers to manage inventory;
- gain or loss of a design win or key customer;
- seasonality in sales of consumer devices in which our products are incorporated;
- failure to qualify our products or our suppliers’ manufacturing lines;
- our ability to develop and introduce new and enhanced products in a timely and effective manner, as well as our ability to anticipate and adapt to changes in technology;
- failure to protect our intellectual property;
- impact of a significant natural disaster, including earthquakes, floods and tsunamis, particularly in certain regions in which we operate or own buildings, such as Santa Clara, California, and where our third party suppliers operate, such as Taiwan and elsewhere in the Pacific Rim; and
- our ability to attract, retain and motivate a highly skilled workforce, especially managerial, engineering, sales and marketing personnel.

Due to fluctuations in our quarterly results of operations and other factors, the price at which our common shares will trade is likely to continue to be highly volatile. Accordingly, you may not be able to resell your common shares at or above the price you paid. In future periods, our stock price could decline if, amongst other factors, our revenue or operating results are below our estimates or the estimates or expectations of securities analysts and investors. Our stock is traded on the NASDAQ stock exchange under the ticker symbol “MRVL”. As a result of stock price volatility, we may be subject to securities class action litigation. Any litigation could result in substantial costs and a diversion of management’s attention and resources that are needed to successfully maintain and grow our business.

Our sales are concentrated in a few large customers. If we lose or experience a significant reduction in sales to any of these key customers, if any of these key customers experience a significant decline in market share, or if any of these customers experience significant financial difficulties, our revenue may decrease substantially and our results of operations and financial condition may be harmed.

We receive a significant amount of our revenue from a limited number of customers. Net revenue from our two largest customers represented 22% and 31% of our net revenue for the three months ended May 4, 2019 and May 5, 2018, respectively. Sales to our largest customers have fluctuated significantly from period to period and year to year and will likely continue to fluctuate in the future, primarily due to the timing and number of design wins with each customer, the continued diversification of our customer base as we expand into new markets, and natural disasters or other issues that may divert a customer’s operations. The loss of any of our large customers or a significant reduction in sales we make to them would likely harm our financial condition and results of operations. To the extent one or more of our large customers experience significant financial difficulty, bankruptcy or insolvency, this could have a material adverse effect on our sales and our ability to collect on receivables, which could harm our financial condition and results of operations.

If we are unable to increase the number of large customers in key markets, then our operating results in the foreseeable future will continue to depend on sales to a relatively small number of customers, as well as the ability of these customers to sell products that incorporate our products. In the future, these customers may decide not to purchase our products at all, purchase fewer products than they did in the past, or alter their purchasing patterns in some other way, particularly because:

- a significant portion of our sales are made on a purchase order basis, which allows our customers to cancel, change or delay product purchase commitments with relatively short notice to us;
- customers may purchase integrated circuits from our competitors;
- customers may discontinue sales or lose market share in the markets for which they purchase our products;
- customers may develop their own solutions or acquire fully developed solutions from third-parties;
- customers may be subject to severe business disruptions, including, but not limited to, those driven by financial instability; or
- customers may consolidate (for example, Western Digital acquired SanDisk in 2017, and Toshiba Corporation sold control of a portion of its semiconductor business in 2018), which could lead to changing demand for our products, replacement of our products by the merged entity with those of our competitors and cancellation of orders.

In addition, if regulatory activity, such as enforcement of U.S. export control and sanctions laws, or the imposition of new tariffs, were to materially limit our ability to make sales to any of our significant customers, it could harm our results of operations, reputation and financial condition. For example, the recent US government export restrictions on a Chinese customer, Huawei Technologies Co. Ltd., has dampened demand for our products, adding to the already challenging macroeconomic environment. This export restriction was implemented in the second week of our second quarter of fiscal year 2020, limiting revenue from that customer to shipments during a short period during the quarter. In addition, there may be indirect impacts to our business which we cannot easily quantify such as the fact that some of our other customer’s products which use our solutions, such as hard disk drives, may also be impacted by this export restriction. If this export restriction is sustained for a long period of time, or if other export restrictions were to be imposed as a result of current trade tensions such as restrictions on trade with Mexico or other countries, it could have an adverse impact on our revenues and results of operations.

Any potential future acquisitions, strategic investments, divestitures, mergers or joint ventures may subject us to significant risks, any of which could harm our business.

Our long-term strategy may include identifying and acquiring, investing in or merging with suitable candidates on acceptable terms, or divesting of certain business lines or activities. In particular, over time, we may acquire, make investments in, or merge with providers of product offerings that complement our business or may terminate such activities.

We have recently entered into a number of transaction agreements, including (i) a definitive merger agreement dated May 6, 2019 under which we agreed to acquire all outstanding shares of Aquantia Corp. common stock for \$13.25 per share in cash, (ii) a definitive agreement dated May 20, 2019 to purchase Avera Semiconductor, the Application Specific Integrated Circuit (ASIC) business of GLOBALFOUNDRIES for \$650 million in cash at closing plus an additional \$90 million in cash if certain business conditions are satisfied within the next 15 months and (iii) an asset purchase agreement with NXP USA, Inc. dated May 29, 2019 pursuant to which we agreed to sell to NXP certain assets related to our wireless business for \$1.76 billion in cash at closing (collectively, the “Pending Transactions”). Each of these transactions is subject to customary closing conditions, including regulatory approvals.

Mergers, acquisitions and divestitures include a number of risks and present financial, managerial and operational challenges, including but not limited to:

- diversion of management attention from running our existing business;
- increased expenses, including, but not limited to, legal, administrative and compensation expenses related to newly hired or terminated employees;
- key personnel of an acquired company may decide not to work for us;
- increased costs to integrate or, in the case of a divestiture, separate the technology, personnel, customer base and business practices of the acquired or divested business or assets;
- assuming the legal obligations of the acquired company, including potential exposure to material liabilities not discovered in the due diligence process;
- ineffective or inadequate control, procedures and policies at the acquired company may negatively impact our results of operations;
- potential adverse effects on reported operating results due to possible write-down of goodwill and other intangible assets associated with acquisitions;
- burdensome conditions required to obtain regulatory approvals;
- potential damage to relationships with customers, suppliers, partners or employees;
- loss of synergies, in the case of divestitures;
- reduction of potential benefits of a transaction in the event of a long delay between signing and closing;
- reduction of our cash in the case of acquisitions for which we are paying cash consideration and share dilution if we are using our shares as consideration; and
- unavailability of acquisition financing on reasonable terms or at all.

Any acquired business, technology, service or product could significantly under-perform relative to our expectations and may not achieve the benefits we expect from possible acquisitions. Given that our resources are limited, our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we may need to forgo the prospect of entering into other transactions that could help us achieve our strategic objectives.

When we decide to sell assets or a business, we may have difficulty selling on acceptable terms in a timely manner. These circumstances could delay the achievement of our strategic objectives or cause us to incur additional expense, or we may sell a business at a price or on terms that are less favorable than we had anticipated, resulting in a loss on the transaction.

If we do enter into agreements with respect to acquisitions, divestitures, or other transactions, we may fail to complete them due to factors such as:

- failure to obtain regulatory or other approvals;
- disputes or litigation; or
- difficulties obtaining financing for the transaction.

If we fail to complete a transaction, we may nonetheless have incurred significant expenses in connection with such transaction. Failure to complete a pending transaction may result in negative publicity and a negative perception of us in the investment community. For all these reasons, our pursuit of an acquisition, investment, divestiture, merger or joint venture could cause our actual results to differ materially from those anticipated.

Our acquisition of Cavium, and our proposed acquisitions of Aquantia and the Avera Semiconductor business of GLOBALFOUNDRIES involve a number of risks, including, among others, associated with our use of a significant portion of our cash and our taking on significant indebtedness and other financial risks and integration risks.

We used a significant portion of our cash and incurred substantial indebtedness in connection with the financing of our acquisition of Cavium (the “Cavium acquisition”), and will use additional cash in the acquisitions of Aquantia and the Avera Semiconductor business of GLOBALFOUNDRIES (the “Other Acquisitions”). Our use of cash in the Cavium acquisition and proposed use of cash in the Other Acquisitions would reduce our liquidity and may (i) limit our flexibility in responding to other business opportunities and (ii) increase our vulnerability to adverse economic and industry conditions.

The benefits we expect to realize from the Other Acquisitions will depend, in part, on our ability to integrate the businesses successfully and efficiently. See also the Risk Factor entitled “*Any potential future acquisitions, strategic investments, divestitures, mergers or joint ventures may subject us to significant risks, any of which could harm our business.*” If we are unable to successfully integrate the businesses of the Other Acquisitions with that of the Company, the combined company’s business, results of operations, financial condition or cash flows could be harmed. The challenges in integrating the operations of the companies include, among others:

- difficulties in fully achieving anticipated cost savings, synergies, business opportunities and growth prospects from combining the businesses;
- difficulties entering new markets or manufacturing in new geographies where we have no or limited direct prior experience;
- difficulties in the integration of operations and systems;
- difficulties in the assimilation or retention of employees; and
- difficulties in managing the expanded operations of a significantly larger and more complex company.

Any of the above could harm the combined company and thus decrease the benefits we expect to receive from the acquisitions.

We operate in intensely competitive markets. Our failure to compete effectively would harm our results of operations.

The semiconductor industry, and specifically the storage, networking and infrastructure markets, is extremely competitive. We currently compete with a number of large domestic and international companies in the business of designing integrated circuits and related applications, some of which have greater financial, technical and management resources than us. Our efforts to introduce new products into markets with entrenched competitors will expose us to additional competitive pressures. For example, we are facing, and expect we will continue to face, significant competition in the infrastructure, networking and SSD storage markets. Additionally, customer expectations and requirements have been evolving rapidly. For example, customers now expect us to provide turnkey solutions and commit to future roadmaps that have technical risks.

Some of our competitors may be better situated to meet changing customer needs and secure design wins. Increasing competition in the markets in which we operate may negatively impact our revenue and gross margins. For example, competitors with greater financial resources may be able to offer lower prices than us, or they may offer additional products, services or other incentives that we may not be able to match, such as bundling multiple products and pricing. In addition, many of our competitors operate and maintain their own fabrication facilities and have longer operating histories, greater name recognition, larger customer bases, and greater sales, marketing and distribution resources than we do.

In addition, the semiconductor industry has experienced increased consolidation over the past several years. For example, Microchip Technology acquired Microsemi in May 2018, Avago Technologies Limited (now Broadcom Limited (“Broadcom”)) acquired Broadcom Corporation in February 2016 and LSI Corporation in May 2014; Intel acquired Altera Corporation in December 2015; and NXP Semiconductors acquired Freescale Semiconductor, Ltd. in December 2015. Consolidation among our competitors could lead to a changing competitive landscape, capabilities and market share, which could put us at a competitive disadvantage and harm our results of operations.

We rely on our customers to design our products into their systems, and the nature of the design process requires us to incur expenses prior to customer commitments to use our products or recognizing revenues associated with those expenses which may adversely affect our financial results.

One of our primary focuses is on winning competitive bid selection processes, known as “design wins,” to develop products for use in our customers’ products. We devote significant time and resources in working with our customers’ system designers to understand their future needs and to provide products that we believe will meet those needs and these bid selection processes can be lengthy. If a customer’s system designer initially chooses a competitor’s product, it becomes significantly more difficult for us to sell our products for use in that system because changing suppliers can involve significant cost, time, effort and risk for our customers. Thus, our failure to win a competitive bid can result in our foregoing revenues from a given customer’s product line for the life of that product. In addition, design opportunities may be infrequent or may be delayed. Our ability to compete in the future will depend, in large part, on our ability to design products to ensure compliance with our customers’ and potential customers’ specifications. We expect to invest significant time and resources and to incur significant expenses to design our products to ensure compliance with relevant specifications.

We often incur significant expenditures in the development of a new product without any assurance that our customers’ system designers will select our product for use in their applications. We often are required to anticipate which product designs will generate demand in advance of our customers expressly indicating a need for that particular design. Even if our customers’ system designers select our products, a substantial period of time will elapse before we generate revenues related to the significant expenses we have incurred.

The reasons for this delay generally include the following elements of our product sales and development cycle timeline and related influences:

- our customers usually require a comprehensive technical evaluation of our products before they incorporate them into their designs.
- it can take from six months to three years from the time our products are selected to commence commercial shipments; and
- our customers may experience changed market conditions or product development issues. The resources devoted to product development and sales and marketing may not generate material revenue for us, and from time to time, we may need to write off excess and obsolete inventory if we have produced product in anticipation of expected demand. We may spend resources on the development of products that our customers may not adopt. If we incur significant expenses and investments in inventory in the future that we are not able to recover, and we are not able to compensate for those expenses, our operating results could be adversely affected. In addition, if we sell our products at reduced prices in anticipation of cost reductions but still hold higher cost products in inventory, our operating results would be harmed.

Additionally, even if system designers use our products in their systems, we cannot assure you that these systems will be commercially successful or that we will receive significant revenue from the sales of our products for those systems. As a result, we may be unable to accurately forecast the volume and timing of our orders and revenues associated with any new product introductions.

A significant portion of our revenue comes from the storage industry, which is highly cyclical, experiences rapid technological change, is subject to industry consolidation and is facing increased competition from alternative technologies.

The HDD and SSD storage industry is intensely competitive and technology inflections are happening rapidly. As a result, the average selling price of each of our products usually declines as individual products mature and competitors enter the market.

This industry has historically been cyclical, with periods of increased demand and rapid growth followed by periods of oversupply and subsequent contraction. These cycles may affect us because some of our largest customers participate in this industry.

Manufacturers tend to order more components than they may need during growth periods, and sharply reduce orders for components during periods of contraction. Rapid technological changes in the industry often result in shifts in market share among the industry’s participants. If the HDD and SSD manufacturers using our products do not retain or increase their market share, our sales may decrease.

In addition, the storage industry has experienced significant consolidation. Consolidation among our customers will lead to changing demand for our products, replacement of our products by the merged entity with those of our competitors and cancellation of orders, each of which could harm our results of operations. If we are unable to leverage our technology and customer relationships, we may not capitalize on the increased opportunities for our products within the combined company.

Furthermore, future changes in the nature of information storage products and personal computing devices could reduce demand for traditional HDDs. For example, products using alternative technologies, such as SSD and other storage technologies are a source of competition to manufacturers of HDDs. Although we offer SSD controllers, leveraging our technology in hard drives, we cannot ensure that our overall business will not be adversely affected if demand for traditional HDDs decreases.

We depend on a few customers for our SSD controllers and as such, the loss of any SSD controller customer or a significant reduction in sales we make to them may harm our financial condition and results of operations. SSD customers have, and may in the future develop their own controllers, which could pose a challenge to our market share in the SSD space and adversely affect our revenues in the storage business.

If we are unable to develop and introduce new and enhanced products that achieve market acceptance in a timely and cost-effective manner, our results of operations and competitive position will be harmed.

Our future success will depend on our ability to develop and introduce new products and enhancements to our existing products that address customer requirements, in a timely and cost-effective manner and are competitive as to a variety of factors. For example, for our products addressing the 5G market, we must successfully identify customer requirements and design, develop and produce products on time that compete effectively as to price, functionality and performance. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions, and increasing demand for higher levels of integration and smaller process geometries. In addition, the development of new silicon devices is highly complex and, due to supply chain cross-dependencies and other issues, we may experience delays in completing the development, production and introduction of our new products. See also, “*We may be unable to protect our intellectual property, which would negatively affect our ability to compete.*”

Our ability to adapt to changes and to anticipate future standards, and the rate of adoption and acceptance of those standards, will be a significant factor in maintaining or improving our competitive position and prospects for growth. We may also have to incur substantial unanticipated costs to comply with these new standards. Our success will also depend on the ability of our customers to develop new products and enhance existing products for the markets they serve and to introduce and promote those products successfully and in a timely manner. Even if we and our customers introduce new and enhanced products to the market, those products may not achieve market acceptance.

Unfavorable or uncertain conditions in the 5G infrastructure market may cause fluctuations in our rate of revenue growth or financial results.

Markets for 5G infrastructure may not develop in the manner or in the time periods we anticipate. If domestic and global economic conditions worsen, overall spending on 5G infrastructure may be reduced, which would adversely impact demand for our products in these markets. In addition, unfavorable developments with evolving laws and regulations worldwide related to 5G may limit global adoption, impede our strategy, and negatively impact our long-term expectations in this area. Even if the 5G infrastructure market develops in the manner or in the time periods we anticipate, if we do not have timely, competitively priced, market-accepted products available to meet our customers’ planned roll-out of 5G wireless communications systems, we may miss a significant opportunity and our business, financial condition, results of operations and cash flows could be materially and adversely affected. See also, “*Our sales are concentrated in a few large customers. If we lose or experience a significant reduction in sales to any of these key customers, if any of these key customers experience a significant decline in market share, or if any of these customers experience significant financial difficulties, our revenue may decrease substantially and our results of operations and financial condition may be harmed.*” for additional risks related to export restrictions that may impact a customer in the 5G infrastructure market.

Our indebtedness could adversely affect our financial condition and our ability to raise additional capital to fund our operations and limit our ability to react to changes in the economy or our industry.

On July 6, 2018, in connection with our acquisition of Cavium, we incurred substantial indebtedness pursuant to a Credit Agreement. The Credit Agreement provides for a \$900.0 million Term Loan. The Term Loan will mature on July 6, 2021. As of May 4, 2019, the outstanding principal balance of the Term Loan amounted to \$700.0 million.

In addition to the Term Loan under the Credit Agreement, on June 22, 2018, we completed a public offering of (i) \$500.0 million aggregate principal amount of the Company's 4.200% Senior Notes due 2023 (the "2023 Notes") and (ii) \$500.0 million aggregate principal amount of the Company's 4.875% Senior Notes due 2028 (the "2028 Notes" and, together with the 2023 Notes, the "Senior Notes"). We are obligated to pay interest on the Senior Notes on June 22 and December 22 of each year, beginning on December 22, 2018. The 2023 Notes will mature on June 22, 2023 and the 2028 Notes will mature on June 22, 2028.

Our indebtedness could have important consequences to us including:

- increasing our vulnerability to adverse general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts, execution of our business strategy, acquisitions and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in the economy and the semiconductor industry;
- placing us at a competitive disadvantage compared to our competitors with less indebtedness;
- exposing us to interest rate risk to the extent of our variable rate indebtedness; and
- making it more difficult to borrow additional funds in the future to fund growth, acquisitions, working capital, capital expenditures and other purposes.

Although the Credit Agreement contains restriction on the incurrence of additional indebtedness and the indenture under which the Senior Notes were issued contains restrictions on creating liens and entering into certain sale-leaseback transactions, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness, liens or sale-leaseback transactions incurred in compliance with these restrictions could be substantial.

The Credit Agreement and the Senior Notes contain customary events of default upon the occurrence of which, after any applicable grace period, the lenders would have the ability to immediately declare the loans due and payable in whole or in part. In such event, we may not have sufficient available cash to repay such debt at the time it becomes due, or be able to refinance such debt on acceptable terms or at all. Any of the foregoing could materially and adversely affect our financial condition and results of operations.

Adverse changes to our debt ratings could negatively affect our ability to raise additional capital.

We receive debt ratings from the major credit rating agencies in the United States. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near-term and long-term production growth opportunities. Liquidity, asset quality, cost structure, reserve mix and commodity pricing levels could also be considered by the rating agencies. The applicable margins with respect to the Term Loan will vary based on the applicable public ratings assigned to the collateralized, long-term indebtedness for borrowed money by Moody's Investors Service, Inc., Standard & Poor's Financial Services LLC, Fitch's and any successor to each such rating agency business. A ratings downgrade could adversely impact our ability to access debt markets in the future and increase the cost of current or future debt and may adversely affect our share price.

The Credit Agreement and the indenture under which the Senior Notes were issued impose restrictions on our business.

The Credit Agreement and the indenture for the Senior Notes each contains a number of covenants imposing restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. The restrictions, among other things, restrict our ability and our subsidiaries' ability to create or incur certain liens, incur or guarantee additional indebtedness, merge or consolidate with other companies, pay dividends, transfer or sell assets and make restricted payments. These restrictions are subject to a number of limitations and exceptions set forth in the Credit Agreement and the indenture for the Senior Notes. Our ability to meet the liquidity covenant set forth in the Credit Agreement may be affected by events beyond our control.

The foregoing restrictions could limit our ability to plan for, or react to, changes in market conditions or our capital needs. We do not know whether we will be granted waivers under, or amendments to, our Credit Agreement or to the Senior Notes if for any reason we are unable to meet these requirements, or whether we will be able to refinance our indebtedness on terms acceptable to us, or at all.

We may be unable to generate the cash flow to service our debt obligations.

We may not be able to generate sufficient cash flow to enable us to service our indebtedness, including the Senior Notes, or to make anticipated capital expenditures. Our ability to pay our expenses and satisfy our debt obligations, refinance our debt obligations and fund planned capital expenditures will depend on our future performance, which will be affected by general economic, financial competitive, legislative, regulatory and other factors beyond our control. If we are unable to generate sufficient cash flow from operations or to borrow sufficient funds in the future to service our debt, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our existing debt (including the Senior Notes) or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or borrow more money on terms acceptable to us, if at all. If we cannot make scheduled payments on our debt, we will be in default and holders of our debt could declare all outstanding principal and interest to be due and payable, and we could be forced into bankruptcy or liquidation. In addition, a material default on our indebtedness could suspend our eligibility to register securities using certain registration statement forms under SEC guidelines that permit incorporation by reference of substantial information regarding us, potentially hindering our ability to raise capital through the issuance of our securities and increasing our costs of registration.

We may, under certain circumstances, be required to repurchase the Senior Notes at the option of the holder.

We will be required to repurchase the Senior Notes at the option of each holder upon the occurrence of a change of control repurchase event as defined in the indenture for the Senior Notes. However, we may not have sufficient funds to repurchase the notes in cash at the time of any change of control repurchase event. Our failure to repurchase the Senior Notes upon a change of control repurchase event would be an event of default under the indenture for the Senior Notes and could cause a cross-default or acceleration under certain future agreements governing our other indebtedness. The repayment obligations under the Senior Notes may have the effect of discouraging, delaying or preventing a takeover of our company. If we were required to pay the Senior Notes prior to their scheduled maturity, it could have a significant negative impact on our cash and liquidity and could impact our ability to invest financial resources in other strategic initiatives.

Our gross margin and results of operations may be adversely affected in the future by a number of factors, including decreases in average selling prices of products over time and shifts in our product mix.

The products we develop and sell are primarily used for high-volume applications. As a result, the prices of those products have historically decreased rapidly. In addition, our more recently introduced products tend to have higher associated costs because of initial overall development and production expenses. Therefore, over time, we may not be able to maintain or improve our gross margins. Our financial results could suffer if we are unable to offset any reductions in our average selling prices by other cost reductions through efficiencies, introduction of higher margin products and other means.

To attract new customers or retain existing customers, we may offer certain price concessions to certain customers, which could cause our average selling prices and gross margins to decline. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or by our competitors and other factors. We expect that we will continue to have to reduce prices of existing products in the future. Moreover, because of the wide price differences across the markets we serve, the mix and types of performance capabilities of our products sold may affect the average selling prices of our products and have a substantial impact on our revenue and gross margin. We may enter new markets in which a significant amount of competition exists, and this may require us to sell our products with lower gross margins than we earn in our established businesses. If we are successful in growing revenue in these markets, our overall gross margin may decline. Fluctuations in the mix and types of our products may also affect the extent to which we are able to recover the fixed costs and investments associated with a particular product, and as a result may harm our financial results.

Additionally, because we do not operate our own manufacturing, assembly or testing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities and our costs may even increase, which could also reduce our gross margins.

We rely on independent foundries and subcontractors for the manufacture, assembly and testing of our integrated circuit products, and the failure of any of these third-party vendors to deliver products or otherwise perform as requested could damage our relationships with our customers, decrease our sales and limit our ability to grow our business.

We do not have our own manufacturing or assembly facilities and have very limited in-house testing facilities. Therefore, we currently rely on several third-party foundries to produce our integrated circuit products. We also currently rely on several third-party assembly and test subcontractors to assemble, package and test our products. This exposes us to a variety of risks, including the following:

Regional Concentration

Substantially all of our products are manufactured by third-party foundries located in Taiwan, and other sources are located in China, Germany, South Korea, Singapore and the United States. In addition, substantially all of our third-party assembly and testing facilities are located in China, Malaysia, Singapore and Taiwan. Because of the geographic concentration of these third-party foundries, as well as our assembly and test subcontractors, we are exposed to the risk that their operations may be disrupted by regional disasters including, for example, earthquakes (particularly in Taiwan and elsewhere in the Pacific Rim close to fault lines), tsunamis or typhoons, or by political, social or economic instability. In the case of such an event, our revenue, cost of goods sold and results of operations would be negatively impacted. In addition, there are limited numbers of alternative foundries and identifying and implementing alternative manufacturing facilities would be time consuming. As a result, if we needed to implement alternate manufacturing facilities, we could experience significant expenses and delays in product shipments, which could harm our results of operations.

No Guarantee of Capacity or Supply

The ability of each foundry to provide us with semiconductor devices is limited by its available capacity and existing obligations. When demand is strong, availability of foundry capacity may be constrained or not available, and with limited exceptions, our vendors are not obligated to perform services or supply products to us for any specific period, in any specific quantities, or at any specific price, except as may be provided in a particular purchase order. We place our orders on the basis of our customers' purchase orders or our forecast of customer demand, and the foundries can allocate capacity to the production of other companies' products and reduce deliveries to us on short notice. It is possible that foundry customers that are larger and better financed than we are or that have long-term agreements with our main foundries may induce our foundries to reallocate capacity to those customers. This reallocation could impair our ability to secure the supply of components that we need. In particular, as we and others in our industry transition to smaller geometries, our manufacturing partners may be supply constrained or may charge premiums for these advanced technologies, which may harm our business or results of operations. See also, *"We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses."* Moreover, if any of our third-party foundry suppliers are unable to secure necessary raw materials from their suppliers, lose benefits under material agreements, experience power outages, lack sufficient capacity to manufacture our products, encounter financial difficulties or suffer any other disruption or reduction in efficiency, we may encounter supply delays or disruptions, which could harm our business or results of operations.

While we attempt to create multiple sources for our products, most of our products are not manufactured at more than one foundry at any given time, and our products typically are designed to be manufactured in a specific process at only one of these foundries. Accordingly, if one of our foundries is unable to provide us with components as needed, it would be difficult for us to transition the manufacture of our products to other foundries, and we could experience significant delays in securing sufficient supplies of those components. This could result in a material decline in our revenue, net income and cash flow.

In order to secure sufficient foundry capacity when demand is high and to mitigate the risks described in the foregoing paragraph, we may enter into various arrangements with suppliers that could be costly and harm our results of operations, such as nonrefundable deposits with or loans to foundries in exchange for capacity commitments, or contracts that commit us to purchase specified quantities of integrated circuits over extended periods. We may not be able to make any such arrangement in a timely fashion or at all, and any arrangements may be costly, reduce our financial flexibility, and not be on terms favorable to us. Moreover, if we are able to secure foundry capacity, we may be obligated to use all of that capacity or incur penalties. These penalties may be expensive and could harm our financial results.

Uncertain Yields and Quality

The fabrication of integrated circuits is a complex and technically demanding process. Our technology is transitioning from planar to FINFET transistors. This transition may result in longer qualification cycles and lower yields. Our foundries have from time to time experienced manufacturing defects and lower manufacturing yields, which are difficult to detect at an early stage of the manufacturing process and may be time consuming and expensive to correct. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials by our foundries could result in lower than anticipated manufacturing yields or unacceptable performance. In addition, we may face lower manufacturing yields and reduced quality in the process of ramping up and diversifying our manufacturing partners. Poor yields from our foundries, or defects, integration issues or other performance problems with our products could cause us significant customer relations and business reputation problems, harm our financial performance and result in financial or other damages to our customers. Our customers could also seek damages in connection with product liability claims, which would likely be time consuming and costly to defend. In addition, defects could result in significant costs. See also, *"Costs related to defective products could have a material adverse effect on us."*

To the extent that we rely on outside suppliers to manufacture or assemble and test our products, we may have a reduced ability to directly control product delivery schedules and quality assurance, which could result in product shortages or quality assurance problems that could delay shipments or increase costs.

Commodity Prices

We are also subject to risk from fluctuating market prices of certain commodity raw materials, including gold and copper, which are incorporated into our end products or used by our suppliers to manufacture our end products. Supplies for such commodities may from time to time become restricted, or general market factors and conditions may affect pricing of such commodities.

We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.

In order to remain competitive, we expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires us to modify the manufacturing processes for our products and to redesign some products. In addition, the cost of developing products with increasingly smaller line width geometries requires significantly higher investment and risk. We periodically evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies to reduce our costs. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in reduced manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes.

We are dependent on our relationships with our foundry subcontractors to transition to smaller geometry processes successfully. We cannot ensure that the foundries we use will be able to effectively manage the transition or that we will be able to maintain our existing foundry relationships or develop new ones. If we or any of our foundry subcontractors experience significant delays in this transition or fail to efficiently implement this transition, we could experience reduced manufacturing yields, delays in product deliveries and increased expenses, all of which could harm our relationships with our customers and our results of operations.

As smaller geometry processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as customer and third-party intellectual property, into our products. However, we may not be able to achieve higher levels of design integration or deliver new integrated products on a timely basis, if at all. Moreover, even if we are able to achieve higher levels of design integration, such integration may have a short-term adverse impact on our results of operations, as we may reduce our revenue by integrating the functionality of multiple chips into a single chip.

Our indemnification obligations and limitations of our director and officer liability insurance may have a material adverse effect on our financial condition, results of operations and cash flows.

Under Bermuda law, our articles of association and bye-laws and certain indemnification agreements to which we are a party, we have an obligation to indemnify, or we have otherwise agreed to indemnify, certain of our current and former directors and officers with respect to past, current and future investigations and litigation. For example, we have incurred significant indemnification expenses in connection with the Audit Committee's independent investigation completed in March 2016 and related shareholder litigation and pending government investigations. In connection with some of these pending matters, we are required to, or we have otherwise agreed to, advance, and have advanced, legal fees and related expenses to certain of our current and former directors and officers and expect to continue to do so while these matters are pending.

Indemnification obligations may not be “covered matters” under our directors’ and officers’ liability insurance, or there may be insufficient coverage available. Further, in the event the directors and officers are ultimately determined not to be entitled to indemnification, we may not be able to recover any amounts we previously advanced to them.

We cannot provide any assurances that future indemnification claims, including the cost of fees, penalties or other expenses, will not exceed the limits of our insurance policies, that such claims are covered by the terms of our insurance policies or that our insurance carrier will be able to cover our claims. Additionally, to the extent there is coverage of these claims, the insurers also may seek to deny or limit coverage in some or all of these matters. Furthermore, the insurers could become insolvent and unable to fulfill their obligation to defend, pay or reimburse us for insured claims. Accordingly, we cannot be sure that claims will not arise that are in excess of the limits of our insurance or that are not covered by the terms of our insurance policy. Due to these coverage limitations, we may incur significant unreimbursed costs to satisfy our indemnification obligations, which may have a material adverse effect on our financial condition, results of operations or cash flows.

Costs related to defective products could have a material adverse effect on us.

From time to time, we have experienced hardware and software defects and bugs associated with the introduction of our highly complex products. Despite our testing procedures, we cannot ensure that errors will not be found in new products or releases after commencement of commercial shipments in the future. Such errors could result in:

- loss of or delay in market acceptance of our products;
- material recall and replacement costs;
- delay in revenue recognition or loss of revenue;
- writing down the inventory of defective products;
- the diversion of the attention of our engineering personnel from product development efforts;
- our having to defend against litigation related to defective products or related property damage or personal injury; and
- damage to our reputation in the industry that could adversely affect our relationships with our customers.

In addition, the process of identifying a recalled product in devices that have been widely distributed may be lengthy and require significant resources. We may have difficulty identifying the end customers of the defective products in the field, which may cause us to incur significant replacement costs, contract damage claims from our customers and further reputational harm. Any of these problems could materially and adversely affect our results of operations.

Despite our best efforts, security vulnerabilities may exist with respect to our products. Mitigation techniques designed to address such security vulnerabilities, including software and firmware updates or other preventative measures, may not operate as intended or effectively resolve such vulnerabilities. Software and firmware updates and/or other mitigation efforts may result in performance issues, system instability, data loss or corruption, unpredictable system behavior, or the theft of data by third parties, any of which could significantly harm our business and reputation. For example, we were made aware of a potential vulnerability (CVE-2019-6496) with regard to our 88W8897 device in fiscal year 2019 and implemented a fix shortly thereafter.

We depend on highly skilled engineering and sales and marketing personnel to support our business operations. If we are unable to retain and motivate our current personnel or attract additional qualified personnel, our ability to develop and successfully market our products could be harmed.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering, sales and marketing personnel. The competition for qualified technical personnel with significant experience in the design, development, manufacturing, marketing and sales of integrated circuits is intense, both in the Silicon Valley where our U.S. operations are based and in global markets in which we operate. Our inability to attract qualified personnel, including hardware and software engineers and sales and marketing personnel, could delay the development and introduction of, and harm our ability to sell, our products. Changes to United States immigration policies that restrict our ability to attract and retain technical personnel may negatively affect our research and development efforts.

We typically do not enter into employment agreements with any of our key technical personnel and the loss of such personnel could harm our business, as their knowledge of our business and industry would be extremely difficult to replace. The impact on employee morale experienced in connection with our restructuring efforts in fiscal 2017 and 2018, which eliminated approximately 900 jobs worldwide, could make it more difficult for us to add to our workforce when needed due to speculation regarding our future restructuring activities. In addition, as a result of our acquisitions and divestiture, our current and prospective employees may experience uncertainty about their futures that may impair our ability to retain, recruit or motivate key management, engineering, technical and other personnel.

Cybersecurity risks could adversely affect our business and disrupt our operations.

We depend heavily on our technology infrastructure and maintain and rely upon certain critical information systems for the effective operation of our business. We routinely collect and store sensitive data in our information systems, including intellectual property and other proprietary information about our business and that of our customers, suppliers and business partners. These information technology systems are subject to damage or interruption from a number of potential sources, including, but not limited to, natural disasters, destructive or inadequate code, malware, power failures, cyber-attacks, internal malfeasance or other events. Cyber-attacks on us may include viruses and worms, phishing attacks, and denial-of-service attacks. In addition, we may be the target of email scams that attempt to acquire personal information or company assets.

We have implemented processes for systems under our control intended to mitigate risks; however, we can provide no guarantee that those risk mitigation measures will be effective. Given the frequency of cyber-attacks and resulting breaches reported by other businesses and governments, it is likely we will experience one or more breaches of some extent in the future. We may incur significant costs in order to implement, maintain and/or update security systems we feel are necessary to protect our information systems, or we may miscalculate the level of investment necessary to protect our systems adequately. Since the techniques used to obtain unauthorized access or to sabotage systems change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures.

The Company's business also requires it to share confidential information with suppliers and other third parties. Although the Company takes steps to secure confidential information that is provided to third parties, such measures may not always be effective and data breaches, losses or other unauthorized access to or releases of confidential information may occur and could materially adversely affect the Company's reputation, financial condition and operating results.

To the extent that any system failure, accident or security breach results in material disruptions or interruptions to our operations or the theft, loss or disclosure of, or damage to our data or confidential information, including our intellectual property, our reputation, business, results of operations and/or financial condition could be materially adversely affected.

We may be unable to protect our intellectual property, which would negatively affect our ability to compete.

We believe one of our key competitive advantages results from the collection of proprietary technologies we have developed and acquired since our inception, and the protection of our intellectual property rights is, and will continue to be, important to the success of our business. If we fail to protect these intellectual property rights, competitors could sell products based on technology that we have developed, which could harm our competitive position and decrease our revenue.

We rely on a combination of patents, copyrights, trademarks, trade secret laws, contractual provisions, confidentiality agreements, licenses and other methods, to protect our proprietary technologies. We also enter into confidentiality or license agreements with our employees, consultants and business partners, and control access to and distribution of our documentation and other proprietary information. Notwithstanding these agreements, we have experienced disputes with employees regarding ownership of intellectual property in the past. To the extent that any third party has a claim to ownership of any relevant technologies used in our products, we may not be able to recognize the full revenue stream from such relevant technologies.

We have been issued a significant number of U.S. and foreign patents and have a significant number of pending U.S. and foreign patent applications. However, a patent may not be issued as a result of any applications or, if issued, claims allowed may not be sufficiently broad to protect our technology. In addition, it is possible that existing or future patents may be challenged, invalidated or circumvented. We may also be required to license some of our patents to others including competitors as a result of our participation in and contribution to development of industry standards. Despite our efforts, unauthorized parties may attempt to copy or otherwise obtain and use our products or proprietary technology. Monitoring unauthorized use of our technology is difficult, and the steps that we have taken may not prevent unauthorized use of our technology, particularly in jurisdictions where the laws may not protect our proprietary rights as fully as in the United States or other developed countries. If our patents do not adequately protect our technology, our competitors may be able to offer products similar to ours, which would adversely impact our business and results of operations. We have implemented security systems with the intent of maintaining the physical security of our facilities and protecting our confidential information including our intellectual property. Despite our efforts, we may be subject to breach of these security systems and controls which may result in unauthorized access to our facilities and labs and/or unauthorized use or theft of the confidential information and intellectual property we are trying to protect. If we fail to protect these intellectual property rights, competitors could sell products based on technology that we have developed, which could harm our competitive position and decrease our revenue.

Certain of our software, as well as that of our customers, may be derived from so-called "open source" software that is generally made available to the public by its authors and/or other third parties. Open source software is made available under licenses that impose certain obligations on us in the event we were to distribute derivative works of the open source software. These obligations may require us to make source code for the derivative works available to the public and/or license such derivative works under a particular type of license, rather than the forms of license we customarily use to protect our intellectual property. While we believe we have complied with our obligations under the various applicable licenses for open source software, in the event that the copyright holder of any open source software were to successfully establish in court that we had not complied with the terms of a license for a particular work, we could be required to release the source code of that work to the public and/or stop distribution of that work if the license is terminated which could adversely impact our business and results of operations.

We are subject to order and shipment uncertainties. If we are unable to accurately predict customer demand, we may hold excess or obsolete inventory, which would reduce our gross margin. Conversely, we may have insufficient inventory, which would result in lost revenue opportunities and potential loss of market share as well as damaged customer relationships.

We typically sell products pursuant to purchase orders rather than long-term purchase commitments. Customers can generally cancel or defer purchase orders on short notice without incurring a significant penalty. Due to their inability to predict demand or other reasons, some of our customers may accumulate excess inventories and, as a consequence, defer purchase of our products. We cannot accurately predict what or how many products our customers will need in the future. Anticipating demand is difficult because our customers face unpredictable demand for their own products and are increasingly focused more on cash preservation and tighter inventory management. In addition, as an increasing number of our chips are being incorporated into consumer products, we anticipate greater fluctuations in demand for our products, which makes it more difficult to forecast customer demand.

We place orders with our suppliers based on forecasts of customer demand and, in some instances, may establish buffer inventories to accommodate anticipated demand. Our forecasts are based on multiple assumptions, each of which may introduce error into our estimates. For example, our ability to accurately forecast customer demand may be impaired by the delays inherent in our customer's product development processes, which may include extensive qualification and testing of components included in their products, including ours. In many cases, they design their products to use components from multiple suppliers. This creates the risk that our customers may decide to cancel or change product plans for products incorporating our integrated circuits prior to completion, which makes it even more difficult to forecast customer demand.

Our products are incorporated into complex devices and systems, which may create supply chain cross-dependencies. Due to cross dependencies, any supply chain disruptions could negatively impact the demand for our products in the short term. We have a limited ability to predict the timing of a supply chain correction. In addition, the market share of our customers could be adversely impacted on a long-term basis due to any continued supply chain disruption, which could negatively affect our results of operations.

If we overestimate customer demand, our excess or obsolete inventory may increase significantly, which would reduce our gross margin and adversely affect our financial results. The risk of obsolescence and/or excess inventory is heightened for devices designed for consumer electronics due to the rapidly changing market for these types of products. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would miss revenue opportunities and potentially lose market share and damage our customer relationships. In addition, any future significant cancellations or deferrals of product orders or the return of previously sold products could materially and adversely affect our profit margins, increase product obsolescence and restrict our ability to fund our operations.

We rely on third-party distributors and manufacturers' representatives and the failure of these distributors and manufacturers' representatives to perform as expected could reduce our future sales.

From time to time, we enter into relationships with distributors and manufacturers' representatives to sell our products, and we are unable to predict the extent to which these partners will be successful in marketing and selling our products. Moreover, many of our distributors and manufacturers' representatives also market and sell competing products, and may terminate their relationships with us at any time. Our future performance will also depend, in part, on our ability to attract additional distributors or manufacturers' representatives that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. If we cannot retain or attract quality distributors or manufacturers' representatives, our sales and results of operations will be harmed.

We face additional risks due to the extent of our global operations since a majority of our products, and those of our customers, are manufactured and sold outside of the United States. The occurrence of any or a combination of the additional risks described below would significantly and negatively impact our business and results of operations.

A substantial portion of our business is conducted outside of the United States and, as a result, we are subject to foreign business, political and economic risks. All of our products are manufactured outside of the United States. Our current qualified integrated circuit foundries are located in the same region within Taiwan, and our primary assembly and test subcontractors are located in the Pacific Rim region. In addition, many of our customers are located outside of the United States, primarily in Asia, which further exposes us to foreign risks. Sales shipped to customers with operations in Asia represented approximately 80% and 94% of our net revenue in the three months ended May 4, 2019 and May 5, 2018, respectively.

We also have substantial operations outside of the United States. These operations are directly influenced by the political and economic conditions of the region in which they are located and, with respect to Israel, possible military hostilities periodically affecting the region that could affect our operations there. We anticipate that our manufacturing, assembly, testing and sales outside of the United States will continue to account for a substantial portion of our operations and revenue in future periods.

Accordingly, we are subject to risks associated with international operations, including:

- political, social and economic instability, including wars, terrorism, political unrest, boycotts, curtailment of trade and other business restrictions;
- volatile global economic conditions, including downturns in which some competitors may become more aggressive in their pricing practices, which would adversely impact our gross margin;
- compliance with domestic and foreign export and import regulations, including pending changes thereto, and difficulties in obtaining and complying with domestic and foreign export, import and other governmental approvals, permits and licenses;
- local laws and practices that favor local companies, including business practices in which we are prohibited from engaging by the Foreign Corrupt Practices Act and other anti-corruption laws and regulations;
- difficulties in staffing and managing foreign operations;
- natural disasters, including earthquakes, tsunamis and floods;
- trade restrictions, higher tariffs, worsening trade relationship between the United States and China, or changes in cross border taxation, particularly in light of the recently imposed tariffs announced by the Trump administration;
- transportation delays;
- difficulties of managing distributors;
- less effective protection of intellectual property than is afforded to us in the United States or other developed countries;
- inadequate local infrastructure; and
- exposure to local banking, currency control and other financial-related risks.

As a result of having global operations, the sudden disruption of the supply chain and/or disruption of the manufacture of our customer's products caused by events outside of our control could impact our results of operations by impairing our ability to timely and efficiently deliver our products.

Moreover, the international nature of our business subjects us to risk associated with the fluctuation of the U.S. dollar versus foreign currencies. Decreases in the value of the U.S. dollar versus currencies in jurisdictions where we have large fixed costs, or where our third-party manufacturers have significant costs, will increase the cost of such operations which could harm our results of operations.

We must comply with a variety of existing and future laws and regulations that could impose substantial costs on us and may adversely affect our business.

We are subject to laws and regulations worldwide, which may differ among jurisdictions, affecting our operations in areas including, but not limited to: intellectual property ownership and infringement; tax; import and export requirements; anti-corruption; foreign exchange controls and cash repatriation restrictions; data privacy requirements; competition; advertising; employment; product regulations; environment, health and safety requirements; and consumer laws. For example, government export regulations apply to the encryption or other features contained in some of our products. If we fail to continue to receive licenses or otherwise comply with these regulations, we may be unable to manufacture the affected products at foreign foundries or ship these products to certain customers, or we may incur penalties or fines. In addition, we are subject to various industry requirements restricting the presence of certain substances in electronic products. Although our management systems are designed to maintain compliance, we cannot assure you that we have been or will be at all times in compliance with such laws and regulations. If we violate or fail to comply with any of them, a range of consequences could result, including fines, import/export restrictions, sales limitations, criminal and civil liabilities or other sanctions. The costs of complying with these laws (including the costs of any investigations, auditing and monitoring) could adversely affect our current or future business.

Our product or manufacturing standards could also be impacted by new or revised environmental rules and regulations or other social initiatives. For instance, the SEC requires disclosures relating to the sourcing of certain minerals from the Democratic Republic of Congo and adjoining countries. Those rules, or similar rules that may be adopted in other jurisdictions, could adversely affect our costs, the availability of minerals used in our products and our relationships with customers and suppliers.

In connection with the Cavium acquisition, we have been subject to regulatory conditions imposed by the Committee on Foreign Investment in the United States (CFIUS) pursuant to a Letter of Assurance (LA) where we have agreed to implement certain cyber security, physical security and training measures to protect national security, which may materially and adversely affect our operating results due to the increased cost of compliance with these measures. If we fail to comply with our obligations under the LA, our ability to operate our business may be adversely affected.

Changes in existing taxation benefits, rules or practices may adversely affect our financial results.

Changes in existing taxation benefits, rules or practices may also have a significant effect on our reported results. Both the U.S. Congress and the G-20 (Group of Twenty Finance Ministers and Central Bank Governors) may consider legislation affecting the taxation of foreign corporations and such legislation if enacted might adversely affect our future tax liabilities and have a material impact on our results of operations. For example, the Tax Cuts and Jobs Act (“2017 Tax Act”) was signed into law on December 22, 2017. The 2017 Tax Act significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21%, eliminating certain deductions, imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries, introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax. Please see “Provision for Income Taxes” set forth in Part II, Item 7 of this Annual Report on Form 10-K for more information on the impact of the 2017 Tax Act on the Company.

In addition, in prior years, we have entered into agreements in certain foreign jurisdictions that if certain criteria are met, the foreign jurisdiction will provide a more favorable tax rate than their current statutory rate. For example, we have obtained an undertaking from the Minister of Finance of Bermuda that in the event Bermuda enacts legislation imposing tax computed on profits, income, or capital asset, gain or appreciation, then the imposition of any such taxes will not apply to us until March 31, 2035. Additionally, our Singapore subsidiary qualified for Pioneer status until it expired in June 2014. However, we re-negotiated with the Singapore government and in fiscal 2015, they extended the Development and Expansion Incentive until June 2019. Furthermore, under the Israeli Encouragement law of “approved or benefited enterprise,” our subsidiary in Israel, Marvell Israel (M.I.S.L) Ltd., is entitled to, and has certain existing programs that qualify as, approved and benefited tax programs that include reduced tax rates and exemption of certain income through fiscal 2027. Moreover, receipt of past and future benefits under tax agreements may depend on our ability to fulfill commitments regarding employment of personnel or performance of specified activities in the applicable jurisdiction. Changes in our business plans, including divestitures, could result in termination of an agreement or loss of benefits thereunder. If any of our tax agreements in any of these foreign jurisdictions were terminated, our results of operations would be harmed.

The Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Sharing Project, and issued in 2015, and is expected to continue to issue, guidelines and proposals that may change various aspects of the existing framework under which our tax obligations are determined in some of the countries in which we do business. We can provide no assurance that changes in tax laws and additional investigations as a result of this project would not have an adverse tax impact on our international operations. In addition, the European Union (“EU”) has initiated its own measures along similar lines. In December 2017, the EU identified certain jurisdictions (including Bermuda and Cayman Islands) which it considered had a tax system that facilitated offshore structuring by attracting profits without commensurate economic activity. In order to avoid EU “blacklisting”, both Bermuda and Cayman Islands introduced new legislation in December 2018, which came into force on January 1, 2019. These new laws require Bermuda and Cayman companies carrying on one or more “relevant activity” (including: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service center, intellectual property or holding company) to maintain a substantial economic presence in Bermuda in order to comply with the economic substance requirements. There is no experience yet as to how the Bermuda and Cayman Islands authorities will interpret and enforce these new rules and, accordingly, we are not able to predict their impact on our operations and net income. In addition, to the extent that we are required to maintain more of a presence in Bermuda or the Cayman Islands, such requirements will increase our costs either directly in those locations or indirectly as a result of increased costs related to moving our operations to other jurisdictions.

Matters relating to or arising from our Audit Committee investigation, including regulatory proceedings, litigation matters and potential additional expenses, may adversely affect our business and results of operations.

As previously disclosed in our public filings, in March 2016, the Audit Committee of our Board of Directors completed an investigation that generally included a review of certain revenue recognized in the first and second quarters of fiscal 2016 and the fourth quarter of fiscal 2015, including transactions that would have, in the normal course of events and but for action by certain Marvell employees, been completed and recognized in a subsequent quarter (referred to internally as “pull-ins”), the accrual of a litigation reserve in the second quarter of fiscal 2016, and the stated belief by Marvell’s former Chairman and Chief Executive Officer of ownership of certain patent rights related to the Final-Level Cache invention and his later assignment of associated patent rights to Marvell. We are also the subject of investigations by the Securities and Exchange Commission and the U.S. Attorney related to these matters. We are fully cooperating with the SEC and the U.S. Attorney with respect to those investigations.

We incurred significant expenses related to legal, accounting, and other professional services in connection with the investigations and related matters and related remediation efforts. In addition, we incurred significant legal expenses in connection with the litigation and settlement of securities class actions or other lawsuits that were filed against us, our directors and officers. The expenses incurred, the impact of our delay in fiscal 2016 and the beginning of fiscal 2017 in meeting our periodic reports on the confidence of investors, employees and customers, and the diversion of the attention of the management team that occurred adversely affected our business, financial condition and results of operations or cash flows.

The pending investigations or any future additional lawsuits could also result in significant expenses, distraction and may adversely affect our business, financial condition, results of operations and cash flows.

We have been named as a party to several legal proceedings and may be named in additional ones in the future, including litigation involving our patents and other intellectual property, which could subject us to liability, require us to indemnify our customers, require us to obtain or renew licenses, require us to stop selling our products or force us to redesign our products.

We have been named as a party to several lawsuits, government inquiries or investigations and other legal proceedings (referred to as “litigation”), and we may be named in additional ones in the future. Please see “Note 10 - Commitments and Contingencies” of our Notes to the Unaudited Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q for a more detailed description of material litigation matters in which we may be currently engaged. In particular, litigation involving patents and other intellectual property is widespread in the high-technology industry and is particularly prevalent in the semiconductor industry, where a number of companies and other entities aggressively bring numerous infringement claims to assert their patent portfolios. The amount of damages alleged in intellectual property infringement claims can often be very significant. See also, “*We may be unable to protect our intellectual property, which would negatively affect our ability to compete.*”

From time to time, our subsidiaries and customers receive, and may continue to receive in the future, standards-based infringement claims, as well as claims against us and our subsidiaries’ proprietary technologies. Our subsidiaries and customers could face claims of infringement for certain patent licenses that have not been renewed. These claims could result in litigation and/or claims for indemnification, which, in turn, could subject us to significant liability for damages, attorneys’ fees and costs. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling, offering for sale, making, having made or exporting products or using technology that contains the allegedly infringing intellectual property;
- limit or restrict the type of work that employees involved in such litigation may perform for us;
- pay substantial damages and/or license fees and/or royalties to the party claiming infringement or other license violations that could adversely impact our liquidity or operating results;
- attempt to obtain or renew licenses to the relevant intellectual property, which licenses may not be available on reasonable terms or at all; and
- attempt to redesign those products that contain the allegedly infringing intellectual property.

Under certain circumstances, we have contractual and other legal obligations to indemnify and to incur legal expenses for current and former directors and officers. Additionally, from time to time, we have agreed to indemnify select customers for claims alleging infringement of third-party intellectual property rights, including, but not limited to, patents, registered trademarks and/or copyrights. If we are required to make a significant payment under any of our indemnification obligations, our results of operations may be harmed.

The ultimate outcome of litigation could have a material adverse effect on our business and the trading price for our securities. Litigation may be time consuming, expensive, and disruptive to normal business operations, and the outcome of litigation is difficult to predict. Litigation, regardless of the outcome, may result in significant expenditures, diversion of our management’s time and attention from the operation of our business and damage to our reputation or relationship with third parties, which could materially and adversely affect our business, financial condition, results of operations, cash flows and stock price.

We are exposed to potential impairment charges on certain assets.

We had approximately \$5.5 billion of goodwill on our consolidated balance sheet as of May 4, 2019. Under generally accepted accounting principles in the United States, we are required to review our intangible assets including goodwill for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. We perform an assessment of goodwill for impairment annually on the last business day of our fiscal fourth quarter and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable.

We have identified that our business operates as a single operating segment with two primary components (Storage and Networking), which we have concluded can be aggregated into a single reporting unit for purposes of testing goodwill impairment. The fair value of the reporting unit is determined by taking our market capitalization as determined through quoted market prices and as adjusted for a control premium and other relevant factors. If our fair value declines to below our carrying value, we could incur significant goodwill impairment charges, which could negatively impact our financial results. If in the future a change in our organizational structure results in more than one reporting unit, we will be required to allocate our goodwill and perform an assessment of goodwill for impairment in each reporting unit. As a result, we could have an impairment of goodwill in one or more of such future reporting units.

In addition, from time to time, we have made investments in private companies. If the companies that we invest in are unable to execute their plans and succeed in their respective markets, we may not benefit from such investments, and we could potentially lose the amounts we invest. We evaluate our investment portfolio on a regular basis to determine if impairments have occurred. If the operations of any businesses that we have acquired declines significantly, we could incur significant intangible asset impairment charges. Impairment charges could have a material impact on our results of operations in any period.

If we were classified as a passive foreign investment company, there would be adverse tax consequences to U.S. holders of our ordinary shares.

If we were classified as a “passive foreign investment company” or “PFIC” under section 1297 of the Internal Revenue Code, of 1986, as amended (the “Code”), for any taxable year during which a U.S. holder holds ordinary shares, such U.S. holder generally would be taxed at ordinary income tax rates on any gain realized on the sale or exchange of the ordinary shares and on any “excess distributions” (including constructive distributions) received on the ordinary shares. Such U.S. holder could also be subject to a special interest charge with respect to any such gain or excess distribution.

We would be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of our gross income is passive income or (ii) on average, the percentage of our assets that produce passive income or are held for the production of passive income is at least 50% (determined on an average gross value basis). We were not classified as a PFIC for fiscal year 2018 or in any prior taxable year. Whether we will, in fact, be classified as a PFIC for any subsequent taxable year depends on our assets and income over the course of the relevant taxable year and, as a result, cannot be predicted with certainty. In particular, because the total value of our assets for purposes of the asset test will be calculated based upon the market price of our ordinary shares, a significant and sustained decline in the market price of our ordinary shares and corresponding market capitalization relative to our passive assets could result in our being classified as a PFIC. There can be no assurance that we will not be classified as a PFIC in the future or the Internal Revenue Service will not challenge our determination concerning PFIC status for any prior period.

As we carry only limited insurance coverage, any incurred liability resulting from uncovered claims could adversely affect our financial condition and results of operations.

Our insurance policies may not be adequate to fully offset losses from covered incidents, and we do not have coverage for certain losses. For example, there is very limited coverage available with respect to the services provided by our third-party foundries and assembly and test subcontractors. In the event of a natural disaster (such as an earthquake or tsunami), political or military turmoil, widespread health issues or other significant disruptions to their operations, insurance may not adequately protect us from this exposure. We believe our existing insurance coverage is consistent with common practice, economic considerations and availability considerations. If our insurance coverage is insufficient to protect us against unforeseen catastrophic losses, any uncovered losses could adversely affect our financial condition and results of operations.

We are subject to the risks of owning real property.

Our buildings in Santa Clara, California and Shanghai, China subject us to the risks of owning real property, which include, but are not limited to:

- the possibility of environmental contamination and the costs associated with remediating any environmental problems;
- adverse changes in the value of these properties due to interest rate changes, changes in the neighborhood in which the property is located, or other factors;
- the possible need for structural improvements in order to comply with zoning, seismic and other legal or regulatory requirements;
- the potential disruption of our business and operations arising from or connected with a relocation due to moving to or renovating the facility;
- increased cash commitments for improvements to the buildings or the property, or both;
- increased operating expenses for the buildings or the property, or both;
- possible disputes with tenants or other third parties related to the buildings or the property, or both;
- failure to achieve expected cost savings due to extended non-occupancy of a vacated property intended to be leased; and
- the risk of financial loss in excess of amounts covered by insurance, or uninsured risks, such as the loss caused by damage to the buildings as a result of earthquakes, floods and/or other natural disasters.

Risks Related to Owning Marvell Common Shares

There can be no assurance that we will continue to declare cash dividends or effect share repurchases in any particular amount or at all, and statutory requirements under Bermuda Law may require us to defer payment of declared dividends or suspend share repurchases.

In May 2012, we declared our first quarterly cash dividend and in October 2018, we announced that our board of directors had authorized a \$700 million addition to our previously existing \$1 billion share repurchase program. An aggregate of \$796 million of shares have been repurchased under that program as of May 4, 2019. Future payment of a regular quarterly cash dividend on our common shares and future share repurchases will be subject to, among other things: the best interests of our company and our shareholders; our results of operations, cash balances and future cash requirements; financial condition; developments in ongoing litigation; statutory requirements under Bermuda law; market conditions; and other factors that the board of directors may deem relevant. Our dividend payments or share repurchases may change from time to time, and we cannot provide assurance that we will continue to declare dividends or repurchase shares in any particular amounts or at all. A reduction in, a delay of, or elimination of our dividend payments or share repurchases could have a negative effect on our share price.

We are incorporated in Bermuda and, as a result, it may not be possible for our shareholders to enforce civil liability provisions of the securities laws of the United States. In addition, our Bye-Laws contain a waiver of claims or rights of action by our shareholders against our officers and directors, which will severely limit our shareholders' right to assert a claim against our officers and directors under Bermuda law.

We are organized under the laws of Bermuda. As a result, it may not be possible for our shareholders to affect service of process within the United States upon us, or to enforce against us in U.S. courts judgments based on the civil liability provisions of the securities laws of the United States. There is significant doubt as to whether the courts of Bermuda would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liability provisions of the securities laws of the United States or any state, or hear actions brought in Bermuda against us or those persons based on those laws. The United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not be automatically enforceable in Bermuda.

Our Bye-Laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers and directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties with or for us, other than with respect to any matter involving any fraud or dishonesty on the part of the officer or director or to any matter arising under U.S. federal securities laws. This waiver will limit the rights of our shareholders to assert claims against our officers and directors unless the act complained of involves fraud or dishonesty or arises as a result of a breach of U.S. federal securities laws. Therefore, so long as acts of business judgment do not involve fraud or dishonesty or arise as a result of a breach of U.S. federal securities laws, they will not be subject to shareholder claims under Bermuda law. For example, shareholders will not have claims against officers and directors for a breach of trust, unless the breach rises to the level of fraud or dishonesty, or arises as a result of a breach of U.S. federal securities laws.

Our Bye-Laws contain provisions that could delay or prevent a change in corporate control, even if the change in corporate control would benefit our shareholders.

Our Bye-Laws contain change in corporate control provisions, which include authorizing the issuance of preferred shares without shareholder approval. This provision could make it more difficult for a third party to acquire us, even if doing so would benefit our shareholders.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the three months ended May 4, 2019.

Issuer Purchases of Equity Securities

The following table presents details of our share repurchases during the three months ended May 4, 2019 (in thousands, except per share data):

Period (1)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
February 3, 2019 - March 2, 2019	—	\$ —	—	\$ 953,982
March 3, 2019 - March 30, 2019	1,434	\$ 19.83	1,434	\$ 925,537
March 31, 2019 - May 4, 2019	925	\$ 23.34	925	\$ 903,959
Total	2,359	\$ 21.20	2,359	\$ 903,959

- (1) The monthly periods presented above for the three months ended May 4, 2019, are based on our fiscal accounting periods which follow a quarterly 4-4-5 week fiscal accounting period.
- (2) On November 17, 2016, we announced that our Board of Directors had authorized a \$1 billion share repurchase plan. On October 16, 2018, we announced that our Board of Directors authorized a \$700 million addition to the balance of our existing share repurchase plan. Our existing share repurchase program had approximately \$304 million of repurchase authority remaining as of October 16, 2018 prior to the approved addition. We intend to effect share repurchases in accordance with the conditions of Rule 10b-18 under the Exchange Act, but may also make repurchases in the open market outside of Rule 10b-18 or in privately negotiated transactions. The share repurchase program will be subject to market conditions and other factors and does not obligate us to repurchase any dollar amount or number of our common shares and the repurchase program may be extended, modified, suspended or discontinued at any time.

Item 6. Exhibits

Exhibit No.	Item	Form	File Number	Incorporated by Reference from Exhibit Number	Filed with SEC
10.1#	Form of Value Creation Performance Based Restricted Stock Unit Notice of Grant				Filed herewith
10.2#	Summary of Fiscal 2020 Compensation Arrangements				Filed herewith
10.3#	Form of Relative Total Shareholder Return Performance Based Restricted Stock Unit Grant Notice				Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer				Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer				Filed herewith
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Principal Executive Officer				Filed herewith
32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Principal Financial Officer				Filed herewith
101.INS	XBRL Instance Document				Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document				Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Document				Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed herewith

Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

MARVELL TECHNOLOGY GROUP LTD.

Date: June 6, 2019

By: /s/ JEAN HU

Jean Hu

Chief Financial Officer

(Principal Financial Officer)

Notice of Grant of

Performance Restricted Stock
Units and Agreement

Marvell Technology Group LTD

ID: 77-0481679

Canon's Court, 22 Victoria Street

P O Box HM 1179

Hamilton HM EX, Bermuda

NAME		Award Number: NUMBER
ADDRESS	Plan:	1995
CITY STATE ZIP	ID:	NUMBER

Effective April 15, 2019, you have been granted a Performance-based Restricted Stock Unit (RSU) award for the number of shares set forth on **Exhibit A**, subject to the performance metrics set forth on **Exhibit B**.

This Notice of Grant is subject to all of the terms and conditions set forth herein, as well as the Stock Unit Agreement, the Appendix (which includes the special provisions for your country of residence if any), and the Amended and Restated 1995 Stock Option Plan (the "Plan"), all of which are incorporated herein by reference. This Notice of Grant, the Stock Unit Agreement, the Appendix and the Plan are referred to herein as the "Grant Documents." Capitalized terms used in this Notice of Grant but not defined shall have the same meaning as provided in the Plan.

By signing this document, you hereby acknowledge receipt of a copy of the Grant Documents, and agree that:

- (a) these Performance-based RSUs are granted under and governed by the terms and conditions of the Grant Documents;
- (b) you have carefully read, fully understand and agree to all of the terms and conditions described in the Grant Documents;
- (c) you understand and agree that the Grant Documents constitute the entire understanding between you and the Company regarding this Performance-based RSU, and that any prior agreements, commitments or negotiations concerning this grant are replaced and superseded; and
- (d) you have been given an opportunity to consult legal counsel with respect to all matters relating to this Performance-based RSU prior to signing this Notice of Grant and that you have either consulted such counsel or voluntarily declined to consult such counsel.

The Stock Unit Agreement, the Appendix and the Plan are available on the Company's website at <https://intranet/stockselfservice> or by request from the Company's Stock Administration Department. You hereby agree that these documents are deemed to be delivered to you.

 Mitchell Gaynor Date
 EVP, Chief Administration and Legal Officer
 Marvell Technology Group Ltd.

NAME

Date

Exhibit A

Grant Number:	NUMBER
Grant Date:	April 15, 2019
Grant Date Fair Market Value per Share:	\$FMV
Grant Price:	\$0.00
Number of Shares at Target (payable at 100%):	NUMBER
Vesting Schedule:	See Exhibit B
Performance Metrics:	See Exhibit B

Exhibit B

VESTING SCHEDULE FOR VALUE CREATION AWARDS

Subject to any acceleration provisions contained in the Plan or set forth below, the RSUs will vest only if certain performance-based goals are achieved (as described below) and certain service-based requirements (as described below) are met. Participant will not vest in the RSUs unless he or she remains in Continuous Service (as defined in the Plan) through the applicable vesting date (subject to termination and Change in Control provisions set forth below).

Performance Period. 4-year period commencing as of the Grant Date.

Performance-Based Vesting Component. The RSUs will become eligible to vest (if at all) during the Performance Period based on Performance Achievement (as set forth below). Any RSUs that become eligible to vest after Performance Achievement are referred to herein as "Eligible RSUs."

Price Target. The Price Target shall be a stock price of \$40 per share. The Price Target (e.g., \$40 per share) shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 14 of the Plan.

Performance Achievement. Performance Achievement shall occur once the average closing trading price for the Company's common stock equals or exceeds the Price Target for 100 calendar days.

All determinations regarding the occurrence of Performance Achievement shall be made by the Executive Compensation Committee of the Board ("ECC") in its sole discretion and all such determinations shall be final and binding on all parties. Any RSUs that will become Eligible RSUs pursuant to the terms and conditions set forth herein will be deemed Eligible RSUs as of the date of occurrence of Performance Achievement (e.g., the last day of the 100 calendar day period referenced above) (the "Performance Achievement Date"); provided that the ECC has then certified in writing as to the occurrence of Performance Achievement within 60 calendar days after the Performance Achievement Date.

Performance Achievement must occur prior to the end of the Performance Period or the RSUs shall be forfeited.

Service-Based Vesting Component. Once the Eligible RSUs have been determined pursuant to the performance-based vesting component described above, subject to any acceleration provisions contained below, the Eligible RSUs will vest in accordance with the following schedule:

100% of Eligible RSUs vest on the 1-year anniversary of the Performance Achievement Date (the "Vesting Date"), subject to Participant maintaining Continuous Service through such date.

Termination of Continuous Service Prior to a Change in Control. Notwithstanding the terms of the Plan or Section 5 of the Stock Unit Agreement, the following provisions apply with respect to termination of Continuous Service prior to a Change in Control (as the term Change in Control is defined in the Company's Change in Control and Severance Plan (the "CIC Plan")).

If (x) Performance Achievement has not occurred, (y) Participant's Continuous Service is terminated by the Company other than for Cause (as defined in the CIC Plan), death or Disability (as defined in the CIC Plan) and (z) termination of Continuous Service occurs on a date when the closing stock price has exceeded the Price Target at any time prior to the termination of employment (the "Termination Date"), then the RSUs will remain outstanding and shall vest (but not be settled) if Performance Achievement occurs on or prior to the date 100 calendar days following the Termination Date. Any RSUs that vest under this paragraph shall be paid and settled

on the earlier of: (x) March 15th of the year following the year that Performance Achievement occurs; or (y) the one-year anniversary of the Performance Achievement Date.

If (x) Performance Achievement has occurred, and (y) prior to the Vesting Date, Participant's Continuous Service is terminated by the Company other than for Cause, death or Disability, then 100% of the Eligible RSUs shall vest (but not be settled) on the Termination Date. Any Eligible RSUs that vest under this paragraph shall be paid and settled on the earlier of: (x) March 15th of the year following the year of the Termination Date; or (y) the one-year anniversary of the Performance Achievement Date.

Change in Control. Notwithstanding the terms of the Plan, Section 5 of the Stock Unit Agreement, or the CIC Plan, the following provisions apply with respect to Change in Control.

If (x) Performance Achievement has not occurred on or prior to the Change in Control, and (y) the price per share payable to Company shareholders (in cash, stock or combination thereof) in the Change in Control (the "Per Share Amount") equals or exceeds the Price Target, then Performance Achievement shall be deemed to occur on the Change in Control and 100% of RSUs shall vest upon the Change in Control.

If (x) Performance Achievement has not occurred on or prior to the Change in Control, and (y) the Per Share Amount equals or exceeds \$32.50 (as adjusted under Section 14 of the Plan) but is less than the Price Target, then the following percentage of RSUs shall become Eligible RSUs and vest as of the Change in Control: (i) 30% plus the product of (a) 70% multiplied by (b) the difference of the Per Share Amount *less* \$32.50 *divided by* \$7.50.

If Performance Achievement has occurred on or prior to the Change in Control then 100% of Eligible RSUs shall vest upon the Change in Control.

Death / Disability. Notwithstanding the terms of the Plan, Section 5 of the Stock Unit Agreement, or the Company's Equity Award Death and Disability Acceleration Policy, the following provisions apply with respect to death or Disability.

If (x) Performance Achievement has occurred, and (y) prior to the Vesting Date, Participant terminates Continuous Service on account of death or Disability, then 100% of Eligible RSUs shall vest on the Termination Date.

If (x) Performance Achievement has not occurred, (y) Participant's Continuous Service is terminated on account of death or Disability and (z) termination of Continuous Service occurs on a date when the closing stock price has exceeded the Price Target at any time prior thereto, then the RSUs will remain outstanding and shall vest if Performance Achievement occurs on or prior to the date that is 100 calendar days following the Termination Date.

If (x) Performance Achievement has not occurred on or prior to death, Disability or a Change in Control, (y) Participant's Continuous Service is terminated on account of death or Disability and a Change in Control occurs on or prior to the date that is 100 calendar days following the Termination Date and (z) the Per Share Amount equals or exceeds \$32.50 (as adjusted under Section 14 of the Plan), then the following percentage of RSUs shall become Eligible RSUs and vest as of the Change in Control: (i) 30% plus the product of (a) 70% multiplied by (b) the difference of the Per Share Amount *less* \$32.50 *divided by* \$7.50; provided, however, the percentage of RSUs vesting shall in no event exceed 100% (e.g., if the Per Share Amount equals or exceeds \$40, then the vesting percentage shall be 100%).

Any accelerated vesting under this **Exhibit B** (other than acceleration on account of death or Disability) will be subject to Participant's execution of a customary release within 60 days following the Termination Date.

Compensation Arrangements for FY 2020 of Named Executive Officers

Marvell Technology Group Ltd.

Note: The following summary of compensation arrangements does not include all previously-reported compensation arrangements or awards granted under previously-disclosed incentive plans. Disclosures with respect to compensation for Named Executive Officers for the 2019 fiscal year were included in the Company's definitive proxy statement for the Company's 2019 Annual Meeting of Stockholders filed with the SEC on May 16, 2019, and additional disclosures with respect to compensation for Named Executive Officers for the 2020 fiscal year will be included in the Company's definitive proxy statement for the Company's 2020 Annual Meeting of Stockholders.

Matthew Murphy (Chief Executive Officer)

Mr. Murphy's current annual base salary is \$900,000. In addition, Mr. Murphy will be eligible to participate in the Company's FY20 Annual Incentive Plan (as described below) with a bonus target of 150% as a percentage of base salary. On April 15, 2019, Mr. Murphy was granted 166,597 performance-based restricted stock unit awards, 888,099 value creation restricted stock unit awards and 139,182 service-based restricted stock unit awards under the Company's equity incentive plan as part of his fiscal year 2020 compensation.

Jean Hu (Chief Financial Officer)

Ms. Hu's current annual base salary is \$500,000. In addition, Ms. Hu will be eligible to participate in the Company's FY20 Annual Incentive Plan with a bonus target of 100% as a percentage of base salary. On April 15, 2019, Ms. Hu was granted 46,394 performance-based restricted stock unit awards, 204,262 value creation restricted stock unit awards and 46,394 service-based restricted stock unit awards under the Company's equity incentive plan as part of her fiscal year 2020 compensation.

Raghib Hussain (EVP, Networking and Processor Group and Chief Strategy Officer)

Mr. Hussain's current annual base salary is \$550,000. In addition, Mr. Hussain will be eligible to participate in the Company's FY20 Annual Incentive Plan with a bonus target of 100% as a percentage of base salary. On April 15, 2019, Mr. Hussain was granted 82,244 performance-based restricted stock unit awards, 399,644 value creation restricted stock unit awards and 114,351 service-based restricted stock unit awards under the Company's equity incentive plan as part of his fiscal year 2020 compensation.

Mitchell Gaynor (Chief Administration and Legal Officer and Secretary)

Mr. Gaynor's current annual base salary is \$480,000. In addition, Mr. Gaynor will be eligible to participate in the Company's FY20 Annual Incentive Plan with a bonus target of 75% as a percentage of base salary. On April 15, 2019, Mr. Gaynor was granted 31,633 performance-based restricted stock unit awards, 133,214 value creation restricted stock unit awards and 31,633 service-based restricted stock unit awards under the Company's equity incentive plan as part of his fiscal year 2020 compensation.

Annual Incentive Plan for Fiscal Year 2020 ("AIP")

The AIP provides the Company's executive officers with the opportunity to earn cash bonuses based upon the achievement of pre-established performance goals. Total bonus opportunities will be based on achievement of annual targets. Bonus payouts may range between 0% and 200% of the target bonus opportunity.

Under the AIP, in order for an executive officer to be eligible to receive a cash bonus, the Company has to meet a threshold non-GAAP earnings-per-share goal. For these purposes, earnings-per-share (as well as the non-GAAP measures below) may be adjusted by the Executive Compensation Committee by excluding (in its sole discretion) among other items: M&A/divestiture expense, litigation expense, equity compensation expense, and restructuring costs. If the threshold performance goal is not met, no bonuses will be payable under the AIP.

If the Company's threshold performance goal is met, the AIP provides for potential payouts based on the following metrics:

- revenue (30%),
- non-GAAP gross margin (30%), and
- non-GAAP operating income margin (40%).

If the Company fails to achieve the threshold level for any of the above Company performance goals, no payout is awarded for that goal.

Payouts for the Chief Executive Officer and Chief Financial Officer will be based solely on the above Company performance goals. Payouts for the other executive officers may be based 80% on Company performance goals and 20% on individual performance goals, provided that no overachievement on the 20% individual component will be permitted unless the Company achieves at least 100% of the Company's performance goals. Nevertheless, in its discretion, the Executive Compensation Committee may reduce the individual component for any executive officer (and increase the component based on Company performance) if it determines doing so would be appropriate in the circumstances.

The Executive Compensation Committee determined that the combined application of all the metrics would make achievement difficult to meet at target and very difficult to meet at maximum payout.

Name

Date

Exhibit A

Grant Number:	
Grant date:	4/15/2019
Grant date Fair Market Value per share:	
Grant Price:	\$0.00
Number of shares in range:	0% to 200% of Target
Number of shares at Target (payable at 100%):	
Number of shares at Maximum (payable at 200% of Target):	
Grant Type:	Total Shareholder Return (TSR)
Vesting schedule:	Cliff vest at end of 3 years from the date of grant
Vesting commencement date:	4/15/2019
Vesting date:	4/15/2022
Performance metrics:	See Exhibit B
Performance measurement start date:	4/15/2019
Performance measurement end date:	4/5/2022

Exhibit B

TSR Objectives– Based on achievement relating to the relative total shareholder return of the Company’s Common Shares as compared to the total shareholder return of the S&P 500 Index over the performance period, provided that you continue to serve as a service provider through the third anniversary of the vesting start date. The ECC will determine the amount of achievement (or non-achievement) of the TSR Objectives prior to the vesting date.

Calculation Methodology – Stock price growth adjusted for reinvested dividends during the performance period. The start and end stock prices shall be based on the average stock price over the preceding 120-trading days.

Performance-Payout Schedule –

Performance Level	Versus the S&P 500 Index	Payout
Maximum	+33% over	200% of Target
Target	Equal to S&P 500	100% of Target
Minimum	-33% under	0% of Target

Actual performance will be calculated using a straight-line interpolation between the above performance levels. The number of shares awarded will be rounded up to nearest whole share.

CERTIFICATION

I, Matthew J. Murphy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marvell Technology Group Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2019

By: /s/ MATTHEW J. MURPHY

Matthew J. Murphy
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Jean Hu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Marvell Technology Group Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2019

By: /s/ JEAN HU

Jean Hu
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

I, Matthew J. Murphy, the Principal Executive Officer of Marvell Technology Group Ltd. (the “Registrant”), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

- (i) the Quarterly Report of the Registrant on Form 10-Q for the fiscal quarter ended May 4, 2019 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: June 6, 2019

By: /s/ MATTHEW J. MURPHY

Matthew J. Murphy
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Jean Hu, the Principal Financial Officer of Marvell Technology Group Ltd. (the “Registrant”), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

- (i) the Quarterly Report of the Registrant on Form 10-Q for the fiscal quarter ended May 4, 2019 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: June 6, 2019

By: /s/ JEAN HU

Jean Hu
Chief Financial Officer
(Principal Financial Officer)